

Kapitalism: 101

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Law of Value 6: Socially Necessary Labor Time

Alone on his tropical island Robinson Crusoe can take as long as he wants to build a cabin for himself. It's up to him. We don't have that luxury when we produce for market exchange. When Wonder Bread makes bread they are competing in the market against Pepperidge Farm, Arnold and White Rose. If their workers are less productive, if they take longer to make bread, that doesn't mean they can sell their bread for more money. The social value of bread is not set by individuals but by the average amount of time it takes to produce bread. This is called the "Socially Necessary Labor Time". (SNLT)

In neo-classical economic theory there are all sorts of concepts that, though mathematically elegant on paper, have very little descriptive power in the real world. When was a capitalist society ever in General Equilibrium? When was there ever Pareto Optimality? When did consumers ever measure their desires in utils?

SNLT is not like that. SNLT is something very real that we can observe at work everyday. The private labor that goes on behind factory doors will not know for sure what its social value is until the products of that labor enter the market to be compared to the products of other workers. In the market these private labors become social. Socially necessary labor time is asserted. This SNLT then acts back upon production. It disciplines what goes on in the factory. Factories that were spending more labor than was socially necessary are considered inefficient. They must change their production methods or else go out of business. Factories that were producing under the socially necessary time, that were more efficient than average, are rewarded.

Let's say that the average television takes 1 hour to make. 1 hour is the SNLT for televisions. But the owner of the ACME TV factory invests in some fancy new machines that make his workers twice as productive. They can now make a television in 30 minutes. They are producing way below the SNLT. This allows ACME to produce twice as many televisions in the same amount of time.

Now if ACME sold their new TV at half the old price they wouldn't make any more money than before and there would have been no point in investing in all that new stuff. Rather than sell them at their individual value (30 minutes) they continue to sell them at the SNLT (1 hour), or perhaps just under the SNLT in order to out-sell their rivals. Because the price of TVs hasn't changed significantly there is still the same demand from consumers for TVs, but now there is a giant surplus of TVs on the market because ACME has been making twice as many TVs. ACME's rivals won't be able to sell all of their TVs. Part of their product will go unsold. Meanwhile ACME will sell most of their TVs at the SNLT, making not just their normal profit, but an additional "super-profit" because they sold their TVs above their individual values by selling at or near the SNLT.

Profit vs. super-profit

Profit comes from exploiting workers. The only way to turn money into more money is to invest it in workers, or to be precise, in labor power, the only commodity which can produce more value than it costs. (This is all covered in the video "Law of Value 5: Contradictions".) When ACME sells TVs at under the SNLT they don't just reap their normal profits from exploiting workers. They also get super-profits: profit appropriated in exchange because their TVs are made at under the SNLT.

It is this race for super-profits that drives much of the technological dynamism of a capitalist society as capitalists compete to constantly lower SNLT. By doing so capitalists don't just exploit value from workers. They also appropriate value in exchange.

Physical vs. Value Productivity

A superficial look at the ACME TV factory might give one the impression that ACME is making more profit because they are creating more value. But this is not the case. The same amount of workers are doing the same amount of work as before. The same amount of labor time is being performed, spread out over a greater number of commodities. Thus the amount of value they create is not increasing merely because the physical output is increasing. It is extremely important to understand this difference between physical productivity and value productivity. As it becomes easier to make TVs their prices fall. Thus, just because we can make more of something doesn't mean we have created more value. If other firms were to adopt technology similar to ACME's we would see the SNLT of TVs fall to half of its former value and ACME's super-profits would disappear.

Appropriating Value in Exchange

What does it mean to say that ACME makes a super-profit by appropriating value in exchange? If you trade one commodity for another of greater value then you have appropriated value in exchange. There are lots of ways this might happen. One of these ways of appropriating value is to produce a product at less than the SNLT but to sell it at the SNLT. Thus we get back more in exchange than we put into exchange. But where does this appropriated value come from?

At first glance it appears to come from the consumers that buy the commodities. But these consumers are buying a commodity at its value, at the SNLT. They are not losing value in exchange. They pay \$50 for a TV and they get a TV worth \$50. The people that do lose value are all of the other capitalists who are still producing at the SNLT. They are not able to sell all of their product. They lose out. ACME is able to lure more consumers away from them.

Exchange is a zero-sum game. Whenever one person wins another must lose. There are only so many people willing to buy TVs at the SNLT. When ACME appropriates value in exchange this doesn't mean that they are stealing money from the coffers of their competitors. It means that they are filching

away sales from their rivals. More value comes to ACME than it actually created, less goes to its rivals.
(1)

SNLT and the Labor Process

This process goes on everyday in a capitalist society. We have an obsession with time and efficiency. Everything from the working day, to the motions of workers are timed and rationalized. From the moment the alarm clock rings you are checking train schedules, punching time cards, and working as efficiently as possible. There is an entire field of industrial engineering which is devoted to decreasing SNLT in society. Some of the most influential minds of the last century have been people like Henry Ford and Frederick Taylor who made substantial contributions to the reduction of SNLT, all in the quest for a super-profit.

This drive to produce a super-profit does not mean that less and less labor is happening in society. It means that the same amount of labor is producing more output. We are often told that machines will make life easier, reducing the need for work. But this has never been the case in a capitalist society. Machines just create more output per hour worked. Often times machines are used to get more work out of workers because the machine can dictate the pace and intensity of work. SNLT is a force that presses down upon us, disciplining our motions, driving us to produce value merely for the sake of producing value, rewarding us when we can produce above the average productivity and punishing us when we fall behind.

SNLT and the centralization and concentration of capital

Capitalists compete to lower the SNLT by investing in fancier equipment. The better the machines the more efficient the labor process the higher the output the lower the prices the more super-profit the more money available to invest in new machines... Competition for SNLT means that more and more equipment is needed in order to stay competitive. This makes it harder and harder for small firms to stay in the market. The size of the firm gets larger and larger and the amount of firms in an industry shrinks. The winners gobble up the losers and capital is consolidated into fewer and fewer hands. If firms become powerful enough they may even take measures to blunt competition so that nobody can produce more efficiently than them. (2)

SNLT and Market Socialism

The tools we use to critique capitalism determine how we envision an alternative to capitalism. Models for market socialism that talk of worker-owned cooperatives coordinated by market exchange clearly see that production for the enrichment of the capitalist class must be done away with if we are to overcome capitalism. Yet any society coordinated by market exchange is still disciplined by SNLT.

This means that workers in such a society would still have to discipline their actions to the social average. Cooperatives that worked at under the SNLT would appropriate value in exchange.

Cooperatives would compete to modernize their equipment so as to lower the SNLT. And how would co-ops obtain the money to invest in better, labor-saving equipment? They would have to exploit themselves. That is, the more money that workers want to plow back into making their labor competitive, the less they can pay themselves. Not only would the workers be disciplined by SNLT, they would also find themselves disciplined by the need to amass surplus value so as to stay competitive. What happens to the workers in firms driven out of business by the centralization of industries? Where do they get the capital to start new firms? Do they have to sell their labor in the market?

Production of surplus-value for its own sake, fierce competition over super-profits, the disciplining of the labor process to the whims of impersonal market forces... sound familiar? Now perhaps one might be of the opinion that it is impossible to do away with SNLT, with market coordination. If this is the case then our best option is do debate what type of market socialism would be least exploitative, least alienating. But why not challenge ourselves to imagine a world without these things?

A world without What?

This seems to be the big question whenever we critique capitalism. Surely labor will always take time and we must have a way of coordinating labor to produce all of the goods society needs. Surely this labor must not just produce immediate goods but also surplus goods, as well as invest in long-term projects like infrastructure and machines that will make work better in the future. So we can't say that we want to produce a society without work, without time, without surplus product, or without machines. (4)

What is unique about capitalism is that labor time, surplus and commodities are all measured in value. The types of commodities created, the types of assets the surplus is invested in, and the quality of the life of those who do the labor are not important. What is important is this endless expansion of value for its own sake. This is capital's defining substance.

But if we are to coordinate human labor, the production of surpluses, innovation, distribution, etc without value production then what other method are we to use? It is not within the scope of this series evaluate different proposals for alternatives for capitalism. But it is the place to talk about how Marx's analysis of SNLT might help us evaluate these different proposals.

We've probably all heard Marx's famous description of the higher phase of communism: "From each according to his ability, to each according to his need." Marx didn't actually come up with this phrase but he quotes it in one his rare commentaries on communism. Here an hour of one person's work is equal to an hour of anyone else's, creating a basis for real equality throughout society, regardless of the productive abilities (or privileges) of individuals. In the Critique of the Gotha Program Marx describes the lower phase of communism as a system in which, after an hour of labor, all workers receive a certificate entitling them to a certain amount of consumption goods in proportion to their working time, not their level of productivity. There is no SNLT, and no inequality, because everyone's

work has the same social power. Obviously this is not a robust plan for how a communist society should be run. But it gives us a glimpse into the sort of radical questions we should be asking ourselves when thinking about communism. (5)

Conclusion

Our private labor doesn't immediately become social. It must become value in order to be social. But in becoming value it is disciplined by socially necessary labor time. SNLT acts as an external force which disciplines our private labor, constantly compelling us to work more efficiently, yet never actually making our work easier or more fulfilling. SNLT creates the possibility for super-profits when one produces under the SNLT, and the search for super-profits drives much of the mad, chaotic development of the productive forces of a capitalist society, generating all sorts of unforeseen consequences.

In a society not producing for competition or capital, but for communal ownership, there would not be a SNLT in this same sense. This means that work would not exist in order to make value. Work would exist in order to both provide use-values for society and to better the life of the worker. In our culture we have an intense fascination with those rare people whose work is fulfilling and challenging. Great musicians, athletes, artists, etc inspire us because these are people whose work has challenged them to become the best possible person they can be. Perhaps in a world without SNLT such an experience of work could become more universal.

Footnotes:

1. Here is another example of the way in which individual value and social value diverge. Many times lay-critics of Marx (like the trolls often found stalking this blog) think they can "disprove" Marx's theory of value by pointing to instances where the individual value of a commodity (the amount of time an individual put into making it) diverges from its social value. But as we can see such deviations are a central part of Marx's theory. In fact it is these deviations of individual value from social value that create the dynamism and disequilibrium that Marx was so intent on theorizing. It is important to constantly point this out as many lay objections to Marx's theory of value come from the misconception that social value and individual value must always coincide.

2. On the other hand, there are counter-acting forces that sometimes exert pressures to decentralize capital. The opening up of new, labor-intensive lines of production is one.

3. From Marx's Critique of the Gotha Program:

"[T]he individual producer receives back from society...exactly what he gives to it...He receives a certificate from society that he has furnished such-and-such an amount of labor...and with this certificate he draws from the social stock of means of consumption as much as the same amount of labor costs. The same amount of labor which he has given to society in one form, he receives back in another."

4. No doubt many viewers are familiar with the ramblings of the "Zeitgeist Movement". These folks believe that technology can liberate us from all work, establishing a labor-free, money-free paradise where robots do everything for us. These folks also believe, in some form or another, that the liberating potential of machines is being kept from society by the conspiring powers of bankers and other elites tied to "the money system". As much as I share their desire for a society without money, bankers, elites, over-work, etc, I am very critical of many of their explanations of the way capitalism works (they don't use the word capitalist much actually) and the solutions these critiques point them towards. Chief amongst these complaints of mine is their notion of work. They have essentially projected the capitalist experience of work onto the entire experience of work for all time and space, implying that the universal nature of work is evil, something to be avoided. In contrast Marx sees work as the very substance of society, the thing that binds us together as it shapes our social life. The organization of our work affects how we understand ourselves individually and collectively. I think that radicals need to recast the nature of work in a potentially liberating way. Similarly the Zeitgeist folks are entirely saturated by the contradictory experience of machines in a capitalist society. On the one hand machines fascinate us with their amazing, seemingly-liberatory potential. On the other hand the reality of the machine is that it is a tool for control of the labor process at the expense of the worker and that the consequences of technology are often socially, environmentally biologically, and psychologically degrading. The Zeitgeist folks make the assumption, then, that if we just had more machines then the problem would be solved. They share the bourgeois romance of the machine as liberator. Without going into an argument as to the ability of machines to replace all human labor, I would question what we would do without some sort of social labor. What would be the point of anything? As well, I wonder that if machines could really do everything that people could do, including much of our creative labor as the Zeitgeist folks claim, would they not be conscious entities of some sort capable of refusing work, of withholding labor, of claiming some sort of juridical rights in society? I believe that in posing alternatives to capitalism we should aim to heal the separation of conception and execution in the capitalist labor process, not to carry that separation to a further level of alienation.

5. One of the crucial aspects of such a method of organization is that without productivity-based labor certificates there is no chance of these certificates circulating as money. Indeed this is Marx's objection to some of the labor-money schemes advanced by his contemporaries. What would keep such labor-notes from circulating as money, merely replicating commodity production? Wouldn't they just make labor indirectly social again? In Marx's scheme all labor is directly social and therefore there is no reason to exchange labor notes on any black markets. For more on this point see Andrew Kliman's "**The Transformation of Capitalism into Communism in the *Critique of the Gotha Program.*"**

Suggested readings:

Marx, Proudhon and Alternatives to Capital by Seth Weiss

<http://www.marxisthumanistinitiative.org/philosophy-organization/marx-proudhon-and-alternatives-to-capital.html>

Limits to Capital by David Harvey – chapter 5 on centralization of capital

Kapital vol 1 Karl Marx, first chapter

Andrew Kliman "The Transformation of Capitalism into Communism"

<http://www.marxisthumanistinitiative.org/alternatives-to-capital/what-must-be-changed-in-order-to-transcend-capitalism.html>

DIY Marxist Videos- a tutorial of sorts

A reader/viewer recently asked me for any tips/advice on producing Marxist educational videos. I think it would be great if there were more folks out there doing projects like mine. I would even love to perhaps collaborate with people as well.

I can't say that I am an expert in any way in either Marxist theory or movie production. Those of you who've seen any of my earlier work will see that this entire project has quickly evolved from rather awkward you-tube style vblogging to its current low-budget, documentary/lecture state in a short period of time. This is all stuff I've figured out on the fly, learning as I go, making lots of mistakes, wasting lots of time, and spending as little money as I possibly can.

But I have learned a few things which I will share here. Perhaps others out there might have some advice to share as well. I'd love to hear it.

1. Theory.

I spend a lot of time reading and writing before I make a video. Here are some things I have found make this productive:

1. Copious notes. When I read any book I keep notes at the top of every single page summarizing the main points of the page. This allows me to easily flip back through all of my books and find arguments that I am looking for. I sometimes take additional notes in a notebook if something is really juicy (or if I'm reading a library book.) I like to read real books, and not on the computer. The computer makes you stupider, and I spend way too much time on it already. It's like crack.

2. Counter-arguments. I like to try to familiarize myself with the critiques of the positions I am reading as best as possible. Cyberspace is full of libertarians so I tend to want to know what famous people like Bohm-Bawerk said about Marx's theory of value so that I can present my scripts in ways that address some of those critiques. I also freely engage in debates with libertarians (when I have time) in those annoying comment-wars that litter many of my videos. I do this, not because I expect to convince anyone of anything, but because it is useful in helping me understand how the other side thinks about things. (It's also hard to resist pwning some people over and over, though I am trying to

cut down.)

3. Why should anyone care? I try to think about what in the stuff I have read is useful for folks.

Understanding why underconsumption doesn't cause crisis is useful. Explaining Marx's reproduction schema from Volume 2 of Capital... not so useful for the lay audience (and not that easy to convey in a video). Part of this process is identifying my audience. I have decided that my audience is me when I was in my early twenties. At that point I was already quite radicalized, and I was interested in Marx. But my knowledge of Marx's value theory wasn't too keen. So when I think about writing a script I think about the sort of questions I might have had, the sort of topics I was interested in, and the sort of angle on these topics that would have made them seem most relevant. There are many aspects of Marx's value theory that are difficult. There are many books that don't explain these difficult concepts very clearly. I remember encountering (and this still happens) a lot of difficult material that I had to think about for a long time before it made any sense to me. So I try to think about these moments when I am deciding what to write about. I hope that as I get better at explaining these concepts my "target audience" may evolve- I may be able to present things in a less theoretical and more appealing way.

2. Script.

When I first started making YT videos I decided to write out everything I was going to say. I did this because I thought it was really bizarre how many people sat in front of their web-cams, stammering and rambling, inarticulately repeating the same points over and over. It seemed to me that if I had respect for the content I was presenting, I should actually plan out what I was going to say. It began as a very quick process of jotting down a basic argument, without too much revision. It now has become a much more involved process for me. I like to think about a topic for awhile, usually while I'm taking walks, mulling over what the most important concepts are and how best to present them. Do I state the abstract idea first and then give an example? Or do I start with examples and then move to the abstract? Do I assume that other concepts covered in other videos don't need to be re-explained? Or do I briefly mention these other concepts? What are the simplest, and most essential points to get across and what should be left out? What topics are explainable in a video format and which are too complex? How can I present a topic in a way that seems relevant? What sort of criticisms are people going to make of these arguments and can I anticipate them? How can the use of visual aids help me in conveying abstract ideas or in providing an emotional punch? I have definitely not always done well answering these questions for myself.

After writing a script I tend to edit it several times, sometimes re-writing the entire thing over again. I have found that posting the script online to ask for feedback in advance of making the video is quite useful, even if only one or two people read it and write in.

3. Planning.

Once I have a script I like to plan out how I will produce it. I currently use two different programs to create the visual content of my videos: Final Cut Pro (or Adobe Premiere until a week

ago) and Anime Studio. I use Final Cut for all of the montages of stock video. I use Anime Studio to make my own animations (you've probably noticed the cheap, low-budget animations.) This is my planning process: I decide which chunks of my script I want to make in Anime Studio and which I want to make in Final Cut. I break up my script into small chunks, a paragraph or less in each chunk, and label them. I then record all of the narration for each chunk separately (I'll get into that in a bit). This gives me about 20-21 sound files, each for a different paragraph (or less than a paragraph) of the script. I will open some of these in Anime Studio and some in Final Cut. Once I've overlaid images over all of the sound files I export them all as .mov files. Then I string all of the .mov files together in one big Final Cut file. It's at that point where I overlay the music, title sequences and other words.

So my planning process consists of breaking the script down into these little paragraph-sized chunks and labeling each of them as "Final Cut" or "Anime". I then brainstorm some images I will want to use for each paragraph. Sometimes I write out a rather in-depth plan for an animation. At other times I write a rather simple thing like "images of people shopping". This allows me to think ahead about what sort of pictures or video I might need to accumulate before starting to make the video. I also sometimes will use a similar animation for several paragraphs. So if I plan my animations ahead of time I can figure out ways to use the same file, with slight alterations, thus saving a lot of work.

4. Recording the narration

I record my narration using Logic Pro. This is a professional multi-tracking, etc. program. It's a bit pricey but (like any of the software mentioned here) with Transmission and thepiratebay.org you might be able to find yourself a free version. I use an Octava microphone and a MOTU 828 to run my sound into my computer. I record a lot of music so this is all stuff I already had on hand. If you are looking to record good sound you should look into any one of a number of devices that will firewire (or USB) into your computer and allow you to run mics into the computer. The Motu and similar devices do all of the sound processing outside of your computer so as not to slow down the computer. I've never tried running a mic straight into the computer, but I know a lot of folks do. And for just recording a narration it might work very well.

I think it's important to get good sound. A lot of time we are not aware of how the quality of sound effects our impression of media. I try to get a clean, dry, vocal sound. I keep the mic pretty close to my face, but not pointed directly. Directly pointing into my face means that I get too many "poofs" in the mic when I say p's, f's and b's. These consonants can send a lot of air out of your mouth which creates a windy "poof" that makes the take unusable.

I try to speak in as clear and steady voice as possible while still remaining animated. Sometimes I wish I could sound even more animated. But sometimes I have to record a paragraph 8 or 9 times before I get it right (no mistakes, no stutters, not mispronounced words). You don't realize what a bad talker you are until you have to record yourself. I also try to pitch my voice in a range where it sounds the most relaxed. Earlier on I realized I was pitching my voice too high, as if I was shouting, all the time. I think that makes the video feel rushed and nervous. Sometimes I play with EQ settings to see

if I can get a richer sound. But I also keep in mind that most people are listening to the video on crappy computer speakers and so the richness of a bass sound isn't going to come out on their speakers anyway.

5. Finding video

All of the video I use is public domain video. Most of it is from archive.org, a website of public domain footage that merges several collections from all over the world. Especially useful is the Perlinger Archive. It has endless quantities of industrial documentaries and cold-war propaganda films that I like to use. I am especially fond of the cartoons of John Sutherland.

The video on Archive.org comes in a variety of formats. I try to download the highest quality video (usually Mpeg2). However, until a week ago I really didn't have the computer power to download and use the highest quality video so I was making due with less than optimal video quality. I now have a new computer and have re-downloaded a lot of that video so as to be able to make even better stuff.

6. Anime Studio

This program is a bit time consuming at first. But it really helped me out in letting me create images that expressed the ideas in my script when I couldn't find any public domain footage to do the trick. I aim, for the most part, to do Monte-Pythesque animations using cut-out pictures found online. Once I got the hang of the program the animating process became kind of fun. But it still takes a chunk of time. I can easily spend 30 minutes to an hour animating one paragraph.

At first I thought I could just intuitively figure out how to use Anime Studio. This was not the case. So I cuddled up with my computer on a cold Sunday afternoon in February and forced myself to read through pages of tutorials. Once I had made it through the first few tutorials I was ready to go. It's a pretty awesome program.

I use Photoshop to create my "cut-outs". To do this I use the little lasso-tool in Photoshop, copy the image, open a new file and paste the cut-out into the new file, saving it as a .PNG. .PNG is a format with a transparent background. That's what you want all of your Anime images to be in.

Never use Anime Studio's own word-creation tool. It takes up too much RAM. I have to make all of my text in Photoshop, save it as a .png, and then import it into Anime.

I start by opening one of my soundfiles in Anime and then creating the animation around it. Once done I export as a .mov.

7. Final Cut.

Until a week ago I was using Adobe Premiere. That's because I did all of my work on an old MacBook with 2 Gigs of Ram. This meant that Final Cut wasn't an option (video card wasn't good enough and ram wasn't fast enough.) Premiere is almost as good as Final Cut, but Final Cut is just a lot easier and faster and doesn't have some of the odd ticks that Premiere can have. Editing high definition video on an old laptop with 2 gigs of Ram is a very slow, agonizing process. Sometimes I couldn't even see what a video was going to look like until I exported it. I was very happy with my decision last week to splurge on a new iMac, a desktop computer with a very wide screen, 4-gigs of Ram, a better video card, etc. This will allow me to make a much higher quality video. It was expensive.

8, Staying organized.

I learned the hard way how important it is to stay organized when doing such a project. If you ever plan to go back and re-edit a project then you need to keep all of your folders organized and labelled clearly. It might seem simple at first to just put all of your pictures in one folder labeled "pictures". But what happens when you have 400 pictures in there? Then you are going to want to sort them into subfolders. But what happens when you open an old Anime Studio file and it's looking for the picture called "Walras's head" because it isn't in the folder it used to be in? Then you have a lot of work to do, trying to figure out where all of your files are. So it's good to start creating subfolders from the start, and never changing folder locations unless you have to.

Save often. Back everything up. I actually lost an entire finished video that I had spent an entire week working on back in March. It was aggravating beyond belief.

9. Video Aspect Ratios

This is still something I am screwing up. Ever since Youtube changed its format to 16:9 instead of 4:3 (from the TV-shaped video format to the wide-screen format) I've not been able to avoid occasionally having black space at the top and bottom or on the sides of some parts of my video. This is for several reasons: 1, the video I get from Archive.org is almost all in 4:3. When I open it in Final Cut for some reason it opens really small (like smaller than even 4:3). When I enlarge it to fit the widescreen it often loses quality. So I sometimes compromise, accepting some black spaces on the sides in order to have good quality. 2. I make all of my Anime animations in widescreen, but sometimes when I open them in Final Cut they still don't seem to fit right. Can't figure that one out. 3. I often forget to start projects at the right aspect ratio. Then it's too late to change things.

In general I just haven't quite gotten the right system for all this. Any advice would be great.

That's about it.

Law of Value 5: Contradiction

Marx is always talking about contradictions in the law of value. But these aren't logical contradictions like "round square" or "military intelligence". They are contradictions inscribed into the very heart of the social relations of a capitalist society. Some prefer to use the word "antagonisms".

We are all painfully aware that modern society is full of social antagonisms. There's poverty amidst great wealth, over-work alongside massive unemployment, banks taking away homes, gentrification, racial tensions, violence against women, labor struggles, environmental apartheid, police brutality, gang violence, hate groups, massive dislocations of populations, and lots of war. Marx was interested in explaining all of these antagonisms, but he doesn't start his analysis with any of them.

Instead he begins with what at first seems a rather innocuous thing: the commodity. Why? Because the commodity is the most elemental piece of the social relations of capitalism. The productive relations between people take the form of commodity exchanges. The commodity is the basic organizer of social relations. So if we want to understand how all of these different social antagonisms relate to one another we need to start with the commodity.

As we've already seen, the commodity contains a contradiction: it has a use-value and a value. (As we saw, value lies behind exchange value. So while at first we said the contradiction was between use-value and exchange-value, we later refined this to use-value and value.) At first glance this does not seem all that antagonistic. Yet as we start to look closer we see more significant antagonisms emerge.

Property, exchange and violence

Why is it that people must sell their labor in the market for exchange value, for money?-Because they can't produce their own means of subsistence for themselves. This is a distinct aspect of a capitalism. In previously existing modes of production the majority of people had use of some sort of means of production for themselves which they used to make most of the things they needed. (Note that I say "had use of" and not "owned". This is because much of feudal production happen on common land. This collective use of land has been part of many other pre-capitalist societies.) People sometimes bartered for things but they did so by selling part of the surplus they had created for themselves. (Selling off your surplus product is very different than producing exclusively for exchange.) Over the course of a very long, violent, historical process called "Primitive Accumulation" these means of production were privatized and became the possession of a group of people called capitalists. Whereas before people labored directly for their own use, now they have to enter the market in order to attain their subsistence.

So already the fact that we produce for exchange and not directly for use expresses a social antagonism between the propertied and the propertyless. There is an underlying coercion already at work in the "free market". And this coercion requires some threat of violence to enforce it whether it be a state, private military, or hired thugs. Violence was necessary to privatize the means of production and it remains necessary to enforce all of the legal aspects of property.

Labor Power

In order for people to buy their subsistence in the market they have to sell something else. Since the means of production are privately owned the only thing they have to sell is their labor. But of course labor can't really be sold. Instead we sell our ability to labor: our labor power. We sell a definite amount of working time, whether it is measured in hours, weeks or years. This is why value is an expression of labor time.

Our own creative working ability, the very thing that makes us human and links us to society, becomes a commodity that we sell to someone else, a commodity called "labor-power". Labor power, like any other commodity, has a use-value and an exchange-value, and... you guessed it- there is a contradiction between them. The exchange value is the money paid for our working time, the wage. Wages are set by the cost of our subsistence. They depend on the cost of food, housing, clothes, transportation, etc. But the use-value of our labor power is that it can produce value. These are the two opposing sides of labor-power: On one hand it costs a wage, on the other it produces value. This makes it possible to produce more value than we are paid for.

You could be paid \$5 an hour yet produce \$20 worth of commodity value an hour. (1) If this happened you would be being exploited. In fact your rate of exploitation would be 400%. Exploitation is made possible by the contradiction between the use-value and exchange-value of labor power.

Profit

Exploitation explains a puzzle about capitalism: the existence of profit. Capitalists start off the day with a sum of money which they invest in production. At the end of the day they have a quantity of commodities which they sell for more money than their initial investment. It would seem that they have made a profit just by buying and selling things. Yet profit can't be made through mere buying and selling. This is because buying and selling is a zero-sum game. When we exchange commodities we are just moving commodities from one place to another. This process does nothing to change the total amount of value in society. Sure it might be possible to rip someone off, to over-charge someone, to charge a monopoly price, etc. But a win for one person in the market is a loss for another. There can be no aggregate profit just by moving commodities around. Yet profit is something that does exist in the aggregate. The total amount of value in society grows each year (GDP) through this expansion of value called profit.

So we seem to have a puzzle, or a contradiction, on our hands. On one hand the market is a realm of equality and symmetry. Market exchange conserves the value of commodities: the total value of commodities is not changed merely by transferring ownership. Any loss by one person is offset with a gain by another so that there is an inherent symmetry to commodity exchange. Yet profit is a phenomenon where value expands through the buying and selling of commodities. Profit is asymmetrical. More comes from less. How is this possible?

To solve this puzzle Marx tells us we must look beyond the market into the mysterious realm of production. It is in production where value is expanded through the exploitation of labor. Exploitation does not break any of the rules of market exchange because it doesn't happen in exchange. Labor power is bought at its value. The products of that labor are sold at their value. No profit has been made through these exchanges. The profit is not from the market at all but from the labor process. It is the amount of labor performed over and above the value of wages that determines the amount of profit. While the market remains a realm of equality and symmetry, production is a realm of asymmetry and exploitation. Thus there is a contradiction between production and exchange. And this contradiction is made possible by the contradiction between the use-value and exchange-value of labor power.

Class

This antagonism between the use and exchange value of labor power expresses a social antagonism between capitalists and workers. Capitalists and workers have opposing interests. Workers want their means of subsistence: housing, food, clothes, beer. They want use-values. Capitalists aren't interested in use-values. They are after exchange-value. They want to expand the size of their capital by making a profit. In order for either class to get what they need they need the other. The workers must sell themselves for a wage in order to survive. The capitalist must hire workers in order to exploit them for profits. Yet despite this codependence their interests are entirely antagonistic. The more the workers are paid in wages the less profit the capitalist makes. The more profit the capitalist makes the more impoverished the working class. (This isn't because capitalists are bad apples. It's because they personify the interests of capital.)

Clearly the struggle between capital and labor has always been present in capitalist societies whether it takes the form of day to day struggles over the amount of work we consent to, or long-term battles for better wages and working conditions. But even outside of the workplace the class antagonisms of capitalism are clearly ever-present. The distribution of the value created by the working class into wages, profits, rent, interest and taxes has everything to do with the standard of living we are able to enjoy, the kinds of neighborhoods we live in, the type of life-chances we have, and the quality of our lives. In a society structured to maximize profit for one class rather than produce use-values for social need the quality of our lives is inversely proportional to the needs of capital. In the past 30 years, as neoliberalism broke down barriers to the free flow of capital, massive sums of wealth have been consolidated into the hands of a smaller and smaller class of uber-capitalists, while the standard of living for the rest of the world has steadily worsened.

Society has enough food, housing and technology that the entire world's population could work a lot less and still have all of the basic amenities of life. (Maybe we couldn't all have mansions, fancy cars, and all the expensive cocaine we wanted, but we could live comfortable lives.) And they'd probably be more fulfilling if we didn't spend our whole life working for someone else. But we don't have such a society because our labor is not aimed at creating use-values for society but at creating profit for

capital. The constant revolutions in technology and productivity are not aimed at making work easier or improving the quality of our lives, but in creating more profit by submitting labor to greater control. Thus the workplace becomes increasingly dominated by machines, assembly lines and computers all designed to discipline labor to its task of creating more value.

The Labor Process

As the knowledge of work is removed from the worker it is placed into the machine. The worker loses control over the labor process, becoming just a minor cog in the machine, easily replaceable. Another contradiction is revealed: that between the conception and execution of work. Our own knowledge of the labor process is taken away from us and placed in a machine which dominates us, reducing our work to a job- the carrying out of routine tasks with no meaning to us except that they are a means to a wage. This is a contradiction which fascinates popular culture: man vs. machine. But behind the machine lies a social relation between ourselves and our own creative powers that have been taken from us, alienated from us, standing over us, dominating our work.

Crisis

And with this steady accumulation of capital in the form of machines comes another contradiction, this one between the capital invested in dead labor like machines and raw materials, and the capital invested in living labor. Though an increase in machinery allows capitalists to better exploit workers (and to appropriate value in competition as super-profit) machines can't create value. As more and more capital is reinvested in machines and raw materials and less and less on labor, the actual value-creating substance of society is crowded out. This is the starting point for Marx's theory of crisis. As the mass of capital that must be constantly reinvested in expanding production grows it becomes increasingly invested in dead labor rather than living labor. This sets the stage for massive crisis that require the destruction and devaluation of capital in all of its forms.

Conclusion.

All of Marx's model of a capitalist society is derived from his basic starting point: the analysis of the commodity. From this basic idea of value as the organizing principle of a commodity producing society he establishes the contradiction between the use-value and value of a commodity. And then, over the course of multiple volumes he shows how the unfolding of this contradiction reveals all of these other contradictions: contradictions between classes, between society and itself, between people and machines, and between the conception and execution of work. What begins as a seemingly innocuous distinction between use and exchange becomes the substance of class struggle and crisis.

This doesn't mean that every problem in society is directly explained by the law of value. Yet, how can we really understand any discussion of inequality without first understanding the way in which social wealth and power is created and distributed? How can we understand violence without understanding the coercive nature of the market, the deep inequalities generated by commodity exchange, and

compulsion of capital to accumulate at all costs? How can we discuss a solution to the environmental crisis without discussing the way the productive relations of a capitalist society are organized? The problem with the left is not that there are not enough people who care about these things. It is that not enough people have the theoretical tools to think about these things in terms of the basic structure of our society. That is why the law of value is so important to understand today. If we want to overcome the antagonisms of society we need to understand how these antagonisms are related and to do this we must start at the beginning with an analysis of the commodity.

35:40

Footnotes

1. Of course the price of a commodity is more than just the immediate labor that goes into it. There is also the past labor that went into the raw materials and the instruments of production like machines. The price of the commodity is the sum of the money laid out for dead labor (raw materials, machines and other products of past labor) and living labor (wages for workers) plus the amount of surplus value, unpaid labor, performed by workers.

Law of Value 6: Socially Necessary Labor time- another draft

This is another draft of my SNLT script, substantially different in content than the last script. I must thank previous commentators on the last draft. Their input was really helpful in me forming my thoughts about what I wanted to get across in this script. I have swapped the order of this video with the one on contradictions (the draft of which I posted yesterday). I am hoping to get some good feedback on both drafts before starting production.

The script:



Alone on his tropical island Robinson Crusoe can take as long as he wants to build a cabin for himself. It's up to him. We don't have that luxury when we produce for market exchange. When Wonder Bread makes bread they are competing in the market against Pepperidge Farm, Arnold and White Rose. If their workers are less productive, if they take longer to make bread, that doesn't mean they can sell their bread for more money. The social value of bread is not set by individuals but by the average amount of time it takes to produce bread. This is called the "Socially Necessary Labor Time". (SNLT)

Title sequence

In neo-classical economic theory there are all sorts of concepts that, though mathematically elegant on paper, have very little descriptive power in the real world. When was a capitalist society ever in General Equilibrium? When was there ever Pareto Optimality? When did consumers ever measure their desires in utils?

SNLT is not like that. SNLT is something very real that we can observe at work everyday. The private labor that goes on behind factory doors will not know for sure what its social value is until the products of that labor enter the market to be compared to the products of other workers. In the market these private labors become social. Socially necessary labor time is asserted. This SNLT then acts back upon production. It disciplines what goes on in the factory. Factories that were spending more labor than was socially necessary are considered inefficient. They must change their production methods or else go out of business. Factories that were producing under the socially necessary time, that were more efficient than average, are rewarded.

Let's say that the average television takes 1 hour to make. 1 hour is the SNLT for television. But the owner of the ACME TV factory invests in some fancy new machines that make his workers twice as productive. They can now make a television in 30 minutes. They are producing way below the SNLT. This allows ACME to produce twice as many televisions in the same amount of time.

Now if ACME sold their new TV at half the old price they wouldn't make any more money than before and there would have been no point in investing in all that new stuff. Rather than sell them at their individual value (30 minutes) they continue to sell them at the SNLT (1 hour), or perhaps just under the SNLT in order to out-sell their rivals. Because the price of TVs hasn't changed significantly there is still the same demand from consumers for TVs, but now there is a giant surplus of TVs on the market because ACME has been making twice as many TVs. ACME's rivals won't be able to sell all of their TVs. Part of their product will go unsold. Meanwhile ACME will sell most of their TVs at the SNLT, making not just their normal profit, but an additional "super-profit" because they sold their TVs above their individual values by selling at or near the SNLT.

Profit vs. super-profit

Profit comes from exploiting workers. The only way to turn money into more money is to invest it in workers, or to be precise, in labor power, the only commodity which can produce more value than it costs. (This is all covered in the video "Law of Value 5: Contradictions".) When ACME sells TVs at under the SNLT they don't just reap their normal profits from exploiting workers. They also get super-profits: profit appropriated in exchange because their TVs are made at under the SNLT.

It is this race for super-profits that drives much of the technological dynamism of a capitalist society as capitalists compete to constantly lower SNLT. By doing so capitalists don't just exploit value from workers. They also appropriate value in exchange.

Physical vs. Value Productivity

A superficial look at the ACME TV factory might give one the impression that ACME is making more profit because they are creating more value. But this is not the case. The same amount of workers are doing the same amount of work as before. The same amount of labor time is being performed, spread out over a greater number of commodities. Thus the amount of value they create is not increasing merely because the physical output is increasing. It is extremely important to understand this difference between physical productivity and value productivity. As it becomes easier to make TVs their prices fall. Thus, just because we can make more of something doesn't mean we have created more value. If other firms were to adopt technology similar to ACME's we would see the SNLT of TVs fall to half of its former value and ACME's super-profits would disappear.

Appropriating Value in Exchange

What does it mean to say that ACME makes a super-profit by appropriating value in exchange? If you trade one commodity for another of greater value then you have appropriated value in exchange. There are lots of ways this might happen. One of these ways of appropriating value is to produce a product at less than the SNLT but to sell it at the SNLT. Thus we get back more in exchange than we put into exchange. But where does this appropriated value come from?

At first glance it appears to come from the consumers that buy the commodities. But these consumers are buying a commodity at its value, at the SNLT. They are not losing value in exchange. They pay \$50 for a TV and they get a TV worth \$50. The people that do lose value are all of the other capitalists who are still producing at the SNLT. They are not able to sell all of their product. They lose out. ACME is able to lure more consumers away from them.

Exchange is a zero-sum game. Whenever one person wins another must lose. There are only so many people willing to buy TVs at the SNLT. When ACME appropriates value in exchange this doesn't mean that they are stealing money from the coffers of their competitors. It means that they are filching away sales from their rivals. More value comes to ACME than it actually created, less goes to its rivals.
(1)

SNLT and the Labor Process

This process goes on everyday in a capitalist society. We have an obsession with time and efficiency. Everything from the working day, to the motions of workers are timed and rationalized. From the moment the alarm clock rings you are checking train schedules, punching time cards, and working as efficiently as possible. There is an entire field of industrial engineering which is devoted to decreasing SNLT in society. Some of the most influential minds of the last century have been people like Henry Ford and Frederick Taylor who made substantial contributions to the reduction of SNLT, all in the quest for a super-profit.

This drive to produce a super-profit does not mean that less and less labor is happening in society. It means that the same amount of labor is producing more output. We are often told that machines will

make life easier, reducing the need for work. But this has never been the case in a capitalist society. Machines just create more output per hour worked. Often times machines are used to get more work out of workers because the machine can dictate the pace and intensity of work to the worker. SNLT is a force that presses down upon us, disciplining our motions, driving us to produce value merely for the sake of producing value, rewarding us when we can produce above the average productivity and punishing us when we fall behind.

SNLT and the centralization and concentration of capital

Capitalists compete to lower the SNLT by investing in fancier equipment. The better the machines the more efficient the labor process the higher the output the lower the prices the more super-profit the more money available to invest in new machines... Competition for SNLT means that more and more equipment is needed in order to stay competitive. This makes it harder and harder for small firms to stay competitive. The size of the firm gets larger and larger and the amount of firms in an industry shrinks. The winners gobble up the losers and capital is consolidated into fewer and fewer hands. If firms become powerful enough they may even take measures to blunt competition so that nobody can produce more efficiently than them.

SNLT and Market Socialism

The tools we use to critique capitalism determine how we envision an alternative to capitalism. Models for market socialism that talk of worker-owned cooperatives coordinated by market exchange clearly see that production for the enrichment of the capitalist class must be done away with if we are to overcome capitalism. Yet any society coordinated by market exchange is still disciplined by SNLT.

This means that workers in such a society would still have to discipline their actions to the social average. Cooperatives that worked at under the SNLT would appropriate value in exchange. Cooperatives would compete to modernize their equipment so as to lower the SNLT. And how would co-ops obtain the money to invest in better, labor-saving equipment? They would have to exploit themselves. That is, the more money that workers want to plow back into making their labor competitive, the less they can pay themselves. Not only would the workers be disciplined by SNLT, they would also find themselves disciplined by the need to amass surplus value so as to stay competitive.

Production of surplus-value for its own sake, fierce competition over super-profits, the disciplining of the labor process to the whims of impersonal market forces... sound familiar? Now perhaps one might be of the opinion that it is impossible to do away with SNLT, with market coordination. If this is the case then our best option is do debate what type of market socialism would be least exploitative, least alienating. But why not challenge ourselves to imagine a world without these things.

A World Without SNLT

What would it mean to create a society without surplus value, SNLT or super-profits?

No SNLT means that the products of labor don't meet in the market as commodities with values. In other words, if we challenge ourselves to imagine a world without SNLT then we must begin to think about a world without value production- a world where the labor process is not coordinated by market exchange. Obviously there are a lot of different ideas about how such a world might be organized. This is not the place to evaluate all of those ideas. Rather, here we should realize that Marx's theory of value is a powerful tool not just for critiquing capitalism as we know it, but also of helping us evaluate proposals to change the world. That doesn't mean that Marx's theory of value has all of the answers for those who want to change the world. But it is incredibly useful in helping us understand the complexity of the task, the consequences of our actions, and the possibilities that might lie before us.

Conclusion

Our private labor doesn't immediately become social. It must become value in order to be social. But in becoming value it is disciplined by socially necessary labor time. SNLT acts as an external force which disciplines our private labor, constantly compelling us to work more efficiently, yet never actually making our work easier or more fulfilling. SNLT creates the possibility for super-profits when one produces under the SNLT.

In a society not producing for competition or capital, but for communal ownership, there would not be a SNLT. The engineer-worker would be free to design their labor time anyway they wanted, without the external compulsion to maximize output per labor time. There would still be an incentive to increase efficiency, but it would not be an external compulsion to increase efficiency at the expense of the worker. A job would cease to be a job- that is, a passionless series of motions we are compelled to carry out in order to eek out a living in the market. Work could become something much more deep and fulfilling, a means of self-discovery and expression, and a means of establishing social bonds. A radically different notion of work would mean a radically different world.

Footnotes:

1. Here is another example of the way in which individual value and social value diverge. Many times lay-critics of Marx (like the trolls often found stalking this blog) think they can "disprove" Marx's theory of value by pointing to instances where the individual value of a commodity (the amount of time an individual put into making it) diverges from its social value. But as we can see such deviations are a central part of Marx's theory. In fact it is these deviations of individual value from social value that create the dynamism and disequilibrium that Marx was so intent on theorizing. It is important to constantly point this out as many lay objections to Marx's theory of value come from the misconception that social value and individual value must always coincide.

Law of Value 6 (or 5): Contradictions – a draft

An exchange I had with someone regarding my draft of a Socially Necessary Labor Time (SNLT) script has made me think that I should probably do this video first before discussing SNLT. Here is the reason: Since SNLT is a fairly simple concept I wanted to expand on the topic and talk about the way capitalists get a super-profit by producing under the SNLT. But talk about super-profit before talking about profit in general might be confusing. So I think I will make the 5th video in the series this one on "contradiction" since there is a bit about exploitation and profit in this video. This is a draft and, as always, all comments are much appreciated, especially criticism.

Contradictions and the Law of Value

Marx is always talking about contradictions in the law of value. But these aren't logical contradictions like "round square" or "military intelligence". They are contradictions inscribed into the very heart of the social relations of a capitalist society. Some prefer to use the word "antagonisms".

We are all painfully aware that modern society is full of social antagonisms. There's poverty amidst great wealth, over-work alongside massive unemployment, banks taking away homes, gentrification, racial tensions, violence against women, labor struggles, environmental apartheid, police brutality, gang violence, hate groups, massive dislocations of populations, and lots of war. Marx was interested in explaining all of these antagonisms, but he doesn't start his analysis with any of them.

Instead he begins with what at first seems a rather innocuous thing: the commodity. Why? Because the commodity is the most elemental piece of the social relations of capitalism. The productive relations between people take the form of commodity exchanges. The commodity is the basic organizer of social relations. So if we want to understand how all of these different social antagonisms relate to one another we need to start with the commodity.

As we've already seen, the commodity contains a contradiction: it has a use-value and a value. (As we saw, value lies behind exchange value. So while at first we said the contradiction was between use-value and exchange-value, we later refined this to use-value and value.) At first glance this does not seem all that antagonistic. Yet as we start to look closer we see more significant antagonisms emerge.

Property, exchange and violence



Why is it that people must sell their labor in the market for exchange value, for money?-Because they can't produce their own means of subsistence for themselves. This is a distinct aspect of a capitalism. In previously existing modes of production the majority of people had use of some sort of means of production for themselves which they used to make most of the things they needed. (Note that I say "had use of" and not "owned". This is because much of feudal production happen on common land. This collective use of land has been part of many other pre-capitalist societies.) People sometimes bartered for things but they did so by selling part of the surplus they had created for themselves. (Selling off your surplus product is very different than producing exclusively for exchange.) Over the course of a very long, violent, historical process called "Primitive Accumulation" these means of production were privatized and became the possession of a group of people called capitalists. Whereas before people labored directly for their own use, now they have to enter the market in order to attain their subsistence.

So already the fact that we produce for exchange and not directly for use expresses a social antagonism between the propertied and the propertyless. There is an underlying coercion already at work in the "free market". And this coercion requires some threat of violence to enforce it whether it be a state, private military, or hired thugs. Violence was necessary to privatize the means of production and it remains necessary to enforce all of the legal aspects of property.

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contradiction between them. The exchange value is the money paid for our working time, the wage. Wages are set by the cost of our subsistence. They depend on the cost of food, housing, clothes, transportation, etc. But the use-value of our labor power is that it can produce value. These are the two opposing sides of labor-power: On one hand it costs a wage, on the other it produces value. This makes it possible to produce more value than we are paid for.

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Footnotes

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Law of Value 5: Socially Necessary Labor Time- draft

Alone on his tropical island Robinson Crusoe can take as long as he wants to build a cabin for himself. It's up to him. We don't have that luxury when we produce for market exchange. When Wonder Bread makes bread they are competing in the market against Pepperidge Farm, Arnold and White Rose. If their workers are less productive, if they take longer to make bread, that doesn't mean they can sell their bread for more money. The social value of bread is set by individuals but by the average amount of time it takes to produce bread. This is called the "Socially Necessary Labor Time". (SNLT)

Title sequence

In neo-classical economic theory there are all sorts of concepts that, though mathematically elegant on paper, have very little descriptive power in the real world. When was a capitalist society ever in General Equilibrium? When was there ever Pareto Optimality? When did consumers ever measure their desires in utils?

SNLT is a great example of the practical, real-world nature of Marx's value theory. SNLT is something very real that we can observe at work everyday. The private labor that goes on behind factory doors will not know for sure what its social value is until the products of that labor enter the market to be compared to the products of other workers. In the market these private labors become social. Socially

necessary labor time is asserted. This SNLT then acts back upon production. It disciplines what goes on in the factory. Factories that were spending more labor than was socially necessary are considered inefficient. They must change their production methods or else go out of business. Factories that were producing under the socially necessary time, that were more efficient than average, are rewarded.

Competition drives producers to constantly try to produce under the socially necessary labor time. If the SNLT for bread is 10 minutes a loaf and I make a new machine that allows my workers to produce bread for 5 minutes a loaf then I am producing at half the SNLT. But I still sell my product at the SNLT. This means that there is a difference between the amount of value I create and the amount of value I sell the product for. I appropriate extra profit in exchange. This is a super-profit. Why a super-profit? Well I already make a profit by exploiting my workers (I discuss this concept in another video). This is an addition to that profit. I am stealing profit away from my competitors in exchange when I produce under the SNLT. I can produce more products than my competitors in the same amount of time. I can out-sell them in the market, appropriating value in exchange. This race for super-profits is one of the main incentives behind all technological change in a capitalist society.

This super-profit will attract competitors to increase the efficiency of their production. Soon everybody will be producing at 5 minutes a loaf. A new SNLT is established and my super-profit disappears. The race begins again to try to be the one who produces more efficiently than this. Thus SNLT is a constantly changing thing as capitalists compete to produce more efficiently than their rivals.

Super-profit gives the illusion that value is being created in exchange. But it isn't. It means that I am filching value away from my competitors who produce at the SNLT. The value is created in production, but transferred in exchange. (1) Any time a commodity is sold for more than its individual value, it is appropriating value in exchange. The money that buys the commodity represents more labor time than went into producing the commodity. But there is a finite amount of value in the economy because a finite amount of labor has been performed. When one person appropriates value in exchange it means that someone else loses value. Thus the competition around SNLT always has as many losers as it does winners.

This process goes on everyday in a capitalist society. We have an obsession with time and efficiency. Everything from the working day, to the motions of workers are timed and rationalized. From the moment the alarm clock rings you are checking train schedules, punching time cards, and working as efficiently as possible. There is an entire field of industrial engineering which is devoted to decreasing SNLT in society. Some of the most influential minds of the last century have been people like Henry Ford and Frederick Taylor who made substantial contributions to the reduction of SNLT, all in the quest for a super-profit.

This drive to produce a super-profit does not mean that less and less labor is happening in society. It means that the same amount of labor is producing more output. We are often told that machines will make life easier, reducing the need for work. But this has never been the case in a capitalist society. Machines just create more output per hour worked. Often times machines are used to get more work

out of workers because the machine can dictate the pace and intensity of work to the worker. SNLT is a force that presses down upon us, disciplining our motions, driving us to produce value merely for the sake of producing value, rewarding us when we can produce above the average productivity and punishing us when we fall behind.



This production of value merely for the sake of producing value becomes capital. Capital is a process of value expansion in which money is invested in production not with the aim of producing any particularly useful things but in order to make more money. It is a never-ending cycle of money turning itself into more money. Constantly growing, constantly expanding.

This capital doesn't just take the form of money. It also becomes machines, raw materials, wages paid to workers... and a person: the capitalist. The capitalist is a personification of capital, a person who owns this process of value expansion. This means that we can see the social relation of capital in two ways. In one sense capital is an antagonism between our own creative powers and ourselves. Our own labor produces this surplus value that becomes an external force acting back upon society, shaping production to its own needs. In another sense this antagonism between society and itself becomes personified in an antagonism between workers and capitalists. The minority of people who own capital embody the interests and perspective of capital. By acting in their own interests capitalists also act in the interest of this impersonal force that is capital.

As the amount of technology needed to produce at the SNLT increases this mass of machinery acts as a barrier to competition. A huge investment of capital is needed to start a business and enter an industry. As competitors who fail to keep up with the SNLT go out of business, industries centralize, gobbling up competitors. Capital becomes larger and larger, dominating more physical and economic space.

Now imagine a socialist society of people operating the means of production in cooperation. Cooperation means no competition between producers to lower the SNLT which means no markets and no capital. Imagine a factory in this society in which the people who work the machines are the same people that design the machines. The workers don't produce under the compulsion of

competition because their pay is not a result of their output but a result of their needs. (Remember Marx's famous description of communism: "From each according to his ability, to each according to his need"). This means that these workers have radically different incentives in the way they design and carry out their work. Rather than using technology to increase their output and pace of work in order to make a super-profit they would most likely use technology to make work more fulfilling, and reduce working hours. It is a sad commentary on the unfulfilled promises of capitalism that with all of the dazzling technological progress of our society we still have masses of impoverished unemployed and masses of people working 60 hour weeks, two-jobs, and foregoing retirement who still must rely on mortgages and credit to make ends meet. It's sad that despite all the labor-saving technology in the world people still hate their work. In a capitalist society our own creative control over the labor process is taken away from us to become a tool for our own exploitation and over-work.

Bourgeois theories of subjective value like to project the current subjectivities of modern society backwards and forwards in time as if humans have always been and will always be rational, utility-maximizing individuals operating with the same cold, calculating logic of the CEO. But economic choices for maximizing self gain only occur in a society in which we produce not for our own needs but for exchange. It is production for exchange which creates an autonomous force of profit and capital which drives society to follow its bidding.

Conclusion

Our private labor doesn't immediately become social. It must become value in order to be social. But in becoming value it is disciplined by socially necessary labor time. SNLT acts as an external force which disciplines our private labor, constantly compelling us to work more efficiently, yet never actually making our work easier or more fulfilling. SNLT creates the possibility for super-profits when one produces under the SNLT. These profits which stand above society, compelling the motions of workers, become capital. It is the expansion of capital that drives our work, not production for our own needs.

In a society not producing for competition or capital, but for communal ownership there would not be a SNLT. The engineer-worker would be free to design their labor time anyway they wanted, without the external compulsion to maximize output per labor time. There would still be an incentive to increase efficiency, but it would not be an external compulsion to increase efficiency at the expense of the worker. A job would cease to be a job- that is, a passionless series of motions we are compelled to carry out in order to eek out a living in the market. Work could become something much more deep and fulfilling, a means of self-discovery and expression, and a means of establishing social bonds. A radically different notion of work would mean a radically different world.

Law of Value 4: Value

This is one of many abandoned houses in my neighborhood. The slumlord owner let the property deteriorate until it became unlivable and doesn't want to pay the money to make it livable again.

There are thousands of abandoned houses in this city, and thousands of homeless people. Despite the urgent social need for houses these properties don't fulfill a social use. Why not? Because the owners of these commodities are not interested in their use. They are interested in their exchange-value, the rent they receive from the property. For decades they collected rent while the use-value of the house deteriorated. And now these houses sit vacant, a testament to the contradiction between use-value and exchange-value.

This is not a contradiction restricted to housing. Every commodity contains this contradiction because every commodity is produced to be exchanged, not to be used by the producer. We have enough food on the planet to feed everyone, yet millions starve. Why? Because we don't produce food directly for social need. We make food in order to sell it for money. Society has much of the technological ideas it needs to reduce greenhouse gas emissions, yet it isn't acting fast enough to apply these ideas. Why? Because production is not undertaken to directly mediate our relation with the environment. We produce for profit.

The exchange of the products of labor in the market is just one of many possible ways that the private labors of billions of individuals can be coordinated. Some people think this is the best possible way to coordinate human productive activity. Marx saw that, despite all of the dynamism and technological wizardry of capitalism, there were fundamental social antagonisms at the heart of this means of coordination... that production for market exchange leads to all sorts of unexpected consequences including gross inequality, exploitation, and crisis. And for Marx all of these social antagonisms can't be understood until we understand the contradiction within the idea of a commodity itself: the contradiction between use value and exchange value.

Use value vs. exchange value

A commodity has a use. This is its use-value. What does use-value tell us? It tells us how a commodity satisfies a social need. If we want to feed everybody we need a certain quantity of food. If we want to build everyone a house we need a certain quantity of wood and nails. Some use-values require no effort to attain: air, sun, gravity, etc. Others require effort to attain. There is a finite limit to the amount of labor that can be devoted to the production of use-values. Society must apportion this labor between the production of different use-values in some way. As technology changes the amount of labor required to produce some use-values decreases thus signaling a change in the apportioning of labor. As technology evolves to reshape what human labor is capable of producing so do our needs and desires evolve.

In different societies this labor is apportioned by different methods. In a market society it is the buying and selling of the products of labor in the marketplace that serves the purpose of allocating labor between the production of this use-value or that use-value. This creates a second type of value, unique to market societies: exchange-value.

Exchange value is the ratio in which one good exchanges for another. Perhaps one book exchanges for a loaf of bread... Or a new car exchanges for a thousand bottles of whiskey. These ratios are all exchange values. They say a book is worth this much bread; a car is worth this much whisky. In a developed market society one commodity eventually emerges as the primary commodity in which all other commodities express their exchange value. This is what money is. For most of the history of capitalism this commodity has been gold. By comparing the ratio of tomatoes or cars or baseballs to gold all commodities measured their exchange value in ratios to gold.

These two sides of the commodity, its use-value and exchange value, form two opposing, contradictory poles. Much of the social antagonisms of capitalism are rooted in this tension between use-value and exchange value. Of course, most of the time when we look at a commodity it doesn't seem very antagonistic. This is because the antagonistic social relations behind the commodity are not visible. But when we look at a society organized around commodity exchange we can see lots of social antagonisms. To understand how these social antagonisms spring from the opposition of use-value and exchange-value we will need to take a closer look at both...

You can't use it AND exchange it!

If I am selling a tomato this tomato has no use-value at all for me. Its use-value only exists for the person that buys it. I am only interested in the exchange-value, how much money I can get for it. Production in a capitalist society is not production for use, but for exchange. This means that we have no inherent interest in the usefulness of our labor outside of its ability to create exchange-value. Now, from a social perspective, it is very important what kind of labor we do: Do we make bombs or flowers? Oil or cupcakes? But as individuals we have no stake in this. We produce in order to make money, to get exchange value.

Why do people produce for exchange and not for their own use? Because in a capitalist society the working class does not own the means of producing their own subsistence. The only way for working people to get the necessities of life is to buy them in the market. And the only way to do this is to sell our labor to a capitalist for a wage. We spend our whole life making a profit for an employer so that we can spend this wage in the market to obtain our daily bread. Our job is not a means toward personal satisfaction. Our job is a means of making money so that we can buy our satisfaction in the market.

Bourgeois subjective value theory talks about a "double-inequality of exchange." It says that the only reason exchange happens is that two people value the other person's product more than the product they are giving up. Marx actually goes even further than this. He says that to the seller the commodity has no use-value at all, other than the fact that it can be exchanged.

Not only does this bourgeois theory of "double-inequality of exchange" give the mistaken impression that people produce for their own wants and then sell off the surplus in the market, but it also imposes the profit-maximizing logic of the capitalist onto the consumer. By claiming that consumers

make a subjective profit from exchange it transposes the real, objective profit of a capitalist who pays his workers one sum of money and sells the products of their labor for a greater sum of money, onto a completely intangible and unquantifiable notion of subjective profit. But subjective preferences for commodities can't be measured, divided, added to, or compared in a numerical fashion. By imposing the logic of capital onto consumers it effectively erases class from the scope of its analysis.

The mystery of exchange value...

One book = 1 car. What does that mean? What does it mean to say something is worth so much of something else?

Some people think that the usefulness of a commodity can answer this. But uses of things can't be compared. You read books. You drive cars. They are two totally unrelated and incomparable uses. Maybe you like books more than cars. Does this mean that books are worth more than cars? (1)

What does it mean to say a book is worth so many jars of peanut butter, or so many cups of coffee? Clearly jars of peanut butter or cups of coffee are measuring something. And clearly any other commodity could be used to measure this something. A book could be worth so many pencils, so many kittens, so many tires... And each of these exchange values would be a different way of measuring the value of the book.

But this means that the book has a value independent of the particular commodity that we choose to measure it with. Whether we measure the book's value in beers, beans or kittens it stays the same. Yet we can't see this value. We only see the specific exchange ratios of the book as it is exchanged with other commodities. [The only thing that changes is the "form of appearance" of this value- the particular manifestation of this value.] But isn't this what exchange value really is- the comparison of the value of one commodity with the value of another? These exchange-values only make sense, only work, because there is something called value that is being measured by them. Exchange value necessarily implies the presence of an underlying value. Marx uses the term "intrinsic value". By this he doesn't mean that value lies buried within the commodity, or that it is magically bestowed upon the commodity, but that it is impossible to compare commodities to each other in the market without a commodity having its own value. But what is this value?

What is the 3rd thing?

We have seen that exchange value implies that commodities have an intrinsic value expressed in different exchange ratios. This value is not use-value or exchange-value but a 3rd thing. What is this value? Where does it come from?

I know you are in a lot of suspense so I'll just come right out and say it: Marx argues that it is the labor time that society devotes to the production of these commodities that accounts for this underlying value. Commodities that take more labor to create have more value than ones that take

less labor. As labor becomes more productive, as it becomes easier to produce things, their value falls. But what is Marx's justification for choosing labor as this 3rd thing?

Marx's critic Bohm-Bawerk pointed out that there are lots of properties that are common to all commodities: Marx could just as easily have said scarcity or utility were this third thing. This, of course, is the approach taken by marginal utility theory which argues that it is our subjective desires for commodities in relation to their scarcity that determines their value. Why is it that Marx doesn't take this route?

For one, scarcity and utility cannot be understood without reference to labor. The amount of a commodity that exists at any point in time is clearly related to the amount of labor that has been devoted to producing that commodity. And utility isn't just some abstract, individual substance detached from the labor process. Subjective desire only counts economically when it is turned into real action, when we buy things in the market. The only way to enter the market as a purchaser is to also enter it as a seller. We must sell the products of our labor and then use this money to buy the commodities we desire. (More specifically, workers sell their ability to work, their labor power, to an employer. The employer sells the product of that labor in the market. Workers receive a part of this value in the form of a wage.) The only means of attaining our desires is the buying and selling of the products of labor. Not only does capitalism shape our desires, it determines how we go about attaining our desires.

But there is an even more important reason why Marx doesn't choose scarcity and utility as the determinants of this underlying value. Utility and scarcity both describe the relation between individuals and objects. Marx is interested in the relations between people. If we think back to Marx's argument about commodity fetishism we will remember that in a capitalist society the relations between people take the form of relations between things. Objects appear to have power and value, on their own. But this world of appearance is not the full story. These value relations between commodities are actually relations between people whose work is coordinated indirectly through commodity exchange.

And this is where any social theory must begin: with a study of the productive activity of people as they work to create the world they live in. Not only is this the best starting place for an analysis of society, it is also the best starting point for a radical social theory whose aim is to investigate the possibility of changing the world. If we realize that human society is not the result of some natural or divine eternal logic but merely the creation of our own labor then that means that we have the power to mold and shape that society as we see fit. In a capitalist society these creative powers take the form of an external world of value and capital that acts back upon society, shaping it against the will of its creators. Yet, in the end the world of capital is nothing but the product of our own creation. If we truly want to change the world it is not up to nature, God, fate or experts, but up to us. This is the radical challenge of the law of value.

Let's review and clarify:

1. The usefulness of a commodity is its use-value. Uses can't be quantitatively compared.
2. The exchange-value of a commodity is the proportions at which it exchanges with other commodities.
3. Price is a specific type of exchange-value, the ratio at which a commodity exchanges with money.
4. The fact that commodities measure their worth against each other implies that they have an intrinsic value.
5. This intrinsic value is not a physical thing, nor is it magically bestowed upon commodities. It is not a timeless trait existing for all products of labor everywhere. Value, in the way Marx uses the term, is the means by which the labors of isolated producers are coordinated through commodity exchange. It is the social substance that binds together the labors of isolated, disparate individuals separated through the market.

Price and Value (a brief distinction)

We notice then that value and price are not the same thing. The value of a sandwich may be 1 hour of labor. Yet we don't see this 1 hour when we buy a sandwich. All we see is its price. Prices are just the exchange value of commodities measured in money. The only way we see value is indirectly through these quantitative relations between commodities. Though value and price are indirectly linked, their connection is still strong. If demand rises suddenly causing the price of sandwiches to rise this will trigger an inflow of sandwich-making labor to meet demand. And once demand and supply have balanced, price falls back down to meet value. If the productivity of sandwich-making rises the time it takes to make a sandwich falls. The supply rises and the price falls. Prices and values fluctuate around each other, constantly codetermining each other.

Conclusion

The last thing we should note is that this concept of value is historically specific. Unlike bourgeois economic theory which projects its categories of utility and capital back in time to make all of history retroactively bend to the laws of capitalism, Marx's theory of value describes a specific type of social organization unique to a society in which the dominant form of production is production for market exchange. When we don't produce directly for use, but for exchange, we find that our productive activity is regulated by unconscious economic laws which Marx calls the "law of value". Whereas before we said there was an antagonism between use-value and exchange-value we can now say that this is really an antagonism between use-value and value (since exchange value is an expression of value). As long as production is production to produce values instead of uses we will have to deal with the social antagonisms that spring from this contradiction: The logic of profit will dominate over society rather than the logic of usefulness. And the nature of work will be to maximize profit at all cost rather than to maximize the quality of the experience of work or of the life of the worker.

Footnotes:

1. There have been attempts by neoclassical economists to reduce the usefulness of commodities to some common substance. Since there is no common substance that makes up usefulness they have to make up an imaginary substance called "utles". These economists actually say things like, "A cup of coffee has 13 utles and a car has 3000 utles of utility". But such attempts to invent imaginary substances with which to reduce utility to are generally thought to be pretty silly and misguided. In neo-classical economics this concept has been mostly replaced by the concept of rank preferences, or graded utility: A consumer has a ranking of demand preferences but these can't be reduced to some common scale. In this way the question of value, in the sense that a commodity has a definite amount of value as determined by subjective social demand, is mostly abandoned: Commodities don't have values, but consumers have preference rankings and these preference rankings result in prices. This approach conveniently eliminates many of the theoretical problems with earlier marginal utility theory (namely the unquantifiable nature of subjective utility), yet it has an inherent circularity: consumer preferences are not formed in a vacuum. They are formed on the basis of preexisting exchange ratios. As the prices of commodities change so do the preference rankings of commodities. So commodity prices must first be assumed in for marginalists to theorize the subjective processes of price formation. This is circular. The pink elephant in the room is the productivity of labor. As this productivity changes so do prices. There are a host of other criticisms lodged at Marginalism by Marxists. Perhaps sometime in the future I can write/produce more on the topic.

Das Kapital vol. 3: Part 2, Chapter 12: Supplementary Remarks

(This post is part of an [ongoing project](#): a close reading of volume 3 of Kapital, one post per chapter. I hope that others who are tackling this book for the first time might find my summaries and thoughts useful. I also hope that others might leave their own thoughts, criticisms, help, etc. here so that this blog might become a good collective resource for those brave souls who take on Vol. 3.)

Supplementary Remarks

I. Causes Implying a Change in the Price of Production

A commodity's price of production can change if the average rate of profit changes or if its individual value changes. Marx considers each separately.

The average rate of profit can change from a change in surplus value or from a change in the ratio of total surplus value to total cost price (total capital advanced). A change in the rate of surplus value can only come from a change in the value of labor power due to a change in productivity of the labor producing means of subsistence. Interestingly, Marx mentions that the rate of surplus value can also change due to the rising or lowering of wages above or below their values. But these are only fluctuations around the value of labor power. Like any other commodity, it is this mean value that counts in the long run, the fluctuations around it being the mechanism by which this mean is accomplished.

Changes in the ratio of surplus value to total capital outlay, since we already examined changes in the rate of surplus value, come from changes in the amount of capital invested. If more means of production are being consumed by the same amount of laborers than productivity has increased even though the total amount of new value created has remained the same.

Either way, such changes on the price of production of an individual commodity come from changes in other commodities. The social nature of value creation becomes evident.

A change in the price of production of a commodity can also, of course, come from changes in that commodity's individual value- that is, more or less labor can be incorporated into its production or the production of the constant capital that enters into its production. We have already considered these changes in part 1.

Either way, changes in prices of production are always the result of changes in value. Value remains the ultimate regulating force.

II. Price of Production of Commodities of Average Composition

Much of the consistency of Marx's value theory, when applied to this world of average profits, comes from the fact that commodities of average organic composition have prices of production equal to their values ($k+p=k+s$) and profits equal to the amount of surplus value they create ($p=s$). But what if the cost-price of these capitals of average compositions also contain commodities that trade at their prices of production instead of their values? What if my hot-dog factory, which is a firm of average composition, buys pork products at prices of production which are below their actual values? How does this change my average composition? My variable capital might have a price of production different from its value as well. What if the breakfast cereal my workers eat has a price of production above or below its value? How does this change my average composition, the amount surplus I create, the price of each hot-dog, or my rate of profit?

We recognize immediately that these questions come from the same place that Bortkiewicz's transformation problem came from: the fact that inputs into the production process are bought at prices of production and not values. Before our heads start to spin imagining these endless feedback loops, we should take stock of what exactly the problem is. For one, when Marx says, "It is therefore possible that even the cost-price of commodities produced by capitals of average composition may differ from the sum of the values of the elements which make up this component of their price of production," it is obvious that he understood that prices of production enter as cost prices into the production process. The claim that Marx "forgot to transform input-prices" seems a rather pathetic explanation.

Marx answers this question by stating that such a transformation of input prices, "does not detract in the least from the correctness of the theorems demonstrated which hold for commodities of average composition." Regardless of the actual prices that capitalists pay for their inputs, the amount of profit

received by capitals of average composition is equal to the amount of surplus value they create. Average composition is measured at the price of production and not actual values. The prices of production of the inputs are what forms the cost-price and what determines the average composition. It is the ratio of c to v which determines whether a firm is of average composition, not the actual numbers. If a firm is of average composition then its surplus value is equal to the average profit.

What if the price of production of labor power falls below or above its value? Doesn't this effect the amount of surplus value/profit? A change in wages means a redistribution of value between workers and capitalists but does not change the amount of value produced, or the actual price of a commodity. If wages rise this means less surplus value is produced, the rate of exploitation changes. If the firm still remains of average composition then this new rate of exploitation defines a new rate of profit. If the rise in wages makes the firm no longer of average composition then it then it no longer determines the average profit rate.

III. The Capitalist's Grounds for Compensating

In competition the world of appearance seems to conflict with the underlying law of value. Capital receives average profit regardless of the ratio of dead to living labor. Changes in wages effect prices, even though changes in wages should only redistribute value between s and v , not change $s+v$. Market prices diverge from values. "The final pattern of economic relations as seen on the surface, in their real existence and consequently in the conceptions by which the bearers and agents of these relations seek to understand them, is very much different from, and indeed quite the reverse of, their inner but concealed essential pattern and the conception corresponding to it."

We have assumed that the process of equalization of profit rates comes from the attraction and repulsion of capital in and out of different spheres of different composition, which over time levels profit rates. After awhile though, these changes in prices which equalize profits become part of the consciousness of the capitalist and cease to require the same amount of attraction and repulsion. This is reflected in the way that all capitalists compensate for all sorts of risk, non-productive expenses, etc. by raising their prices. For instance, if a firm is exposed to risk through longer turn-over-times it will compensate for the loses it incurs by raising prices. These loses do not constitute any real value that the firm is contributing to the social product. It is merely the way in which the capital makes its claim on the total "loot", the aggregate surplus value. The capitalist thinks he/she has a "right" to equal profits. They believe they contribute to the social product through their investments in capital and thus deserve equal compensation, whether or not these investments actually create an average amount of surplus value.

This is an interesting ending to this 2nd part. Obviously these last remarks remind us of the various theories of "interest" advanced before and after Marx's time: that profit comes from risk, or roundaboutness, or abstinence. Perhaps then, the response to, say, Bohm-Bawerk's theories of time-preference and roundaboutness might start here in a discussion of the way capitalists expect equal

profits on all investments and thus include the cost of less productive (in value terms) ventures in their prices of production in order to capture this average "loot".