Book Chapter about Relation between Marxism and Critical Realism

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1 Summary of Beginning Arguments in *Capital*

It has often been claimed that Marx, when writing *Capital*, followed critical realist principles before critical realism even existed. I will examine here Marx’s famous derivation leading from the commodity to congealed abstract labor, as one can find it e.g. at the very beginning of *Capital*, but which exists in several different versions. At every step I will ask: is this step in accordance with, or does it contradict, empirical evidence? By exploring the basis for each step I will attempt to show that Marx follows critical realist principles, that indeed many of his steps can be considered a direct application of things written by Bhaskar in [Bha97], [Bha89], and [Bha93]. This has three main implications: (1) Marx’s *Capital* is an example
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how Critical Realist social research can be done. (2) the systematic apparatus provided by Critical Realism allows us to make Marx’s concepts and transitions more precise and accessible. (3) the comparison with Marx’s method may also point to areas in which critical realism can be better developed.

This article is a companion piece to my [Ehr01], which also looks at Marx’s development, however from a different angle.

1.1 The Commodity as Starting Point

Modern economics textbooks often begin with individuals and their utility functions, in keeping with the principles of methodological individualism or “microfoundations.” However Marx rejected this as a starting point. One of Marx’s contemporaries, the economist Adolph Wagner, referred in his textbook of economics [Wag79] to “one of the natural strivings of man.” Marx comments on this in his Notes on Wagner, [mecw24]538:4:

If a human is meant who already exists in some kind of society ... then as a starting-point the specific character of this social man must be presented, i.e.
the specific character of the community in which he lives, since in that case production, i.e. the process by which he makes his living, already has some kind of social character.

This accords well with Critical Realist critiques of methodological individualism, for instance in [Bha89, p. ??], that the social structure pre-exists any living individual and, although individual actions may reproduce and alter it, this structure cannot be considered the product of individual activity. In *Grundrisse* 265:0, Marx writes:

Society does not consist of individuals, but expresses the sum of connections, relations, in which these individuals stand with respect to each other.

This view, that the social relations are irreducible to individual activity, and must therefore be studied in their own right, is one of the main planks of critical realism.

But how does one study social relations without or before studying the individuals? Marx does not begin with the population as a whole, as Petty did, but explicitly rejected this approach in his Introduction to *Grundrisse*¹. He does also not begin with division of labor or some other generalities of production, but with the *commodity*.

¹[mecw28]37:2
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The commodity is a plausible starting point because it is so prevalent in capitalism\(^2\). More importantly, it is very easy to define a commodity: a commodity is something produced for the exchange. In other words, a commodity is the carrier of a simple or elementary (as opposed to complicated or composite or developed) social relation. A much longer explanation would have been necessary to explain the prevailing social form of labor under capitalism, namely, wage labor. A third point that can be adduced in favor of starting with the commodity is the centrality of the commodity relation: money under the gold standard, wage-labor, and capital are commodities, and it can be argued that some properties of the latter can already be found, in undeveloped form, in the former; Marx said for instance in 186:1:

The difficulty lies not in comprehending that money is a commodity, but in discovering how, why and through what a commodity is money.

The commodity is also part of the empirical experience, i.e., here one can say that Marx begins with empirical facts—although Marx looks at the commodity relations at first under the abstraction of money, i.e., he investigates the counterfactual situation that commodities

\(^2\)See 125:1 and 273:2
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are pervasive but there is no money. On the other hand, the commodity is certainly not the most basic relation on which all other capitalist relations rest.³ On the contrary, Marx argues that the relationship between capitalist and laborer, which looks like an exchange of commodities, is really a very one-sided exploitative relationship masquerading as an exchange.

This tension between those social relations which are simple, and can therefore serve as starting point for the theoretical appropriation of the subject, and those social relations which are basic in reality, is discussed at length in Marx’s methodological Introduction to Grundrisse. Marx observes that historically, often the simpler concepts come first, for instance money and commodity production preceded capital for a long time. But it can also happen that the simple concepts come last, that a long historical evolution is necessary to distill a concept down to its essentials. For instance, labor has always been the expenditure of human brain, muscle, nerves etc., see 164:1 and 150:2, but the mode of production which turned almost every product into a commodity and therefore bases its relations of production on labor in the abstract instead of specific kinds of labor comes fairly late. In [mecw28]39:2, Marx summarizes that the simpler category may express predominant relations in an im-

³Arguably, the private ownership of the means of production by the non-laborers is the most basic social relation in capitalism, see 927:1.
mature entity, or subordinate relations in a more advanced entity. The necessary lack of isomorphism between the real world and its appropriation by the human mind, which leads in Marxism to the tri-partition between the logical development, the historical development, and the structure of the capitalist system at any given point in time, constitutes a circle of problems which critical realism, as far as I can tell, has not yet usefully addressed—apart from its rejection of the correspondence theory of truth.

1.2 Use-value and exchange-value

Commodities are ubiquitous in capitalism. People living in capitalism handle them every day. This practical activity is Marx’s entry point, from which he infers the social relations that make this activity necessary and possible. Again a clear formulation of this can be found in Marx’s Notes on Wagner:

What I proceed from is the simplest social form in which the product of labor presents itself in contemporary capitalist society, and this is the “commodity.”
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This I analyze, initially in the *form in which it appears*.\(^4\)

The conclusion which Marx draws from this practical surface activity is a series of second-order arguments, as one can tell alone from his wording, although Marx does not have the concept of second-order argument. Bhaskar wrote in PON that such second-order arguments are necessary.

From this practical point of view, the first thing that can be said about commodities is that they have a double character: they are use-values and exchange-values. This distinction is spelled out explicitly in the second sentence of chapter One of Marx’s *Contribution to the Critique of Political Economy*, 269:1, and the same distinction is present a little more implicitly in the more sophisticated treatment in *Capital*. This is again compatible with empirical evidence. Nobody living in capitalist society would disagree here.

\(^4\)[mecw24]544:6/o
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1.3 Exchange-value independent of use-value

An important ingredient in Marx’s derivation is the assumption that exchange-value does not depend on use-value. Not every version of Marx’s beginning arguments presents this as an explicit step, although a very early version in Grundrisse, 881:3/o, does. In Capital, Marx brings occasional remarks to this effect, for instance in 128:4. Whether or not spelled out explicitly, this independence has a strong influence on the further course of the argument.

The evidence for this independence however is ambivalent. Some evidence seems to support independence: water is cheaper than diamonds although it is more useful than diamonds. Other evidence seems to deny independence: in practical life, the more desirable things often have higher prices, and prices rise if demand exceeds supply. With his assertion that exchange-value is independent of use-value Marx disregards therefore an important part of empirical evidence. But he comes back to the conflicting evidence later. In 130:1/o, Marx shows how the evidence according to which value depends on scarcity can be explained on the basis of the labor theory of value. And in 195:2/o he explains why it is a necessity in capitalism that prices usually deviate from values, these deviations being determined by supply and demand.
1.3 Exchange-value independent of use-value

Marx’s ability to eventually explain the conflicting evidence justifies his disregard of this evidence at the beginning. The subject of Marx’s investigation is a totality complex enough to generate contradictory evidence. Only one side of this contradictory evidence allows the researcher to understand the underlying mechanisms; the other side is “out of phase” with them, as Bhaskar would say, and therefore misleading. It is part of scientific education to learn which evidence is relevant and which evidence leads to dead ends. In footnote 1 of chapter Eleven, Marx denounces the law of demand and supply as a misleading entry point into political economy.

Despite a terminology which might suggest otherwise, use-value and exchange-value are not two sides of the same thing. There is no category “value” of which they are special cases. Wagner tries this approach, and Marx criticizes it vigorously and artfully, see [mecw24] 537:4/o. Critical realism has the coined the term “central conflation” for this error, See Archer and PON. The fact that Marx kept them separate was also noted by Zizek.
As a next step, Marx points out that the exchange relation of the commodities implies an empirical contradiction. This contradiction takes somewhat different forms in the different versions of the argument, but the conclusion which Marx draws from it is always the same.

The simplest form is perhaps that in *Theories of Surplus-Value*, [mecw32]326:3/o.

If $y$ yards of linen = $x$ lbs of straw, this equality between the unequal things linen and straw turns them into equal magnitudes. Their determinate being as something equal must of course be different from their determinate being as straw and linen. They are not set equal to each other as straw and linen, but as equivalents. The left side of the equation must therefore express the same value as the right. The value of straw and linen can therefore neither be straw nor linen, but it must be something that both have in common and something that is different from both.

Linen and straw are two different use-values, but in the exchange of linen against straw they are treated as if they were equal. This is a contradiction. Although linen and straw have nothing in common as objects, there must be some other level at which they are equal.
Another variation of this argument can be found in *Value, Price, and Profit*. To answer the question how exchange proportions are regulated, Marx writes, in [mecw20]121:1:

We know from experience that these proportions vary infinitely. Taking one single commodity, wheat, for instance, we shall find that a quarter of wheat exchanges in almost countless variations of proportion with different commodities. Yet, *its value remaining always the same*, whether expressed in silk, gold, or any other commodity, it must be something distinct from, and independent of, these *different rates of exchange* with different articles. It must be possible to express, in a very different form, these various equations with various commodities.

Here the contradiction is that the *same* value is expressed in many *different* equivalents, which leads Marx to conclude again that this value must be reducible to a third thing.

In *Capital*, Marx brings yet another version of this contradiction. On the one hand, exchange-values are attached to the commodities 126:1 (for instance, if the commodity falls down and breaks, then it also loses its exchange-value), but on the other, the exchange proportions vary considerably with time and place, see 126:2, which would suggest that these
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Exchange proportions depend on the circumstances of the exchange and are not inherent to the commodities. This is a contradiction, which Marx points out to the reader in 126:2.

In none of the three cases is this contradiction so blatant that it would jump out at the reader or the agent in capitalism. Most people spend their whole lives in a commodity society without ever thinking of the exchange relationship as contradictory. This contradiction, which is then used by Marx as starting point for a dialectical development, is something that needs to be discovered. Bhaskar, *Dialectic*, [Bha93] calls the discovery of such contradictions “σ-transforms,” as opposed to the resolution of these contradictions which are “τ-transforms.” He writes in [Bha93, pp. 26]:

As I have described it, the real work of the dialectic is done by the σ transform which identifies the anomaly or lack in e (at \(L_1\)) and the τ transform which remedies it at \(L_2\).

Such σ-transforms, i.e., the uncovering of non-obvious contradictions, abound in *Capital*; they are exactly the places where modern readers, who are trying to follow Marx’s arguments closely, but who are typically not very well schooled in dialectical thinking, scratch their heads and wonder “what in the world is Marx doing now?” Two more σ transforms will be
needed before the derivation of value as congealed abstract labor, and the quantity of value as socially necessary labor-time, is completed.

This is already the second contradiction Marx encountered. In the case of the first contradiction (whether exchange-value depends on use-value or not) Marx ignored one side of it and just went with the other, not even mentioning that there was a contradiction, or even that he was making the assumption of independence. In this second case, however, Marx points out the contradiction and, with the words “let us consider the matter more closely” 126:2, makes a new start. He often does this, for instance, he points out contradictions in 129:2 and 873:1 and many other times, and in 180:2 and 300:1/o, he uses almost exactly the same phrase “let us take a closer look.”

In other words, Marx acts here as if he was following the advice which Bhaskar gives over 100 years later:

A logical (or other) contradiction is not something to fear and/or to seek to disguise, cover up or isolate. Rather it should be taken as a sign that the existing conceptual field is incomplete in some relevant respect. [Bha93, pp. 378/9]

Here is another quote from [Bha93, p. 20]:

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For it is the experience of what in non-dialectical terms would be a logical contradiction which at once indicates the need for an expansion of the universe of discourse or thought and at the same time yields a more comprehensive, richly differentiated or highly mediated conceptual form.

Or [Bha93, p. 31]:

the contradiction becomes the signalling device for the expansion of the conceptual field or the universe of discourse.

Finally, [Bha93, p. 21] mentions the fact that such contradictions are often not obvious:

… is a great advance on the pre-reflective reasonableness of ordinary life, which readily tolerates contradictions without finding anything problematic in them,
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What is this common substance? In *Value, Price and Profit*, [mecw20]121:5/o, the next step is formulated as follows:

As the *exchangeable values* of commodities are only *social functions* of those things, and have nothing at all to do with the *natural* qualities, we must first ask, What is the common *social substance* of all commodities? It is *labour*. To produce a commodity a certain amount of labour must be bestowed upon it, or worked up in it.

But this is a simplified version of the argument. Given this formulation it is difficult to understand why Marx, in [mecw24]533:10/o, takes exception to Wagner’s summary that Marx “finds the *common social substance of exchange-value* . . . in *labour*.” Isn’t this exactly what the above passage said? It certainly seems so, but if we look up the argument in *Capital* itself we see that Marx does not go from exchange-value directly to labor. He stays much longer with the surface relations themselves. Instead of saying that the exchange-
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relations represent labor, he makes the intermediate step that the exchange-relations reduce the commodities to some common imagined quality at the surface.

As exchange-values, all commodities consist of the same ghostlike substance, which Marx calls their “value material.” One might say the exchange relations give each commodity a jello-like green halo, which in the later development crystallizes out in the form of green dollar bills. This value material is rarely mentioned by modern commentators of Marx. They are too embarrassed. Lipietz dismisses it as

the major, ‘substantialist’ weakness of vulgar Marxism—which reduced value to a sort of immaterial yet quantifiable product of human labor, incorporated in commodities. [Lip83, p. 4]

My claim is that this is not vulgar Marxism but an accurate rendering of Marx’s theory. This value material is not just a figure of thought but it is real. It is an invisible reality which then breaks out into the open as the tangible existence of money.

I am in the middle of writing this paper, and the rest of it can unfortunately not yet been shared. But it will be uploaded soon; my deadline is Feb. 11, 2005. Sorry about this. H.E.
Bibliography


Bibliography
