

Value and Price across the three Spheres of Modern Capitalism

Abstract: The relation between value and price, and the centrality of value to Marx's *Capital*, can only be understood in the context of the Hegelian structure of *Capital*. In particular, the three *spheres* of economic activity – bourgeois society, productive capitalism and finance capital – are the social contexts in which value is realised.

Also crucial is the syllogism by which productive capitalism is conceptualised, namely, the direct production of capital, the circulation of capital, and the unity of these two premises, capitalist production as whole. Value is neither a transhistorical substance of products of labour, nor a 'higher level of abstraction' lacking any real existence in the labour process and nor is value 'transformed into' price, which is the *appearance* of value, whose content is *social* labour.

Introduction

Before addressing the relation between value and price, I must explain the spheres of economic activity covered in *Capital*, and the syllogism by means of which productive capitalism is conceptualised.

To guide his conceptual reconstruction of modern capitalism as a systematic whole, Marx used Hegel's Logic in combination with a specific kind of historical study. I refer to Marx's use of history as *categorical genealogy* because it is an enquiry into the history of each category – commodity, capital, wage, etc. – analytically isolated from its changing historical context. By studying the genesis of a category, Marx reveals its dependence on other categories and its universal form. This is the essential ingredient in determining the sequence of categories in the reconstruction.

The Three Spheres of Economic Activity in Capital

The first work to which Marx (1859) turned when he withdrew to his study in 1843 was Hegel's *Philosophy of Right* (1821). Among the Hegelian concepts Marx learnt from this work were ideality and spheres (*Sphären*) of activity. The significant spheres of economic activity in *Capital* are bourgeois society, productive capitalism and finance capital. Traditional land ownership is another sphere, but Marx treats it (Volume Three, Part VI) as an obsolescent and parasitic sphere of modern capitalism.

As Hegel (1821, §278) saw it, each sphere within a complex whole is regulated by its own ideal, indifferent to the demands of the whole formation that it serves. But when 'exigencies' demand it, a higher sphere, such as the State, imposes its ideal on a lower sphere, such as abstract right. Just as the *Philosophy of Right* is structured around three main spheres of right – abstract right, morality, and custom and law, Marx's *Capital* is structured around three spheres of value, namely, bourgeois society (Volume One, Part I), productive capitalism (from Volume One Part II up to Volume Three Part IV), and finance capital (Volume Three, Part V). Each of these spheres is an analytical

abstraction with a real historical basis, established by the use of categorical genealogy.

Part I

The subject matter of Part I of Volume One of *Capital* is bourgeois society (*bürgerliche Gesellschaft*, literally, townspeople), a sphere of activity in which independent producers exchange products of their own labour at value, that is, according to the average labour-time necessary to produce the product under existing social conditions.

Bourgeois society has ancient roots, though at no time has it been the dominant sphere of activity, being always subject to the rule of a nobility, capital or some other sphere. Marx outlined its genealogy in Chapters 6 and 11 of Volume One when introducing the unit of capital. There was no labour market in medieval bourgeois society, and journeymen and apprentices were paid at a rate determined either by the guild or by a court. Journeymen and masters both owned their own tools, each produced complete products and were under no obligation to work longer than required to cover the costs of their own subsistence. Although ruled by other spheres, bourgeois society was usually in effect a self-governing sphere. This ceased to be the case when it fell under the rule (or ‘trusteeship’) of capital (Marx, 1894).

Clearly, bourgeois society became something very different when it was split into two different classes, capitalists and proletarians, with the capitalists now constituting the dominant sphere of productive capitalism, while bourgeois society came under the untrammelled rule of capital. The remaining proletarians, lacking capital, produced only labour-power for sale to the capitalists, who, by the eighteenth century, had secured political power in Britain and elsewhere.

Part I culminates in the germ cell, the commodity, one of which became its unit – the money commodity. Using the genealogy of money beginning from accidental exchange, Marx established the money unit as a commodity. With the money unit the ‘universal commodity.’ By establishing the nature of money, which is almost invariably the starting point of capital, Marx prepared the way for an analysis of capitalism as a whole.

Industrial capital did and does not exist in bourgeois society, and although the merchant capitalist grew out of bourgeois society, the merchant did not fundamentally change the character of bourgeois society.

‘Simple Commodity Production’?

I should emphasise that bourgeois society is not ‘simple commodity production,’ that term being understood to refer to a pre-capitalist stage of economic development. No such society ever existed, though the city-states of medieval Northern Italy and the Hanseatic League came close in some ways to instantiating such a formation. It is, however, a real sphere of activity with a very long genealogy, generally on the fringes of feudal and ancient society. Like the other spheres, it is an *analytical abstraction* with a *real history of its own* stretching back to antiquity.

Capital and Bourgeois Society

In Chapter 11, Marx uses the genealogy of capital to demonstrate the barriers that the guilds of medieval bourgeois society put up against any master seeking to enrich himself by becoming an industrial capitalist. They delayed this transition until the riches from colonialism in the 18th century finally broke down the barriers the guilds had built to protect bourgeois society.

The importance of the sphere of bourgeois society is that it establishes the material basis and real meaning of value. Once craftsmen were gathered into large workshops (Marx, 1864) and the labour process transformed, turning workshops into factories, we had a different situation. Large numbers of workers worked cooperatively using machinery for long hours and bid for work on the labour market.

However, as I shall show, this line of development does not abolish the meaning of value. Bourgeois society emerged historically between the state and family. Its enduring significance is that the labourer produces a *commodity*, that is, he does not labour to satisfy his own needs, but that of a stranger. He is engaged in *social labour*. Nor is he under any obligation either to a feudal lord or to his own dependents to meet needs according to custom. He is a 'free labourer'.

Labour and Value

While the labour process changes throughout every epoch of history, disrupting the social forms within which it is exercised, labour does not always have value.

If I cook my own dinner, that may equally well be to please myself or to meet my own needs or those of a dependent. But the dinner I cook for a customer has value; it meets a *social* need. The worker in bourgeois society engages in *social labour*; the content of his labour is social labour, expressed in its unit, labour-time. What I do for my private enjoyment is labour, but it does not produce value. This is the issue: only social labour has value.

Logic and Political Economy

Political Economy differs from Logic because the concepts of Logic are formal and have no content; the concepts of Political Economy have social labour as their content. The homology that Arthur (2011) found between Chapter 1 of *Capital* and early sections of the *Science of Logic* (Hegel, 1816) arises because both texts are concerned with the objective formation of Measure. This similarity is limited, however, because the commodity, unlike the One in the Logic, has a real content, social labour, whereas the One is merely *formal* and lacks any content – or rather its content is indefinite, which amounts to the same thing.

The concept of value, therefore, is tied to *social labour* and is applicable to capitalism at every stage of its development, from beginning to end. The substance of value is social labour, measured by its unit, socially necessary labour-time.

The Appearance of Value

Labour may produce value, but the value is not necessarily realised in exchange and its appearance will depend on the social and historical context. If value does not appear at all, then it does not exist. But most generally, value appears as price. If some kind of commodity was never consumed, whether because it had no use-value or because there was no market for it, then it would be fair to say it never had value. But if a commodity has use-value and for some reason never makes it to market, one could justly say that it did have value, but the value did not appear, it failed to realise. Value usually, but not exclusively, *appears* as price, and is realised as price when exchange is effected.

‘Appears’ here is used in the scientific – that is, Hegelian – sense. When I look up at the sky, I will not see sunlight unless there is a cloud or a rainbow through which it *appears*. However, to ask whether sunlight is equal to a cloud or a rainbow is a category error. We now know that even the blue sky is an appearance of sunlight. But if there were *no* appearance of sunlight, if even our physicists with their instruments could not detect it, then we could not say that it exists, even if it arises in some calculation by string theorists.

Insofar as a commodity is exchanged for money, that is, it appears as price, it is rational to ask whether value is equal to, greater or less than the price of a commodity. In that context, a monetary equivalent of labour-time exists. In the context of Volume One of *Capital*, the value of money is determined by the cost of mining gold. In a context which includes Volume Three, however, the banks are busy putting paper money into the economy and this has an impact on the monetary equivalent of labour-time. In *that* context, the categorical difference between money and value becomes significant.

But the appearance of value is not limited to price, and comparison of value and price remains, strictly speaking, a category error.

Conversely, while the appearance of value depends on its social and historical context, its existence is by no means limited to bourgeois society, in which it first appeared, or capitalism in general, as I will later demonstrate. It is not transhistorical, however.

The substance of a commodity is social labour, that is, use-value, its measure is exchange-value, labour-time.

All this is contained in the concept of the commodity, which is why the commodity can be called the *germ cell* of Part I, on *bourgeois society*.

Productive Capitalism

As I said, bourgeois society is the subject matter of the first Part of *Capital* as an analytical abstraction with a real historical basis. It remains to be shown how the essential features of bourgeois society as it appears under the rule of capital have given us a definition of value that is adequate to modern, productive capitalism, and not merely a feature which was left behind along with its historical predecessors. For that we must move to the second economic sphere of modern capitalist society, *productive capitalism*, which became its dominant sphere. In particular, we must examine the arrival of Mr. Moneybags – the germ

cell of capital, and the industrial capitalist firm – the unit of productive capitalism. Both are defined in Part II of *Capital*.

Without commodity production and money, there can be no capitalism. But commodity production does not automatically lead to capitalism.

The Universal Capital

Part II begins in Chapter 4 with a *formal definition* of capital: $M-C-M'$, and in the next chapter Marx introduces its *germ cell*, Mr. Moneybags, who buys in order to sell more dearly, which then becomes the *unit* of capital, *the industrial capitalist firm*. Particular forms of capital – the usurer and the merchant capitalist – pre-existed industrial capitalism. As the usurer merely interposed himself between seller and buyer in order to grab a piece of the surplus value, their presence was generally peripheral. Only in those city-states where bourgeois society became very wealthy did merchant capital develop significantly. The industrial capitalist was the universal individual capital because the industrial capitalist generated and *regenerated the conditions for their own existence*, namely, an impoverished workforce ready to come to work again the next day. Marx demonstrated that bourgeois society ferociously resisted the rise of the industrial capitalist.

Surplus value could be created neither in exchange nor outside exchange, but only by putting a sum of money into circulation and drawing it out again, expressed in the formula: $M-C-M'$. However, the embryo capitalist, Mr. Moneybags, even when he becomes an industrial capitalist, *does not concern* himself at all with recreating the conditions for his own existence. The reduction of the value of the working day is for him a stroke of good luck, the existence of all the ingredients for production and a demand for his product are facts he takes keen notice of, but creating them is no part of his business.

The Syllogism of Productive Capitalism

Part II to Part VIII of Volume One compose the first premise of the syllogism which makes up productive capitalism, the *direct* (or immediate) production of capital. Each unit of productive capital, each industrial capitalist form, is treated *on its own*, unmediated by other processes such as industrial production and circulation. Just as the producers of bourgeois society had been treated, the units of capital are treated immediately, each taken separately on its own.

The virtue of this treatment is that *the total social labour is an arithmetic sum of the labour of each firm*, and likewise for each of its components. The total variable, constant, and surplus value can also simply be added to determine the social totals. Were the complete circuit of a capital to be taken as the unit (as it is in Part I of Volume Two), then the contributions of each capital are clearly not additive, since one and the same unit of capital would be double-counted multiple times.

Cooperative Labour

But there is another issue to be accounted for. As employees of a capitalist firm, the workers are engaged in a cooperative labour process in which no commodity can be identified as the work of any single employee.

Marx responds to this issue in Part V of Volume One: 'it is no longer necessary for you to do manual work yourself; it is enough, if you are an organ of the collective labourer, and perform one of its subordinate functions' (Chapter 16). The unit of productive capitalism is the single capitalist firm, and the employees of each firm are to be taken together as the 'collective labourer' of that unit. So the unit of labour-power under productive capitalism is simply some determinant number of workers per working day. Again, because these units are taken separately, as they must, the total labour-power of the whole economy is determined by simply adding up the number of employees of each firm.

The daily product of a capitalist firm thus has a definite value. A simplifying assumption could be that the capitalist produces many of the same kind of commodity, each of which therefore has a definite value just as in bourgeois society.

It should be noted here that the capitalist society Marx is examining has no welfare or public education sector, so there are no 'hidden' contributions to labour-power, and factories probably did output a mass of identical products. These may be an issue for today's political economist, but at this stage of the conceptual reconstruction of modern capitalism, the principles are clear enough.

The Second Sphere: Productive Capitalism

The second sphere of modern capitalism extends from the establishment of the germ cell of capitalism in Part II of Volume One, through Volume Two to the extension of productive capitalism into Commercial capital in Part IV of Volume Three. (Part V contains the germ cell of the *third* sphere, finance capital.)

The notable feature of this sphere is that productive capitalism is presented as a *sylogism*, not as a series of economic formations that succeed or modify one another, either logically or historically, but as a syllogism of two premises. Productive capital in general, begins from Part I of Volume Three. It is the dialectical unity of the immediate process of production of capital (Parts II to VII of Volume One) and the mediation of each via circulation, as set out in Volume Two. Circulation is the means by which capital creates and maintains the conditions for its own existence (which the immediate production of capital could not) and moreover effects the *realization* of value by each capital completing the circuit back to its starting point. But the *appearance* of value in productive capitalism is only presented in Parts I and II of Volume Three.

Fred Moseley (2016) agrees that the total *c*, *v*, and *s* has been established by the end of Volume One, and nothing thereafter creates new surplus value (not even the third sphere). Subject to each unit of capital succeeding in completing the circuit of capital within a certain turnover time, the amount of capital available for distribution is fixed. But value has not *appeared* until the industrial capitalist realises a profit over and above his cost-price by the sale of, say, a

day's product. Here value appears as price, but *according to a different ideal* from that of bourgeois society – the ideal of productive capitalism, to which I will now turn.

The Ideal of Productive Capitalism

The ideal of bourgeois society is the equality of all labour. This ideal arises from conditions of *voluntary association* of independent producers (a games theorist could devise a thought-experiment to prove that equality arises necessarily from these conditions). Bourgeois society in England first arose in late Anglo-Saxon times, and was objectified in the practice of the guilds in making decisions by 'one man one vote,' just as they set the value of their products on the basis of the labour-time. This ideal was not that of the governing the sphere of productive capitalism. Here the value of a product is solely attributed to the *amount of capital* socially necessary for its production.

However, the ideal of productive capitalism is not even approximated by value appearing directly as price. Price is determined by the joint operation of the capital market and the commodity market, along with the shared needs of the 'hostile brothers' for conditions facilitating the business of exploiting labour-power. All this taken care of through circulation as determined in Volume Two. The outcome is the ideal of productive capitalism in which value appears as price equal to *cost-price plus profit*, with profit being a general rate of profit across the economy.

Marx demonstrated that this appearance of value – a general rate of profit – corresponds to the ideal of productive capitalism.

Marx's Thought Experiment

Marx was not trained in modern mathematics, but he devised a thought experiment worthy of the Nobel Prize in Economics, Marx (Volume Three, Chapter 9) Marx shows how this ideal is instantiated in productive capitalism by means of what I call the 'shareholder model'. He supposed that five different capitals of equal magnitude, each in different sectors with different compositions and hence different rates of profit, were to merge into a single company. Despite each capitalist remaining as manager of their sector, as shareholders with equal shares, they would obviously divide the profits equally. The general case is that if the whole economy were to form itself into a single joint-stock capital, the 'hostile brothers' would share profits in proportion to the share of capital invested. In other words, a general rate of profit would be implemented. That is the actual ethos, or norm, of productive capitalism instantiated in the concept of shareholders, and generated by markets in the products of capital and the capital-commodity.

The result is the ideal of productive capitalism, a general rate of profit.

Just as the 'law of value' follows from voluntary association of producers, in this case, when all the capitalist has is his capital, the markets implement the ideal of productive capitalism. The capital market will move capital from low labour-intensive sectors to those of higher labour intensity and the commodity market will move commodity prices up to benefit the profits of capital intensive sectors.

The ethic of sharing profits in proportion to capital invested is realised by the markets as an ideal *immanent* in productive capitalism which also functions to regulate it, as if enforcing a general rate of profit.

Another Thought Experiment

We could also devise a thought experiment in which it is supposed that all the *employees* of the capitalist companies voluntarily formed themselves into a single company. Would they not jointly decide that each of the constituent companies should be provided with a share of the total profit to pay their collective labourer in proportion to the number of workers in each company? This would restore the ideal of bourgeois society.

We can take a further step. Having formed a single company, the united employees might then decide to *redeploy* all the resources they inherited from productive capitalism to industries not involved in the production of the means of war or burning fossil fuel. In other words, they would *exchange* the tasks for which labour-power was being expended. This exchange of tasks is functionally the same as exchanging the products. And isn't it clear that all their accounting would be done in terms of *value* – socially necessary labour – just as was the case in bourgeois society? although now capitalism has been replaced by a society of cooperative labour. My point is only to demonstrate that even though value is manifested (appears) in exchange, value is real and value is not limited to the domain of capitalism.

Every child knows, too, that the amounts of products corresponding to the differing amounts of needs demand differing and quantitatively determined amounts of society's aggregate labour. It is self-evident that this necessity of the distribution of social labour in specific proportions is certainly not abolished by the specific form of social production; it can only change its form of manifestation. Natural laws cannot be abolished at all. (Marx, 1868)

Modern Bourgeois Society

Marx occasionally refers to 'modern bourgeois society' (only once in *Capital* though), evidently referring to a really existing sphere of modern capitalism. What does this sphere look like under the rule of modern productive capital?

Hegel explains that whereas a sphere may pursue its own ideal according to its own ideal 'in times of peace,' 'under exigency' (and profit-making is certainly an exigency for modern capitalism), the dominant sphere, productive capitalism or finance capitalism, will impose its own ideal on to lower spheres. What this means is in that modern-day bourgeois society, its essential business is producing labour-power and selling it to capitalists. Producers will be paid for that commodity, not its value, but at cost of production plus profit in proportion to capital invested. Given that all the labourers' needs will be products of capital and they bring no capital with them when they come to work, they will be paid a wage equal to the cost of living at whatever level the workers' movement has been able to establish as the norm. This corresponds exactly to what was determined in Part I, that the labourer would be paid the value of labour-power.

The only difference is that the goods the labourer buys to live, as products of capital, are not necessarily purchased at value.

This establishes that bourgeois society is an adequate analytical abstraction which is effective in establishing the meaning of value under capitalism in general.

Finance Capital

I have said everything that needs to be said on the first two spheres, However, *Capital* also goes to a third, now-dominant, sphere of economic activity, finance capital. The distinctions I have made above between the first two spheres may be clarified by extending the investigation to the third sphere.

As Hegel explained, the dominant sphere in a social formation may impose its own ideal on subordinate spheres. Marx anticipated that finance capital was becoming the dominant sphere in modern capitalism. Just as productive capitalism had imposed its own ideals on bourgeois society, as explained above, so finance capital would impose its ideal on productive capitalism.

The definitive form of economic activity in the sphere of the finance capitalist is that capital – either money or infrastructure – is loaned at interest while never releasing ownership: $M-M'$.

We have learnt that interest is a deduction from the surplus extracted by the productive capitalist from the exploitation of labour-power. However, interest must be paid irrespective of whether the borrower makes any profit from use of the capital. Under finance capital, capital takes on the appearance of self-expansion, the purest form of capital, according to Marx. Conversely,

[For the productive capitalist using borrowed capital] profit of enterprise appears to him ... as the result of his function as a non-proprietor – a *labourer*. ... his profit of enterprise, far from being the unpaid labour of others, is itself rather a *wage* or wages of superintendence of labour. (Marx, 1894, Part V)

Once finance capital becomes the dominant sphere, the productive capitalist is reduced to the status of a labourer. Just as the general rate of profit was the ideal of productive capitalism, the regulating ideal for the finance capitalist is the *rate of interest*. Finance capital was not sufficiently developed in Marx's lifetime for him to complete the analysis of finance capital. Marx frequently used the term 'irrational' to characterise the behaviour of finance capital. Marx was not able to make an analysis of 'fictitious capital' and credit (which he had studied as early as 1844), without which the speculative activity of finance capital is difficult to make sense of. It is probably only in recent times that finance capital has sufficiently matured to be analyzed. It seems to me that the central bank interest rate is the ideal of finance capital, just as the general rate of profit is the ideal of productive capital – it must be as high as possible, but not greater than the general rate of profit.

If you wanted to insist that value is constituted in exchange, by price, then you will have a problem with finance capital, because the ideal that constitutes this sphere is that the capital-commodity is only loaned. The borrower pays a price,

but the finance capitalist never releases ownership of capital; it is not exchanged.

Problems

I have tried to be as true as possible to Marx's text in the way I have interpreted *Capital*, qualified only by the fact that I read *Capital* with a prior understanding of Hegel's *Encyclopaedia*, as well as the *Science of Logic* (1816). Although an avid scholar of Hegel, Marx avoided sharing his Hegelian views with his readers. The author has shown (Blunden, 2026) that Marx's *Capital* exhibits six distinct features of Hegelian structure, including 14 of the 18 parts being cantered on 'germ cells' and three of the remaining four Parts being cantered on completing Hegelian 'circles of circles'. Only the Part on primitive accumulation does not contribute to the Hegelian structure of *Capital*, forming instead part of Marx's genealogy of capital.

I shall address a number of problems, which I believe arise from unfamiliarity with these Hegelian elements of Marx's *Capital*.

The Value in an Entire Capitalist Economy

Throughout the sphere of productive capitalism, the basic unit is the capitalist firm established in Part II of Volume One. The employees of each such unit of capital are therefore to be taken together as a 'collective labourer', the unit of labourer-power in the sphere of productive capitalism.

Value is a perfectly real property of any commodity which is a product of capital, albeit a 'social property.' It corresponds to labour-time expended by the 'collective labourer' employed by the capital producing the commodity, plus constant capital consumed, with surplus capital in the normal way. A simplifying assumption is that each capital produces a line of identical products which would have been fair in Marx's day. But without such simplifying assumptions, it remains the case that the product of a unit of capital, produced by its employees, taken together as produced by the collective labourer, has a definite value. Further, on the premise of direct production of capital, taking each unit of capital *side-by-side and separately*, just like that of the labourers of bourgeois society, the value of the products of all capitalist firms, is the arithmetic sum of labour-time of all their collective labourers plus constant capital consumed. This is fixed at the end of Volume One. There is no need to leap, as Moseley does, from the individual labourer in the sphere of bourgeois society straight to the total across the economy. Summation must go through the appropriate unit, the single capital with its collective labourer.

Value in the sphere of Productive Capitalism

Value is prior to price, which is but the appearance of value. This appearance, however, depends on the sphere in which it appears and the conditions applying to its sale there. Value is not 'transformed into price'; in general, value and price are incommensurable. Value may be realised by the application of labour to one task rather than another as well as by exchange of its products. The two tasks are shown to be equivalent because the same labour-power can be used to complete either.

Value is manifested in modern productive capitalism: (1) By the determination of the total amount of labour-power in the economy altogether, or in the labour-power assigned by public policy or industrial management to this or that task, by whatever means that allocation is made. Or (2) In commodity prices set according to cost price plus profit, where profit bears a highly mediated relation to value, due to the effective 'cross-subsidizing' among sectors of the economy, behind the backs of individual capitalists. Value plays a part in science, but plays no part in the thinking of the productive capitalist insofar as he is active in the market. (3) Insofar as elements of the old bourgeois society still exist on the fringes of modern capitalism (e.g. artisan tradespeople, self-employed workers, hobby farms, etc.) value is reflected directly in price, and according to the ideal of bourgeois society.

Value is a property of a commodity but, as an ideal, it is a *social property*, not a natural property like chemical composition or colour. Consequently, it is manifested through its social relations, and therefore only according to the ideals of the relevant economic sphere. It is manifested in various ways. Its quantity is manifested when it is exchanged or it is use in lieu of another commodity; its use-value (without which it is not a commodity) is manifested when its use is recognised in exchange and ultimately used.

Material properties of commodities such as their weight and chemical composition, because they are material, may be changed, as they are in the production process or when subject to a measuring process. Physical properties may appear differently in different physical conditions, such as heat or light. But value cannot be 'transformed into' its appearance. One and the same value will appear differently according to the sphere in which it is apprehended. As a social property of a commodity, value can only be manifested by changes in its social position because that is where the property is manifested.

When I refer to the 'social relation' of a material object, I refer to the social relations which that object mediates. All social relations are mediated by material objects and processes. One and the same material object can mediate different social relations.

Value Scepticism

Value is not something that exists 'on a higher level of abstraction'. Some action, such as exchange of the product or redeployment of labour-time, is required to determine how much labour is socially necessary to produce an equivalent of the commodity. But this does not make an informed estimate irrational and unfounded. Value is not Schrödinger's cat.

'Real abstraction' said to take place when a commodity is exchanged and its value manifested, is valid in that one property of a concrete object is manifested *separately* from the commodity itself, thus *abstracted*. But it is confusing if taken to mean that the manifestation of value is an act of creating an abstraction (value) that did not previously exist. Marx himself repeatedly used the expression 'embodied' value, and rightly so. Whoever owns a commodity *owns that value*, whether they actually exchange it or not, so long as it can be exchanged.

Further, Marx (1868) insisted:

That this necessity of the distribution of social labour in definite proportions cannot possibly be done away with by a particular form of social production but can only change the mode of its appearance.

Arthur (2004) argues that value is not merely *expressed* when it appears but is *constituted* in exchange:

It is not that commodity A has a given essence simply expressed in the equivalent but that value as essence *comes to be* in this expression, and is figured rather at the equivalent pole as what appears in the shape of B.

A property of something, whether social or natural, which in principle cannot appear, cannot be said to exist. But difficulties that may attach to manifesting the property, i.e., having it appear, or measuring it exactly, do not impugn its existence. Existence is not conferred in retrospect even if it is proved or measured in retrospect. Otherwise, what would be the point of studying history?

The central thesis of Moseley's book (2016) is that

Marx's theory is primarily a macroeconomic theory of the total surplus-value produced in the economy as a whole.

and Moseley denies that value can be attached to any single commodity. As I have said, the value of a single commodity is strictly speaking meaningful only in bourgeois society, but Marx tells us to regard the 'collective labourer' of each capital as the unit of labour-power under productive capitalism. So Moseley's claim is an overreach.

In connection with bourgeois society, he says:

the substance and magnitude of value – the quantity of objectified abstract human labour contained in each commodity – is *not directly observable as such in a single commodity* and can only be observed indirectly in terms of the quantity of another commodity that contains the same quantity of objectified abstract human labour. (Moseley, 2023)

'Directly observable' is a problematic concept when the property being considered is a social property of an object and what has to be observed therefore is social action. Observation and measurement is essentially 'indirect' because the property inheres in social relations not in a material object taken in isolation. This in no way diminishes the reality of an ideal property, however.

The chief product of bourgeois society in modern capitalism is labour-power itself. Since no capital is used in its production, and consequently no surplus value, the value of this labour power is determined as pure labour-power, realised on its sale to a capitalist.

The Transformation Problem?

The IIPPE Training Workshop in 2017 defined the ‘problem of the transformation of values into prices of production’ or ‘the transformation problem.’

Following the work of Sraffa, Marx has been accused of making a mistake in his derivation of the ideal of productive capitalism in Part I of Volume Three, described above as the ‘shareholder model’. For example:

Marx's error is due to the illogical method like that used in deriving prices from values. (Bortkiewicz, cited Jeffries & Helveg Petersen, 2026)

But there is no such thing as a ‘transformation problem’. Value is not *transformed* into price; value *appears* as price in all stages and spheres of capitalism, but according to different ideals in each sphere. In *bourgeois society*, value is realised by exchange of commodities of equal value between independent producers of single commodities. Throughout the rest of Volume One, the independent producers were ‘collective labourers’ of what were taken as independent units of capital. In Volume Three, in *productive capitalism*, value is realised as cost-price plus profit among capitalists who are dealing with products of capital mediated by circulation.

However, value is not a concept for the productive capitalist, at least in the sense in which Marx used it. The productive capitalist is a realist and the only empirically given reality is price.

The viewpoint of the productive capitalist, from which value is an unnecessary fiction, came to be adopted by Economic Science itself. Alfred Marshall published eight editions of his *Principles of Economics* between 1890 and 1920, and in the course of these editions, the word ‘value’ was quietly marginalised, in line with the spirit of Positivism in his own time. The same point of view is widely shared among present-day Marxists. Geert Reuten (2019) reports that ‘value’ is still used by capitalists but in the *psychological* sense of ‘expected price,’ guided by a knowledge of the *market*, not by accounting for labour-time and capital expenditure. Reuten adopted this conception in his own analysis, located within the sphere of productive capitalism. As a result, his analysis is nothing more than a version of marginalism consistent with the self-consciousness of productive capitalism. Reuten concluded that Marx’s conception of value as necessary labour-time was simply *redundant*.

All those economic theories which arrive at a general rate of profit without reference to values are functional equivalents of this model. This includes Sraffa’s work of the 1960s, which did not engage with the concept of value at all. Neither writer finds a ‘transformation problem’ because they took the word of the productive capitalists, that value as Marx understood it, was irrelevant.

Some writers rely on Sraffa’s work to claim that Marx’s derivation of the general rate of profit via the ‘shareholder model’ is mathematically flawed. This is a mistake, because Marx does not claim that a ‘transformation’ occurs. Sraffians presuppose that value and price are commensurable magnitudes, requiring a ‘transformation’ as analysis proceeds from chapter to chapter. In Volumes One

and Two Marx has derived the value of commodities (and their value components) and these are deemed to be inputs into a transformation which they see Marx as attempting to theorise in Chapter 9 of Volume Three, and 'transform into prices.' This is not at all what Marx is doing.

Marx is concerned with the social situation of capitalists as owners of capital within both capital and commodity markets, and demonstrates that owners of capital and buyers and sellers of commodities in this situation will adopt a different ideal from that of bourgeois society (the shareholder model) which produces as a result, the general rate of profit. This ideal in turn regulates the behaviour of the capitalists.

Productive capitalism is a different sphere from bourgeois society and labour-time plays no part in the calculation of prices in this sphere, despite the scientific fact that it places a limit on the total surplus value to be shared. As Reuten notes, however, it may play a role in their behaviour in their role as managers of a production process. The expectation that values from Volume Two must be 'transformed into' prices in Volume Three is a category error. The commodities are now taken in a different economic situation, a different sphere, that is all.

Value has disappeared from the concerns of the productive capitalists, but this does not mean that it is absent from their behaviour. The total quantity of labour and labour-power in the economy has been determined by the first volume of *Capital*. Apart from improving participation rates or immigration policy, there is nothing productive capitalists can do to increase the amount of surplus value to be divided up amongst themselves. That is a fact but it is no part of their calculations.

Does this mean that the total value of money in the economy was fixed in Volume One? No, because the central bank, which enters the picture only in the third sphere, will be busy injecting more money into the economy as capital by providing it to banks to lend to capitalists. Since money has no smell, the creation of new money in the capitalist spheres must devalue money in the sphere of bourgeois society. Reuten agrees with this conclusion. It is apparently necessary to avoid capitalism falling into recession,

My argument is that 'transformation' never happens and the 'problem' is a category error. Value appears as price according to the ideal of the relevant sphere; it is not transformed into price.

Conclusion

Value is an ideal – that is, a social property of a commodity. Labour has existed and will continue to exist throughout human history because human beings are social creatures. But labour to meet private need or traditional obligations of blood and soil does not have value. Only social labour has value.

How value appears depends on the economic sphere in which it is manifested. Value appears as price in the sphere of bourgeois society where commodities are exchanged at their value. But in the sphere of productive capitalism, commodities are not exchanged at value but at cost-price plus profit. In the

sphere of finance capitalism, capital-commodities are not exchanged at all, and value is manifested as interest paid for use.

In the sphere of productive capitalism, where no individual commodity can be connected to a specific labour act. Commodities are the product of an entire productive unit through the labour of its 'collective labourer' that invests that whole product with its value. Consequently, it is proven that the total value of a commodity, including its division into constant, variable and surplus value, is determined at the end of Volume One on the direct process of production. Realization of that total value is dependent on circulation analyzed in Volume Two and realised according to the 'shareholder model'.

The sphere of capitalist production in general therefore is governed by the equality of capital, rather than human equality.

Finance capital is, however, the dominant sphere of modern capitalism, and tends to reduce the productive capitalist to the status of a salaried employee, while the sphere of productive capitalism reduces the sphere of bourgeois society to the sale of labour-power at its cost of production.

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