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Theory, Ideology and Idolatry

John Weeks

I

IT is bitter irony that while the social theory of Karl Marx is based upon the view that history develops in response to impersonal forces and not the volitional acts of great men and women,¹ the socialist and communist movements of the world have been characterised by an uncritical reverence of great men, particularly Marx, Engels and Lenin, to the point of religious idolatry. This bizarre tendency which denies the essence of the materialist method is well known: the virtual canonisation of Lenin, then later Stalin in the Soviet Union, the cult-like worship of the aphorisms of Mao Tse-Tung, as well as the uncritical reverence for Marx and Engels. This denial of materialism has moved from the absurd to the grotesque when political considerations have dictated a de-frocking of the canonised, as with Stalin and Mao.

Why there should be such a metaphysical treatment of theory and ideology I cannot explain, but pervasive it is. In theoretical debate it takes the form of an obsessive desire to demonstrate that the great thinkers made no errors, and that their antagonists got nothing right. It is not enough to say that Lenin overall was correct in analysing Russian agriculture and in general Kautsky was wrong;² authors are compelled to establish that Lenin was right on every count, and Kautsky in error across-the-board.³

Paresh Chattopadhyay, I fear, suffers from this unfortunate tendency. In his review of my book,⁴ he spends five of his six pages taking me to task for suggesting that Marx and Engels held contradictory views on the theoretical analysis of capitalism (particularly with respect to value theory). He justifies such an allocation of space on the grounds that "[Weeks] is more concerned with showing what he considers to be the failings of Engels" than analysing the implications of Marx's theory. Beginning with the introduction, my book has 215 pages of text, of which 23 are devoted to Engels. Had I been concerned primarily with the critique of Engels, I might have devoted more space to it. In fact, of course, it is Paresh Chattopadhyay who is primarily concerned with the reputation of Engels. Engels' stature as a revolutionary has stood the test of time, though all of his theoretical writings have not.⁵

One aspect of the idolatrous tendency is to be more concerned with who said what than with what was said. Unfortunately, Paresh Chattopadhyay succumbs to this. For a page and a half he flays me with quotations from Marx and Engels about 'value'. Never does he present my position or his own, nor the positions of Marx or Engels in any systematic fashion,

for that matter. Clearly, what is important in his view is not the correctness of any particular view, but rather the proof that Marx and Engels agreed (and that they were correct on all points presumably is not to be contested or even subjected to analysis). It is unfortunate that his argument is structured so scholastically, for he has many provocative insights which have stimulated my thinking and deepened my understanding of value theory. These insights are not pursued, however. On the contrary, they are incidental to the central obsession—rescuing Engels from any and all criticism.

Marx in his many writings made a number of theoretical mistakes. These should be pointed out and must be if we are to advance in theory and practice. To deny the mistakes, to rationalise them and ultimately to perpetuate them is to move backwards, regress in our understanding. Specifically with regard to the comparison of the views of Marx and Engels, I recommend that the interested reader closely inspect the first chapter of volume one of "Capital" and Engels' postscript to volume three. Any reasonably intelligent person should find it obvious whether I am correct that Marx and Engels are in contradiction or whether Paresh Chattopadhyay is correct that they are not.

II

In "Capital and Exploitation" I compared the work of Marx and Engels, not for the purpose of judging who was right, but rather as a useful vehicle to identify two quite different treatments of the labour theory of value. Whether my judgments on these two great revolutionaries are correct or incorrect, they are of little importance compared to the basic issue: how is capitalist society to be analysed?

What I have called 'orthodox' Marxism I take to be that school of thought that (1) uses the labour theory of value as the basic element for understanding the laws of motion of capitalist society, and therefore, the basis of the critique of capitalist society; and (2) that develops the labour theory of value in terms of the distinction between abstract and concrete labour. By this definition, Sweezy and Baran are not orthodox, for they explicitly reject the concepts of value and surplus value;⁶ Amin is not orthodox because he fails to distinguish between abstract and concrete labour.⁷

It is frequently stated that Marx's theory of surplus value is based upon the argument that living labour is the only source of expanded value. This is incorrect. Ricardo maintained that only living labour created value, but was unable to derive a coherent theory of surplus value.⁸ Marx's theory of surplus value follows from the insight that labour has a twofold

nature: in that it produces useful items (use values), it is concrete labour; in that it produces value and exchange value, it is abstract labour.

The power of this insight is tremendous, and Marx identified it as one of the two best points in his book.⁹ This distinction between concrete and abstract labour is the basis for (1) the revelation that capitalism is but a transitory form of class society, (2) the explanation of the historical transition from feudalism to capitalism, (3) the theory of the operation of the capitalist economy, and (4) the explanation of the existence of alternative theoretical frameworks to explain the capitalist economy.

In my book, I go into some detail to explain the nature and implications of the twofold nature of commodities and labour. Here, I shall briefly summarise that discussion. The actual labouring activity of human beings results in use values and is not the substance of value. Concrete labour is by its nature heterogeneous labour and cannot be aggregated any more than one can add use values themselves. Indeed, concrete labour is use value. The 'concreteness' of concrete labour expresses itself in two ways: (1) labour processes involve workers of different skills, and (2) producers making the same commodity do so at differing levels of efficiency. The labour which creates value is abstracted from skill differences (abstract labour as such) and abstracted from differences in efficiency (*socially necessary* abstract labour). Abstract socially necessary labour is the essence of value and is measured in units of time.

One clear implication of this theory is that value cannot be directly observed, for what we observe is concrete labour. Abstract or general labour only expresses itself as price. From this conclusion derives Marx's analysis of 'commodity fetishism', the general explanation of why in capitalist society class relations are obscured and economic relationships invariably appear in inverted form.¹⁰

Until recently this orthodox interpretation of capitalism had been almost entirely squeezed out of the Marxist literature by neo-Ricardian or neo-Keynesian interpretations.¹¹ In the last fifteen years there has been a new flowering of the orthodox school particularly in Great Britain, France and Belgium.¹² The great contribution of this new literature is that it has not succumbed to scholasticism, but has tried to build upon the insights provided by Marx, and to resolve key problems within the labour theory of value. Out of this new literature emerge three issues which I consider to be absolutely crucial to resolve theoretically if we are to deepen our understanding of modern capitalism. It is to these issues that debate should be directed, rather than to proving the perfection of idols.

The first of these issues relates to abstract labour itself. While concrete labour is directly observed, abstract labour manifests itself as price, unobservable in its essential form. This presents two questions: in what sense does it

exist if it cannot be directly perceived, and in what way does it determine price? Analogies to the physical sciences are of no help here. It could be said that atoms are the essence of matter (as abstract labour is the essence of value), but both atoms and the more complex objects they form are directly observable, while both abstract labour and value are not. This characteristic of abstract labour and value makes Marx's theory susceptible to the criticism that abstract labour and value are constructions of the mind, not reflections of material life. In other words, are abstract labour and value merely the way we think about the world (like the bourgeois concept of 'consumer utility'), or are they real phenomena whose precise nature we incompletely understand?

Closely related to the first issue is the distinction between productive and unproductive labour. Breaking with earlier writers who made this distinction on subjective grounds, Marx gave the distinction scientific content by relating it to the reproduction of capital: in the first instance, productive labour is that labour which produces surplus value; i.e., the labour which creates the surplus product which can be appropriated as profit for accumulation. This implies that in order to be productive, labour must be exchanged against capital (employed within capitalist relations of production). However, all labour employed by capital is not productive, i.e., does not create surplus value.

If all labour employed by capital were productive, then the term 'production' would necessarily include distributional activities, and the term 'labour process' would be so broad as to be meaningless. Central to the labour theory of value is the argument that value arises in production, then manifests itself in exchange. If all labour employed by capital is productive of surplus value, then either value and surplus value are not exclusively created in production, or one must define the circulating of commodities to be part of their production. Both of these positions in effect deny that there is any importance to the distinction between production and circulation.

Marx's own thinking on this point is suggestive, but not definitive. At one point he comments that the labour employed in transport is productive of surplus value (if engaged by capital),¹³ yet it is unclear why transport is 'production' and wholesale and retail trade 'circulation'. Elsewhere, in his more extensive treatment of productive and unproductive labour, he takes the position that labour is productive only if it is directly involved in the material metamorphosis of commodities.¹⁴ This implies, for example, that the construction of a railway locomotive and the laying of tracks is productive, but the subsequent operation of the railroad is not. This seems to me to correspond to the actual process of capitalist reproduction.

The productive-unproductive distinction is closely related to the resolution of the abstract

labour phenomenon. Once one has a clear understanding of the necessary and sufficient conditions for the production of value (and surplus value), then the relationship between value and its phenomenal form (price) is also illuminated. However, the central importance of the productive-unproductive distinction to the operation of capitalist reproduction has been insufficiently recognised, largely treated as an interesting but peripheral issue in Marx's theory.¹⁵

Third, the process of wage determination in capitalist society presents particular difficulty for understanding. Workers sell the commodity labour power, their capacity to work, and this commodity like other commodities has a value which is the hidden determinant of its price. However, the commodity labour power is different from all other commodities. For present purposes, the important difference is that while power is a commodity in capitalist society, it is not produced under capitalist social relations.¹⁶ This fact implies that socially necessary labour time is a more complex phenomenon in its relation to the commodity labour power than in its relation to other commodities.

Take, for example, the production of steel. The pressure of competition forces steel capitals to employ the most efficient fixed means of production, purchase material inputs and utilise them as economically as possible, and extract as much effort from labourers as the strength of worker resistance allows.¹⁷ This generates a productive norm, as socially necessary labour time. The same process does not characterise the production of labour power. While a part of the production of labour power is achieved via the consumption of capitalistically produced commodities (but only a part), there is no competitive pressure among workers to produce their labour power as cheaply as possible. It is the tendency among capitalists to raise productivity (reduce values), lower costs, and reduce selling price. The tendency among workers is to unify, not compete, in order to raise their standard of living and, thus, the value of labour power. Certainly capitalists seek to force wages down, but this is a separate issue.

The general rule is that the exchange value of a commodity reflects the socially necessary abstract labour time objectified in that commodity in the production process. Since labour power is a commodity, it conforms to this general rule. However, the precise manner by which socially necessary labour time manifests its determining role in the case of labour power has yet to be fully understood.

III

It is important to stress that the issues raised in the previous section are not at their basis problems of the intellect or of logic. We perceive these conceptual difficulties at all only because they are difficulties or contradictions created by the concrete operation of capitalist ac-

cumulation. The advance of theory, therefore, involves revealing the manner by which these contradictory relationships are actually resolved in the accumulation process. Basically, we seek to understand capitalism, not to understand theory as such.

Since the task is to understand capitalism rather than to understand theory, one can ask, why is theory necessary, since theory is the conceptualisation of reality rather than the direct perception of reality. Marx's labour theory of value answers this question: capitalism cannot be understood by observing its appearance; on the contrary, the appearance of things is actually misleading. The most obvious example of this is the contradiction between the production of surplus value and its distribution among many capitals. Surplus value is produced by living labour and, therefore, for each capital is proportional to variable capital advanced. However, the competition among capitals generates a tendency for profit rates to equalise, calculated on total capital advanced (constant and variable). As a consequence, the distribution of surplus value as profit and the prices which affect this distribution create the impression that dead or past labour creates value. Bourgeois 'price theory' locates itself analytically at this level of distorted appearances.

This contradiction between production and distribution, called 'the Transformation Problem' by Marx's critics, is indeed a problem, but a problem for successful accumulation and the reproduction of capitalist class relations, not a problem of reconciling ideas. The same holds for the three issues which I have raised. Labour in fact has a twofold nature, for it produces both objects of use and exchangeable value. All labour is not productive of surplus value, for the distinction between production and distribution is a real one, not a product of the mind. Labour power is a commodity, and as such must have a value. That we have not yet fully resolved the nature of these relationships indicates the power of the obfuscations generated by commodity circulation. The understanding of these relationships is a task set for us by the concrete operation of the capitalist economy. Understanding will be achieved, I argue, by rigorous adherence to what I have defined as the 'orthodox' approach to value theory: that labour and commodities have a twofold nature, which implies the real basis of capitalist society is obscured by commodity fetishism.

Notes

- 1 "The general conclusion at which I arrived and which, once reached, become the guiding principle of my studies can be summarised as follows. In the social production of their existence, men inevitably enter into definite relations, which are independent of their will . . . It is not the consciousness of men that determines their existence, but their social existence which determines their consciousness." Karl Marx's "A Contribution to the Critique of Political Economy"

- (New York: International Publishers, 1970), pp 20-21.
- 2 Lenin's analysis is a textbook guide on how one moves from the abstract to the concrete. See V I Lenin, "The Development of Capitalism in Russia" (Moscow: Progress Publishers, 1972); Volume 3 of "Collected Works".
 - 3 Kautsky is a particularly good example of the consequence of idolatry. While his early writings were undistinguished in my view, he was revered as a great socialist largely because he had been Engel's secretary. Once he disgraced himself with his stand on the First World War and later the Russian Revolution, the weaknesses of his earlier theory and practice were discovered.
 - 4 Paresh Chattopadhyay, "Value and Capital", *Economic and Political Weekly*, April 12, 1982.
 - 5 Paresh Chattopadhyay finds it incomprehensible that I could be critical of Engels and also consider him a great thinker and revolutionary. This incomprehension reflects the idolatrous tendency. A writer need not be all correct or even *basically* correct to make major contributions. Rosa Luxemburg is an example. In my view her theory of imperialism, based as it is on under-consumption, is clearly wrong. But aspects of that theory and of her other writings qualify her as making a major contribution.
 - 6 Baran and Sweezy argue that value and surplus value are not appropriate concepts for modern capitalist society. See P A Baran and Paul Sweezy, "Monopoly Capital" (New York: Monthly Review, 1966), pp 5-7.
 - 7 In his discussion of 'world values', Amin argues that it is meaningless to compare labour productivity across countries; i e, that concrete labour is subsumed with abstract labour.
 - 8 In order to obtain the distribution between wages and profits, Ricardo had to adopt a subsistence wage theory.
 - 9 The second, that profit, rent and interest have the same source (deductions from surplus value), is directly derivative from the distinction between concrete and abstract labour.
 - 10 For a clear discussion, see Lucio Colletti, "From Rousseau to Lenin" (New York: Monthly Review, 1979); and I I Rubin, "Essays on Marx's Theory of Value" (Detroit: Red and Black, nd).
 - 11 For a discussion of neo-Keynesian interpretation of Marx, see John Weeks, "On the Issue of Capitalist Circulation and the Concepts Appropriate to its Analysis", *Science and Society* (Summer, 1983). I treat the neo-Ricardian interpretation in the first two chapters of my book.
 - 12 Among others, I refer to: Ben Fine, Simon Mohun, Susan Himmelweit, and Laurence Harris (Great Britain); Michele DeVroey (Belgium); and Suzanne deBrunhoff, Michel Aglietta and Andre Orlean (France).
 - 13 Karl Marx, "Capital", Volume II (London and Moscow: Lawrence and Wishart and Progress Publishers, 1970), p 54.
 - 14 Karl Marx, "Theories of Surplus Value" (Moscow: Progress Publishers, 1969), Vol I.
 - 15 A useful review of the Western literature in English is found in E K Hunt, "The Categories of Productive and Unproductive Labour in Marxist Economic Theory", *Science and Society*, XLIII, 3 (Fall 1979). I confess to failing to grasp the significance of the distinction until recently. In my book, "Capital and Exploitation" there appears no discussion of productive and unproductive labour.

16 Land and money-capital (capital itself in commodity form) are also commodities in capitalist society which are not produced under capitalist relations. But in the case of these two, they are not produced at all, while labour power is produced.

17 This competitive pressure also creates uneven development among capitals. See "Capital and Exploitation", Chapter 8.

Dual Exchange Rate

Abhijit V Banerjee

IN a recent article (*EPW*, July 14) Nicholas Kaldor has suggested a dual exchange rate for India to replace the current regime of complicated import controls and export subsidies. The main attraction of the idea is its simplicity—it promises to ensure both import restriction and export promotion without having to rely on a huge administrative apparatus. But a closer look reveals that Kaldor has been too sanguine. He grossly underestimates the ingenuity of the Indian capitalists. If the system of dual exchange rates is left to function automatically the way he has suggested, there will be massive potential for profitable manipulations which will not go unexploited. Here are some of the possible loopholes and a suggestion for their remedy.

Kaldor suggests two exchange rates, one of, say, Rs 10 to the dollar which applies to traditional exports, essential imports and all sorts of remittances and capital flows and another of, say, Rs 15 to the dollar which applies to in-essential imports and non-traditional exports. Ultimately there would be no controls in the economy except the foreign exchange controls. Importers and exporters will go to the Reserve Bank, declare the nature of the transaction and buy and sell foreign exchange at the appropriate rates.

The list of traditional exports and essential imports is a short one and both the exporters and the importers in these items are well known and easily identified. At this level, therefore, there may not be any difficulty in determining which exchange rate will apply to which transaction. However there are other difficulties.

The system controls import prices for those who have to buy foreign exchange to pay for the imports. Those who can get a loan from abroad will therefore be at an advantage—they get imports at 33½ per cent lower prices since they don't have to buy the overvalued foreign exchange and to repay the loan they can buy foreign exchange at the lower rate.

A more dramatic possibility can be illustrated thus: Suppose I have a brother in the US who sends me \$ 100 along with a receipt saying that we have sold goods worth that amount in the US. I go to the Reserve Bank, show the receipt and sell my dollars at the high exchange rate as proceeds from non-traditional exports. Then

I declare the Rs 1,500 as being profits and repatriate Rs 1,250 to my brother in the US as the 5/6 share-holder in the concern. The low exchange rate applies and so my brother gets \$ 125 back out of which he can send me \$ 100 once again. And so, if we do this four times a year we can together earn a profit of 200 per cent on our capital. And nothing has been exported in the process. This might sound far-fetched but things like this have happened before.

Conceivably one might try to deal with this situation by applying the dual system to capital transactions and remittances as well. If the high rate is applied to all inflows and the low rate to all outflows the specific problems detailed above can be countered.

This would also tend to discourage private foreign investment in rupee shares. However, this might not be very serious since much of foreign investment in India is in the form of collaboration agreements. Transfer pricing systems and capital repatriation agreements would be worked out to protect the interests of the foreign investor. (Foreign investors have sufficient power over their Indian counterparts to ensure that this happens.) And thus, with a slight adjustment Kaldor's proposal might become workable.

Garware Marine Industries

GARWARE MARINE INDUSTRIES has been registered under MRTP Act. This has limited scope for further expansion of its present activities, particularly manufacture of fishing nets. Management is, therefore, actively considering certain steps including diversification programmes. Meanwhile, company's working in current year has been affected due to a strike by workers at Ahmednagar factory. Strike has been called off unconditionally and a three-year wage settlement with union has been concluded. Efforts are also being made to introduce additional incentives for workmen linked to production and productivity and necessary studies in this connection are under way. While these efforts will entail additional financial burden on company, B D Garware, Chairman, hopes that benefits likely to accrue from these measures will offset additional burden.