

# The ‘tiresome objector’ and Old Moor: a renewal of the debate on Marx after Sraffa based on the unpublished material at the Wren Library

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The as yet unpublished Sraffa material may help to break the no-communication monologues between Marxists and Sraffa’s followers. This is possible only if we contest the vulgate that, after Sraffa, we have to accept a surplus approach which is mutilated from the labour theory of value. The connection between value and labour must be argued differently than in the old and new interpretations of Marx, according to the method of positing the presuppositions. To do this, some debates of the 1960s and 1970s are reviewed. Then, the shifting interpretations of Marx by Sraffa are considered, taking into account the (conflicting) views among Sraffian interpreters. Sraffa’s normalisations may be interpreted as implying that national income is nothing but a monetary exhibition of (the objectification of) living labour. This, together with Sraffa’s redefinition of the rate of surplus value at prices of production rather than at labour values, allows the building of a bridge with the new interpretation of Marx. The paper, however, stresses also some differences: between Sraffa and the new interpretation, and between the two and Marx. The labour theory of value is non-redundant in the inquiry about the constitution of the ‘givens’ in *Production of Commodities by Means of Commodities*, because those ‘givens’ are traced back to a social relation of production. Moreover, the value of labour power is interpreted from a macroclass monetary perspective, akin to the circuitist and post-Keynesian approaches.

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## 1. Introduction

The article traces a conjectural history of Sraffa’s relationship to Marx. In the period 1927–31 the Italian economist appears mostly critical against the labour theory of value (LTV). Things changed in the early 1940s, after Sraffa reread *Capital I*: Sraffa thought that his inquiry would have vindicated ‘Old Moor’ and rejected Bortkiewicz’s criticism. Later on, however, Sraffa changed his opinion on the continuity between his results and Marx’s. Nevertheless, even after publishing *Production of Commodities by*

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*Means of Commodities (PoC)* he maintained a positive judgement on Marx's transformation procedure. Moreover, he used his conclusions to redefine exploitation in terms of labour commanded rather than labour contained.

The unpublished Sraffa papers at the Wren Library (Trinity College, Cambridge) may help to break the no-communication monologues between Marxists and Sraffa's followers. This is possible only if the vulgate that, 'after Sraffa', the surplus approach must be mutilated from the LTV is contested, and only if the connection between value and labour (through money) is argued differently than it is in old and new interpretations of Marx. To do this, I first review some of the original debates of the 1960s and 1970s. Then, I reconstruct Sraffa's 'making' of *PoC*, taking into account the (conflicting) views among Sraffian interpreters about the Marx–Sraffa relationship. Sraffa's normalisations in Sections 10 and 12 of *PoC* may be interpreted as implying that national income is nothing but a monetary exhibition of (the objectification of) living labour. This, together with Sraffa's redefinition of the rate of surplus value 'at prices of production' rather than at 'labour values', allows the building of a bridge with the new interpretation (NI) of Marx. The paper, however, stresses also some differences: between Sraffa and the NI, and between the two and Marx.

## 2. From the debate in the 1970s to the new approaches to Marx

When Sraffa's *PoC* appeared, the relationship between 'values' and 'prices' was interpreted according to a received opinion best expressed by Dobb. 'Labour values'—with relative prices proportional to the labour contained in the commodities exchanged—are a first, imperfect approximation to capitalist exchange ratios. 'Prices of production'—with individual capitals of the same magnitude but different composition gaining an equal rate of profits—are the second approximation. The sequence is justified by the argument that the distribution of the social product between capital and labour is represented by labour values. Sraffa's initial equations, where methods of production and the (real) wage are the givens from which prices and rate of profits were simultaneously set, were the long-awaited solution to the 'transformation problem', showing the soundness of the logical structure of Marx's work (Dobb, 1967). This opinion may be criticised: there is no need to start from labour values to determine production prices, since the latter can be calculated from the same data from which the former are derived (Steedman, 1977).

A debate on these issues went on in Italy during the 1970s. Some Italian Marxist economists were influenced by Colletti's rereading of Marx's LTV. For Napoleoni, abstract labour and value are the same thing: the former is the activity whose result is the latter. With universal exchange, the 'product' of labour cannot be but 'value' and value resolves itself entirely into objectified abstract labour. Since exchange is generalised only under capital, abstract labour as activity is nothing but the living labour of wage workers (Napoleoni, 1975 [1973]). Labour values, far from being a first approximation to prices, are the outcome of capitalist commodity production and accurately reflect capitalist reality.

Vianello (1970), a young follower of Sraffa, gave an interesting twist to Colletti's argument. Commodities are objectified abstract labour before, and independently from, exchange and the setting of individual prices. Thus, whatever the price rule, it is always possible (i) to bring back the social product to total direct labour, (ii) to define as 'necessary labour' that part going back to workers, and (iii) to define the residual part as 'surplus labour'. Napoleoni objected that Vianello left out the category

of ‘exchange value’—namely, the relative ratio between magnitudes of value (labour contained), what other Marxists define as ‘simple prices’. Exchange value is the essential mediation between intrinsic (or absolute) ‘values’ and ‘prices’ (of production).

Lippi (1979 [1976]) originated a second round of the debate (compare the essays in Bellofiore (1998)). Napoleoni argued that *PoC* means the break between a qualitative, or philosophical, dimension and a quantitative, or economical, dimension of ‘value’. The reification process cancels the origin of economic magnitudes in the alienation of labour. Now—it is to be noted (in the silence of Sraffa himself)—everybody accepted that *PoC* amounted to the final dissolution of the LTV, from a quantitative point of view.

In the following decades a reciprocal ignorance of what was going on in the other theoretical territory won the day. The Marxian and Sraffian schools remained rigidly separated, even though there were important developments in Marxian political economy, and the opening of the Sraffa archives notwithstanding.

New approaches to Marx’s value theory, taking seriously the link between ‘value’ and ‘money’, rescued Marx’s internal analytical consistency, though at the price of some circularity in the argument. The NI (Foley, 2000) argued that Marx starts from the ‘postulate’ that at the aggregate level the (new) value added in the period is the monetary expression of the total, socially necessary, direct labour time (MELT). This ‘law of value’ establishes a correspondence between (i) the monetary form taken by the current labour originating the social product, net of non-wage costs, and (ii) national income as the sum of wages and gross profits. The ‘value of money’—namely, the ratio between the aggregate direct labour expended in production and the money value added—gives how much abstract labour is ‘exhibited’, or ‘commanded’, by one unit of money. It is the reciprocal of the MELT, or of workers’ money value productivity (the money value added per unit of labour).

The ‘law of value’ holds true whatever ‘law of exchange’ is adopted. The price rule may alternatively imply either the proportionality between prices and contained labours, as with labour values, or their systematic divergence, as with prices of production. With labour values the quantity of money ‘commanded’ on the market by every individual commodity will ‘exhibit’ a quantity of labour equal to that ‘contained’ as a result of production. When prices diverge from labour values, the quantity of labour obtained in exchange by every individual commodity is generally different from the labour required to produce it. However, labour ‘contained’ and labour ‘commanded’ remain identical for the money net product of the whole system.

A crucial step is the definition of the ‘value of labour power’ (VLP). This is not interpreted as the labour contained in the subsistence wage bundle, but rather as the labour commanded by the money wage. It is calculated by multiplying the money wage by the value of money, thus determining how much labour ‘goes back’ to workers, a quantity that may well diverge from the labour ‘congealed’ in the wage goods actually bought by workers: the former may be labelled ‘paid’ labour; the latter, ‘necessary’ labour. VLP becomes just another name for the share of (money) wages within (money) national income.

It is easy from here to achieve results similar to Marx’s. The equality between the sum of gross profits and the sum of surplus values results by definition if we posit an equality between the net product accounted in labour-values and the net product accounted in production prices, and if we identify necessary labour with paid labour. One could continue these tautological exercises, obtaining both of Marx’s equalities in their original form. To this end, Marx’s constant capital must be reinterpreted, along

the lines of the NI definition of variable capital, as the labour ‘exhibited’ in the money capital buying the means of production, and not as the labour required for their production (Moseley, 1994).

Compared with interpretations like Dobb’s, unquestionable progress has been made. ‘Value’ and ‘money’ are made inseparable. Value is the intermediate notion between labour (producing the commodity, according to the ‘law of value’) and money (exhibiting it into a price form, according to alternative ‘laws of exchange’). The universalisation of monetary exchange imposes from the beginning the introduction of ‘price’, whose standard is the monetary unit, as distinct from (absolute or intrinsic) ‘value’, whose measure is (socially necessary) labour time. This remains true whether prices correspond to labour values or not: the two-approximations argument becomes meaningless. The price form in a universal but not yet capitalist commodity exchange is labour value; in a universal and already capitalist commodity exchange, where competition among industries is expressed as the distribution of gross profits according to a uniform rate of profits, the price form is price of production.

We saw that Vianello anticipated the NI suggestion that ‘values’ and ‘prices’ are two alternative price rules. ‘Exchange value’ in Napoleoni’s sense looses, for NI as well as for Vianello, the role of the ‘real mediation’ from value creation to capitalist exchange. From this emerges the risk of a dichotomy between capitalist production of commodities by living labour and the circulation–distribution of objectified labour. The notions that should connect the two spheres—the value of money and the VLP—are in the nature of *ex post* observational magnitudes and cannot provide any theoretical bridge.<sup>1</sup> In Foley, as in most Marxists, the reference of labour to value is mostly taken for granted. He denies the tautological nature of this way of thinking, referring to the self-determined nature of the theoretical system, its non-arbitrary development and the possibility of testing it. But the postulation of the fundamental relations remains. The methodology of the ‘postulate’ fits uneasily with the Marx’s analysis of ‘abstract labour’, which is rather related to his method of positing the presuppositions (taken up, but amended, from Hegel: Bellofiore and Finelli, 1998).

Marx was always at pains to ‘ground’ the identity between value and labour through money. His first, and most sustained, attempt is in chapters 1–3 of *Capital I* in a general exchange setting, where unfortunately all the deduction hinges on money as a commodity and refers only to money as the universal equivalent (Bellofiore, 2011). There is, however, a second argument, starting from chapter 7 of *Capital I*, where the new value added in the period by wage workers originates *only* from the use of their labour power, i.e. from making workers (as living bearers of labour power) work. The nature of the test boils down to potential working-class counterproductivity, intrinsic in the historical specificity and internal articulation of the commodity labour power (Bellofiore, 2009). In this second instance, Marx’s theoretical constitution of capitalist value magnitudes does not depend on money as a commodity. Not only it is compatible, but also it most naturally descends from a monetary antevalidation of capitalist production through non-commodity *ex nihilo* finance to production, as in the circuit theory of money. This argument is, in fact, nothing but a macroeconomic foundation

<sup>1</sup> A referee observed that the summing up of the NI as suggested here leads to ‘obvious circular reasoning’. Indeed, that is exactly why in the submitted text, as above, I label it ‘tautological’. The value of money determines the amount of abstract labour that is ‘exhibited’ or ‘commanded’ simply because it is assumed that the aggregate level of the new value added is the monetary expression of the MELT.

of microeconomics (which is indeed the title of Bellofiore (2004), where it is shown how *Capital I* moves from a micro to a macro logic, with the latter inverting the results of the former). Notwithstanding these sympathetic criticisms, it is a merit of the NI that it dissolved the premises of the so-called ‘transformation problem’.

### 3. ‘Physicalism’ and the ‘equations’

The new received opinion is Steedman’s: the LTV is dispensable in a scientific analysis of capitalism. *PoC* would show that what is needed for price fixing is just a set of objective data—physical and material—about the methods of production, complemented by the real wage given from outside. Labour values themselves are derived from these ‘data’ and are thereby redundant. These conclusions are in contrast with much anecdotal evidence on Sraffa (Robinson, 1977, p. 56; Sweezy, 1987, pp. 13–14). It is interesting, then, to move to Sraffa’s unpublished papers and to see if they offer new perspectives. There is now a consensus that Sraffa’s attitude to Marx changed over time, but this does not reach into a common opinion. The unpublished papers show that, for some years, Sraffa was convinced that his argument was reinstating the soundness of Marx’s economics. I shall show that somehow this was true even of his LTV, his price theory and his law of the tendential fall in the profit rate. Later on, Sraffa—reluctantly—had to change his mind on the continuity between his results and Marx’s. How far this change of mind goes is still to be assessed, in my view.

A criticism of the idea that Marx was behind Sraffa’s research before the end of 1927 has been advanced by Garegnani (2005, pp. 485, 490). He also disagrees with the idea that the theory of distribution may be separated from (and comes before) the theory of prices, contrasting it with the later separation between the joint determination of prices and distribution, on the one hand, and the determination of outputs, on the other (Garegnani, 2005, p. 473). In the autumn and winter of 1927/28 there is a fundamental turning point, with Sraffa beginning a reconstructive theoretical effort based on ‘physical real costs’. Physical real costs were in opposition to Marshall’s subjective real costs: Sraffa ended up there after he was looking for an ‘ultimate standard of value’, breaking with his prior reading of the classicals in terms of constant returns (Garegnani, 2005, pp. 474–5). In this way he rediscovered the Quesnay–Smith–Ricardo ‘surplus approach’.

In a note on the degeneration of the notion of cost and value (D3/12/4: 4), ‘objectivism’ takes an extreme shape as ‘physicalism’. The wage is given in real terms, as an inventory of commodities, almost biological. The ‘degeneration’ Sraffa refers to leads from what he sees as Petty’s and physiocracy’s right view—reducing cost to ‘food’ with subsistence as a ‘physical’ entity—to the less clear-cut perspective, beginning with Smith and leading to Ricardo and Marx, which substitutes ‘labour’ to cost. Sraffa’s evolution to this position was gradual for Kurz and abrupt for Garegnani. It can be seen as the opening of a first phase (1927–31) in the theoretical journey leading to *PoC*.

In ‘Advanced Lectures on the Theory of Value’, the divide between the classical and neoclassical value theories is found in the opposed notion of cost: Petty–physiocrats, on one side, and Marshall, on the other. For the former, it is mainly the stock of material (i.e. food for the workers) required to produce a commodity. For the latter, cost of production is the sum of efforts and sacrifices involved in the abstinence and

in the labour of all kinds that is directly or indirectly required to produce a commodity (D2/4: 18). In this phase ‘value’ is linked to nothing more than the material cost. What about ‘labour’ properly speaking? As Kurz underlines, in the late 1920s we read an explicit strong attack against the LTV: ‘[i]t is a purely mystical conception<sup>2</sup> that attributes to human labour a special gift of determining value’ and the capitalist (or the slave owner) does not make a great difference whether he employs men or animals (D3/12/9: 89). ‘The fatal error of Smith, Ricardo, Marx has been to regard “labour” as a quantity, to be measured in hours or in kilowatts of human energy, and thus commensurated to value’ (D3/12/11: 36).<sup>3</sup>

This does not lead Sraffa to a wholesale rejection of the LTV. He distinguishes between two notions of ‘human’ labour: first, as the ‘cause’ of value, creating all outputs and values; second, as ‘one of the factors of production (“hours of labour” or “q. of labour” has a meaning only in the latter sense). It is by confusing the two senses that [Ricardo and Marx] got mixed up to quantity of labour (in second sense) whereas they ought to have said that it is due to human labour (in the first sense: a non measurable quantity, or rather not a q. at all)’ (D3/12/11: 64). The problem, for this early Sraffa, is that labour in this sense cannot be measured.

Kurz (2002, p. 185) rightly writes that in 1927–31 Sraffa was not concerned with solving the transformation problem. In the meantime, Sraffa was slowly building his determination of prices, in the classical–Marxian line of ‘natural’ or production prices. He started from his ‘first’ (without surplus) and ‘second’ (with labour reduced to its means of subsistence) equations. On this issue we find a debate among Sraffa’s followers. Kurz and Garegnani separate the Italian economist’s discovery procedure of his equations from an explicit rereading of Marx. They insist that the drafting of the equations must be situated on the background of the problematics Sraffa opened with his 1925–26 articles and his critique of Marshall, and the difficulties he met on the way: so that eventually he met Ricardo, beginning with Petty and the physiocrats.

De Vivo (2003, pp. 6, 9–10) and Gilibert (2003, p. 28) put forward another interpretation: that from the late 1920s Marx was the inspiration. Not the ‘labour value’ Marx of *Capital I* or the ‘price of production’ Marx of *Capital III*. Rather, the ‘schemes of reproduction’ Marx of *Capital II*. Let us follow Gilibert’s argument (2003, p. 36). In July 1928, Sraffa (D3/12/9: 11) writes that he has to develop the argument in a way that echoes Marx, who ‘always considers simple reproduction first, where capitalists consume their whole surplus value,’ and thereafter ‘considers reproduction with the whole of surplus value’. This should be the sequence: (i) ‘simple reproduction without surplus value’; (ii) ‘simple reproduction with surplus value entirely consumed’ and the same without an equal rate of profits; (iii) ‘reproduction with total accumulation’ and proportional accumulation; and (iv) ‘reproduction with accelerated accumulation’ because of inventions. Sraffa’s ‘first equations’ are exactly simple reproduction scheme without surplus. The ‘second equations’ are extended reproduction scheme with surplus totally accumulated by capitalist reinvesting in their own industries, with a proportional rate of growth.

<sup>2</sup> Marx would approve: ‘The commodity is a very queer thing, abounding in metaphysical subtleties and theological niceties’, he wrote (*Capital I*, Dora Torr’s 1939 edn, p. 41).

<sup>3</sup> Again, a proposition like this is common stock in Marxian scholarship today: labour counts in the value dimension only through its abstraction and monetary exhibition.

#### 4. From the ‘hypo’ to the standard commodity

Coming back to work on his book in the early 1940s, Sraffa sketched a ‘hypothesis’ that—in his opinion<sup>4</sup>—was close to Marx. The ‘hypo’, as he often shortened it, will drive his research for some years and will be reluctantly abandoned, leaving permanent traces. The ‘surplus rate’ (i.e. the physical ratio of the social product over the whole of the anticipated means of production)—which, as Gilibert (2003, p. 37) says, ‘depends only on technical factors and is not affected by economic relative prices or social income distribution factors’—is put equal to the ‘maximum rate of profits’ (i.e. to the value of profits over the value of anticipated capital when wages are zero: a ratio that may also be read as the value of the net product, or gross income, over the value of the means of production, or of the non-wage capital advanced). The ‘hypo’ asserts that although income distribution may be influenced by prices, this ratio, on average, is not and is constant.

Thanks to the ‘hypo’, Marx is no longer the starting point; rather, he is quite the end of the road for this Sraffa. ‘Third’ equations—with surplus and an equal rate of profit, but also with labour explicitly considered—were written down in the early 1940s. At first, labour was considered to be paid in advance. Between 1940 and 1943, Sraffa held fast to the ‘hypo’ for as long as he could. Of course, the latter amounts to taking the gross product and non-wage capital as identical composite commodities. It is like a one-commodity system or a system where inputs and outputs have the same ‘composition’. Nowadays this looks like the most un-Sraffian proposition of all, depending on the composition of capital being the same for the product and capital (De Vivo, 2003, p. 16). If this condition could be granted, the price determination could have been pursued by referring to labour values, with deviations.

The ‘hypo’ was for Sraffa a substitute for Marx’s ‘successivist’ procedure in the transformation. Assuming that the value of the net product and the total quantity of labour employed are ‘normalised’, setting both equal to unity (so that the former is the standard for prices and the latter the standard for labour), two conclusions follow: (i) the wage becomes Ricardo’s ‘proportional wage’ (the share of wage in national income) and close to Marx’s ‘relative wage’ (which is the inverse of the rate of surplus value); and (ii) a clear and transparent fundamental relation emerges, with  $r$  and  $w$  inversely connected through a linear equation. From here, the actual prices of production can be computed at different wage levels.

This train of thought is an intriguing one to be pursued by somebody who allegedly found no analytical role for labour value. This is Kurz’s position. Garegnani provides a weaker statement, since he sees a basic analytical role in the LTV: ‘that of expressing

<sup>4</sup> The reader is alerted to the fact that this interpretation is Sraffa’s, not my own. One referee for this paper assumed the opposite, and consequently lamented the absence of a proof on my part that Sraffa’s ‘hypo’ is equivalent to the standard commodity (SC) with respect to Marx’s LTV. Marx, however, explicitly objects to the search for an invariable measure of value along Ricardian lines, and rightly so. The Ricardian quest for an invariable standard had an interest for Marx only insofar as it could be regarded as anticipating the concept of an ‘intrinsic’ or ‘absolute’ value. As Marx writes in the *Theories of Surplus Value* discussing Bailey, ‘[t]he problem of an “invariable measure of value” was simply a spurious name for the quest for the concept, the nature, of value itself, the definition of which could not be another value, and consequently could not be subject to variations as value. This was labour-time, social labour, as it presents itself specifically in commodity production’. Thus, if as observed by the referee, no proof in the above sense is provided here, this is because, in line with my approach, no such proof should be presented. Moreover, I remain unconvinced by approaches that compare the SC to Marx’s concept of money (see fn. 14). Sraffa’s SC is not a theory of money, but simply an analytically convenient numéraire that linearises the wage–profit relation.

independently of distribution the aggregate on which a theory founded on the notion of social surplus naturally operates' (Garegnani, 2005, p. 485). De Vivo also seems to attribute some role in Sraffa's 'hypo' to the fact that the ratio 'between value of product and value of constant capital must be equal to ratios of labour embodied' (De Vivo, 2003, p. 18).<sup>5</sup>

If capital compositions differ, the proportions of surplus value and of profits in social income are not the same. In the early 1940s Sraffa wrote a note, *Crosscap* (D3/12/16: 17 (1–2)).<sup>6</sup> It detailed the argument he wanted to develop in the book, which would have shown that 'Old Moor' (Marx) was unequivocally correct. This, however, was to be kept hidden from the implied reader and revealed only at the end of the book. It was an exceedingly confident programme. In August 1943 Sraffa realised that the 'hypo' was inescapably not general. He lamented a 'disaster of the model', because the wage-profit relationship loses its linearity (De Vivo, 2003, pp. 17–18; Gilibert, 2006, p. 46). The lack of 'transparency' of exploitation in a Marxian meaning must have played a role here. To regain that linearity, 'mediation' was necessary: the standard commodity, as an *ad hoc* construction derived from the standard system implicit in the 'real' system. The standard commodity was first identified in January–February 1944 and progressively displaced the 'hypo'.

### 5. Bortkiewicz and the 'production of commodities by labour out of commodities'

Let us now look to Sraffa's 1943 criticism of Bortkiewicz. We can profit from an article by Gehrke and Kurz (GK) (2006), signalling a shift in emphasis relative to the earlier Kurz papers. GK recognise that 'Sraffa at the beginning of the 1940s credits Marx with a number of *analytical* achievements' (GK, 2006, p. 109, emphasis added). This was something peculiar to this second period (1940–45), since in 1927–31 the Italian economist looked unaware of these achievements. His findings 'must have come as a formidable surprise to him' (*ibid.*). The surprise may have caught Kurz too, given his early papers. Indeed, also in GK, Sraffa's admiration towards Marx is argued to be misdirected, as something that should rather be devoted to Ricardo.

Marx's 'value hypothesis', say GK, was nothing but Sraffa's 'hypo', making the social-capital-to-social-output ratio independent of the rate of profits. GK cannot but confirm that in the 1940s the terminology adopted by Sraffa is very often related to Marxian value theory. But 'Marx's concepts are adapted to Sraffa's own non-labour value-based approach' (GK, 2006, p. 111). If it is true that in the 1927–31 period a proposition of this kind was uncontroversial, at some time about 1940–42 (and even later) it slides into a *petitio principii*. It is built upon an understanding

<sup>5</sup> The term labour 'embodied' cannot be used for abstract labour: Marx rather employs labour 'contained'. It is concrete labour that is 'embodied' in use value. Value is a 'ghost' that has no actuality until it is made 'real' through money, though it is 'ideally' anticipated in expected prices. Since gold-producing labour is the only immediately social concrete labour, money is 'value embodied'. Value as ghost turns into money as a 'chrysalis' and this must transform itself into the 'butterfly' of capital. The latter's true nature is that of a 'vampire', sucking the fluid of living labour from workers' bodies in the mechanical monster that is the capitalist factory (see Bellofiore, 2009). This articulation is lost in the criticism of Marx put forward by most followers of Sraffa, but no understanding of Marx's value theory is possible without understanding it.

<sup>6</sup> The note, originally in Italian, is partially translated in Gilibert (2003, p. 30) and in its entirety in Bellofiore (2008, pp. 89–90).

of the LTV as a successivist price theory, which nowadays is contested in Marxian literature. Also, GK's conclusion that 'the classical theory of value and distribution could be elaborated without any reference to labour values' (GK, 2006, p. 118) is not at all granted.

Sraffa holds that 'the real objection' against Bortkiewicz is that his 'point of view, for the sake of obtaining absolute exactness in a comparatively trifling matter, sacrifice (by concealing it) the essential nature of the question—that is, that commodities are produced *by labour* out of commodities' (Sraffa, D1/91: 16). The deviation of prices from values must always be seen exactly like that: as a modification relative to another, different starting point—says Sraffa. If this is forgotten, as in Bortkiewicz, the solution 'while it supplies exactness, it obscures a fundamental fact'. With this comment of Sraffa's we are projected towards his 1960 book, with an interesting qualification: production of commodities 'out of' commodities is done only through—and, then, owing to the expenditure of—labour. Sraffa also insists (D3/12/35: 28) that Marx's transformation is approximately correct and that values must be taken as the starting point of the correction.<sup>7</sup> The argument is that there is no reason to think that organic compositions systematically differ. The point is clearly linked to reading Marx's value hypothesis through the prism of Sraffa's own 'hypo', redefined as a statistical hypothesis (see GK, 2006, pp. 111, 143, where they show it was already anticipated in 1931), based on the statistical compensation of large numbers.

In 1943, against Bortkiewicz, Sraffa criticises any mechanistic view of distribution, including his own 'physicalist' version (D1/91: 20). To take wages as a given (inventory) in commodities, for subsistence, 'considers only the fodder-and-fuel aspect of wages, it is still tarred with commodity-fetishism. It is necessary to bring out the Revenue aspect of wages; + this is done by regarding them as  $w$ , or a proportion of the Revenue'. The transformation of wages into the proportion concept means introducing (in all but name) money, taking the annual revenue (the price of the net product) as the unit of money (D3/12/35: 9 (1)). Sraffa's 'objectivism' departs from physicalism and turns into a 'conventionalist' position, taking into account social aspects.<sup>8</sup>

## 6. Use of the notion of surplus value and the method of comparison

Sraffa changed his mind relative to the late 1920s significantly and this is in fact admitted by Sraffian authors. Did the Sraffa of the early 1940s find room for the LTV, in a sense other than a particular 'law of exchange'? Indeed, the LTV maintains for Sraffa a theoretical, explanatory, even quantitative role; a role that it is not visible at first sight and must be brought to light. It is here that we find some points of contact with the NI. This, however, does not mean what some Marxists have inferred, that there is an unproblematic continuity between the two authors, nor that the NI can be accepted as it stands as a reconstruction of Marxian thought. We are entering a new continent that has still to be explored. The next sections will begin to sustain this position.

<sup>7</sup> Compare this with GK when they write: 'Marx was only driven to adopting his *erroneous* transformation algorithm because it did not have the method of simultaneous equations at his disposal' (GK, 2006, p. 124, italics added).

<sup>8</sup> The notes on Bortkiewicz not only defend Marx's transformation but also reject Bortkiewicz's criticisms of the tendential fall in the profit rate. Here I agree with GK (2006). Sraffa reads Marx's argument as one where accumulation abstracts from innovation and technical knowledge is constant.

Sraffa sides with the macro view that the social product can be referred back to nothing else than labour and that the latter has to be seen as the cause of the former. The most interesting notes leading to this interpretation are those labelled 'Use of the Notion of Surplus Value' (D3/12/46/57–63),<sup>9</sup> centred on a quote from Marx:

The prolongation of the working day beyond the point at which the labour would have produced just an equivalent for the value of his labour power and the appropriation of surplus labour by capital, this is production of absolute surplus value. It forms the general groundwork of the capitalist system, and the starting point for the production of relative surplus value. The latter presupposes that the working day is already divided in the two parts, necessary labour, and surplus-labour.

The first phrase is emphasised with three straight marginal lines, the rest with one marginal straight line. This might indicate approval. Anyhow, Sraffa shows to understand exactly why only (living) labour is the determinant of social income. The quote is taken from p. 518 of *Capital I*, edited by Dora Torr (SC 3731), but Marx's argument is expounded in full earlier, in the second paragraph of chapter VII. It is based on a comparison between two situations: the one where living labour is equal to necessary labour and the other that assumes the prolongation of the social working day relative to that situation with unchanging prices. In the first situation there is no rate of profits and prices are proportional to labour values. Given his different 'Ricardian' object of analysis, Sraffa then turns on its head Marx's reasoning, speaking of a shortening of the social working day that starts from the actual 'real' situation.<sup>10</sup> When this happens the product is also reduced, so that the surplus in the end disappears.

The choice, says Sraffa, is between starting from actual prices that equalise the rate of profits on advanced capital or from values that equalise surplus value for workers:

Note that if we have adopted straightway values, + made the comparison between the two extreme cases, we should have obtained the same, correct result. But if we have adopted prices, + made the comparison, it would have led us astray. (Sraffa, D3/12/46: 59)

Situations with prices proportional to labour values are not only theoretically meaningful; they are the essential starting point. On 16 November 1940, he also wrote:

The greater the degree of exploitation in a society as a whole, the greater is the distortion (i.e. the divergence between values and prices). As the greater the amount of snow fallen, the greater is

<sup>9</sup> As is evident from the pagination of Sraffa's unpublished manuscripts, these notes are only a few pages long (pp. 57–63). From a consultation of the Sraffa archive it is clear, however, that these notes are a decisive turning point in Sraffa's thought. Marx's quote is taken from ch. XVI of *Capital I*: the same argument that, as Marx clarifies, he returns to in ch. VII.

<sup>10</sup> A referee observed that Marx and Sraffa 'present different theories of the rate of profit, which are mutually exclusive. For example, in Marx's theory a reduction in the working day would reduce the rate of profit, but the working day is not even a variable in Sraffa's theory, and thus a decline in the working day would have no effect on the rate of profit, contrary to Marx's conclusion.' The point is rather that an argument based on a fixed social working day cannot be used to criticise a theory where the variability of the social working day is essential—and in my view this is in fact what the 'labour' in Marx's LTV is all about, since in Marx's *Capital I*, Arbeit means *living* labour—an *activity* and a *fluid*. As I have argued in this paper, Sraffa was quite accurate in his reading of the (non-)Ricardian train of thought on this point. This would suggest a stronger than usual reading of the role of the two normalisations, one whose plausibility is confirmed by Sraffa's reference to 'exploitation' in his exchanges with Napoleoni and Eaton. Of course, this also means that the charge of redundancy of the LTV is fairly accurate, so long as it is pursued in a context where the methods of production (including the social working day, as in Sraffa) are assumed to be given. It misses, however, the 'core' of the LTV. Ever since the 1980s I have been convinced that in this debate Sraffians and Marxists are arguing at cross-purposes.

the distortion of the surface of a piece of broken ground (i.e. the divergence between the surface of the snow + that of the ground underneath; since the snow collects in the cavities).<sup>11</sup> (Sraffa, note attached to SC 3731)

Sraffa understands that Marx's comparison is based not on a reduction of wages, starting with the remuneration of labour exhausting the value of 'net product', and known levels of inputs and outputs. It is rather constructed around a counterfactual thought experiment with a 'lengthening' of the social working day relative to the situation where living labour matches necessary labour.

In the end Sraffa had to revert to the usual practice—namely, to begin his discourse when the process of production has ended. *Living* labour—an intrinsically variable *fluid*—is now crystallised into the direct labour that *has been* expended in the period and that is now definitely *dead* in the commodity. This is what we 'see' in the 'snapshot' depicted in *PoC*. At that point, of course, the distinction between 'labour power' and 'living labour' risks to be forgotten. Both are 'attached' to workers as 'living labour power': the former, labour power, as workers' 'capacity to work'; the latter, living labour, as workers' 'activity'. Inside the capitalist labour processes the extraction of the living labour 'making up' the productive configuration is going on *after* the buying and selling of labour power: capital as a whole is able to get value and surplus value if, and only if, it is capable of imposing workers to work in immediate production as a 'contested terrain'. All this happens before the production process comes to an end, and therefore *before* commodities are materialised and thereafter exchanged on the market.

This is the ultimate foundation of bringing the 'new value' added in the period back to the 'living labour' that has been extracted from the living bearers of labour power: a point that most Sraffians expel from the core of economic theorising and most Marxists consider unproblematic, with the NI often reducing it to a postulate. After Sraffa's book, and after the 1970s debate, we know that looking at capitalist production *post factum* makes Marx's LTV (as an individual price theory) redundant. This conclusion does not apply if economic theory begins from the *constitution in a social relation of production* of the data that are taken as givens by the surplus approach. For Marx, the capitalist production of commodities is *essentially* the *consumption of the bodies and minds of workers as bearers of labour power*, so that commodities may come out of commodities. If things are this way, the (monetary) net product exists only as long as capital has won class struggle in production. The total social working day cannot be taken as given in price determination, as in Ricardo and 'Ricardian' approaches, without always reminding us of this fact. And, well, this *is* the LTV, as a macrosocial and class foundation of microeconomics.

Sraffa met Marx's argument—which grounds the idea that national income comes out from a 'production of commodities by labour out of commodities', through a 'prolongation of the working day beyond the point at which the labour would have produced just an equivalent for the value of his labour power'—and made it the implicit background of his price and distribution approach.<sup>12</sup>

<sup>11</sup> Another note to SC 3731 argues in favour of Marx's position that between the commodities exchanged there must be some common 'substance', which is then the 'cause' of exchange value: a Cassel-type criticism against Marx may be wrong if this substance may be measured independently.

<sup>12</sup> I do not deal in this paper with the third period (1955–58) of Sraffa's theoretical construction of *PoC*. A very careful analysis of those notes, and especially of the Majorca draft, may be found in Carter (2007).

### 7. Sraffa and exploitation: continuity and discontinuity with Marx

These arguments are implicit in *PoC* and certainly they do not rescue a ‘successivist’ reading of price theory. Following my interpretation, in fact, values are, yes, the essential starting point, the ‘mediation’ from where to start, but only if we look at their ground in living labour extraction and not as ‘fictional’ exchange rates. Sraffa remained convinced, however, of a strong convergence between his conclusions and Marx’s: after the collapse of his ‘hypo’ and after the publication of the book.<sup>13</sup> In his answers to Napoleoni’s and Eaton’s reviews (D3/12/111/249–51 and D3/12/111 127–30), Marx’s transformation is still found ‘approximately’ correct, with the standard commodity overcoming the imprecision of his value/statistical hypothesis. Sraffa, as a ‘tiresome objector’, asks if the rate of surplus value must be accounted in ‘labour values’ or in ‘prices of production’. The latter is his choice: if workers’ changed consumption to commodities of a higher composition (compensated by a change in capitalists’ consumption to commodities of lower composition), exploitation would remain the same rather than decrease: i.e. Sraffa defines exploitation in labour-commanded terms.

Among the very few authors who have considered these quotes are Kurz and Salvadori (KS) (2009). Although there is no longer any reference to Kurz’s 1998–2002 papers, which conflict with the new evidence, KS continue to insist that ‘Steedman’s interpretation is *fully* corroborated by Sraffa’s hitherto unpublished papers’ (p. 208). The following phrase qualifies that this conclusion applies *only* to the 1927–31 period: ‘The evidence laid out *especially* from the first period of his reconstructive and interpretative work documents in some detail Sraffa’s critical attitude towards the LTV and his advocacy of the concept of physical real costs.’ This specification needs a further restriction: ‘*However*, when towards the end of the first period Sraffa began to discuss system with a surplus and worker’s participation in the sharing out of the surplus, he was willing to include quantities of labour among the objective data.’ This actually forgets the role of the LTV in a meaning different from the vulgate (at least in Sraffa’s 1940–43 subperiod). Then, KS have to recognise the resurrection of the ‘hypo’, and even of the value hypothesis as a statistical hypothesis in the early 1960s, interpreting it in terms of the artificial construction of the standard commodity.

It is unclear, however, why one should defend the value/statistical hypothesis, once a ‘better’ determination of prices has been reached. That defence would be understandable before the collapse of the model in August 1943. Why is it maintained later? This point cannot be fully appreciated if one stays within the boundaries of the analytical object described in *PoC*. What is needed is to go ‘behind’ the fetish character of the given methods of production. The ‘after the harvest’ photography of inputs and outputs is part of a ‘movie’; the methods of production have a ‘history’. From this point of view the ‘normalisations’ in Sections 10 and 12 of the 1960 book may take a substantial meaning. In Section 12 the national money income, which is nothing but Marx’s monetary ‘value added’ (under the hypothesis that all workers are productive), is taken as the standard of prices. In Section 10 the direct labour of the society, which is nothing but the objectification of living labour, is also set equal to 1.

<sup>13</sup> This was signalled already in Bellofiore and Potier (1998). A partial English translation is due to be published in a forthcoming volume edited by Ciccone, Gehrke and Mongiovi. Though approximate, that first reading of the Archive appears definitely more faithful to Sraffa’s relationship to Marx, in all its complexities, as it is revealed by the unpublished material in the Archive, than Kurz’s early papers published in 1998–2002.

Putting arbitrarily the MELT equal to 1, this is exactly NI's 'postulate', i.e. it is the LTV in disguise.<sup>14</sup>

We shall probably never know if this is precisely what Sraffa thought. It is rather intriguing, though, that a reading like this is compatible with the first sections of *PoC* and that it is supported by the journey of Sraffa towards the book, as it is documented from the articles in the Wren Archive and even more so by the crucial role of the 'Use of surplus value' document. According to Marx's chapter 7 argument, which Sraffa followed in 1940, the money 'value added' is originated by the prolongation of 'living labour' over 'necessary labour'. Thus, national income 'exhibits' nothing but the total direct labour expended in the period with a 'degree of liberty' in distribution, the proportional wage is itself a share of that quantity of labour; however, not as the labour 'contained' in a given commodity basket, rather as the labour 'commanded' by the money wage. As for the NI, as for Sraffa, the rate of surplus value interpreted in the traditional way becomes poorly defined. The objection coming from Sraffa and the NI alike is that the labour contained in the wage is indeterminate because it alters with any change in the commodities bought by workers. This argument, however, does not hold for the class as a whole and may be contested once it is recognised that Marx's *Capital I* amounts to a macroeconomic (class dimension) foundation of microeconomics (individual dimension).

'Industrial capital', thanks to the advance of money capital to acquire labour power, is able to extract a certain amount of (total) living labour from the working class. Its objectification is a given 'after the harvest' and before final exchange. But also the wage bundle of the working class is known: either because we assume, as in Marx, that the wage is conflictually fixed at a 'subsistence' level; or because, as in a circuitist and post-Keynesian approach, it is driven by firms' investment demand and choices about the composition of output. Those two quantities—total direct labour expended producing the new value and the necessary labour producing the real wage for the working class—cannot change, whatever the price system is. Exploitation, as the 'use' of labour power, has 'added up' a surplus labour to the necessary labour congealed in the wage bundle. This surplus labour is a function of class struggle in production. From this 'macro' perspective, the accurate measure of the class relation between capitalists and workers is given by the rate of surplus value expressed in terms of labour values. We see, therefore, that once it is granted that the starting point of the transformation is exactly the origination of the value magnitudes corresponding to the actual 'methods of production', this is prolonged into a macro 'exchange value' exhibiting the living-labour-to-necessary-labour ratio as in *Capital I*, which has logical priority over the money-profits-to-money-wage-bill ratio as analysed in *Capital III*, when the micro determination of individual prices is accomplished.

What is caused by prices of production diverging from labour values is thus merely a duplication of VLP, concealing the real relation emerging from production. VLP as the labour content of the real wage (necessary labour) and VLP as the labour equivalent of the money wage (paid labour) both refer to the actual setting that is the object of

<sup>14</sup> This point was raised in Italian, in the 1990s, by Dario Preti, a non-academic researcher, in unpublished writings (compare also Preti, 2002). Perri (2003) with Carter (2009) share the reference to the identity between new value and direct labour; Perri also puts forward a reading of Marx in terms of the counterfactual method (which was anticipated in its essence by the present writer in 1994, in Italian). Unfortunately, this is sometimes stretched too much, either because that identity is confused with an argument analytically 'proving' the LTV or because it is prolonged into a defence of the tendency of the rate of profit to fall. A detailed criticism of these authors cannot be provided here.

analysis.<sup>15</sup> The former expresses the class balance of power between capital and labour in the production process and in the buying and selling of labour power. The latter shows how this is exhibited through the money dimension and within interindustry competition. If the branch(es) of production selling wage goods ‘command’ a higher (lower) share of direct labour than the one actually expended, the branch(es) of production selling profit goods ‘command’ a correspondingly lower (higher) share. The gross-profit-to-wage-bill ratio, translated in labour through the MELT, may thus be lower (higher) than the rate of surplus value as defined in labour values. But this is exactly what should be expected, since ‘paid labour’ diverges from ‘necessary labour’. Workers as a class still get back the same share of living labour, congealed in the wage goods they consume, and total capital still appropriates the same share of living labour, congealed in profit goods (or, as Keynes would put it, in the goods not made available to workers).

## 8. Conclusion

Marx’s aim was to explain the source of new value, to understand from where capitalists’ gross profits (surplus value) were generated. This essentially refers to the prolongation of living labour over necessary labour in capitalist labour processes (as a contested terrain). As such, production is nothing but the consumption of the workers themselves in the vampire-like extraction of living labour: no possible ‘redundancy’ of the value dimension in this constitutive process. Once the stage of dead labour is reached, the specific object of Marx’s value theory is over. Only ‘things’ and ‘money’ magnitudes are there to be seen.

The decisive advance of contemporary readings of Marx has been a (partial) recovery of the monetary dimension of his argument. If value theory is understood within a macroclass monetary determination of production-cum-distribution, in a ‘circuitist’ way, labour values as an ‘intermediate’ rule of exchange take a new life. They are the pivot concept connecting volumes I and III of *Capital*. They are the price rule from which one has to start in the ‘method of comparison’ grounded on the ‘prolongation’ of living labour. It is this implicit argument that grounds both NI’s postulate and Sraffa’s normalisation. Vianello, Dobb and Napoleoni were all right. Vianello because the (new) value created, as the objectification of living labour, is allocated in circulation through prices in a non-dualist perspective. Dobb because distribution between classes is accurately portrayed in ‘labour values’. Napoleoni because his unwillingness to cut out exchange value as the intermediate step between intrinsic value and price of production can be vindicated in a macromonetary outlook.

Capital produces and reproduces the systemic conditions forcing workers to alienate their labour power, in order to make profits out of it: production of commodities by means of commodities. This ‘circularity’ of capital is described in *PoC*: commodities are produced out of commodities. That circularity depends on a ‘linear’ process of exploitation. Labour originates capital, the reverse is not true: commodities are produced *by living labour* out of commodities. The ‘spectral objectivity’ of Sraffa’s book needs to be grounded in the constitutive process of the extraction of living labour from that very special commodity, labour power, ‘attached’ to living human beings; i.e. it requires the reading of *PoC* ‘after Marx’.

<sup>15</sup> Note that this is, at once, a restatement and a criticism of the NI, as well as an interpretation and a questioning of Sraffa’s end-of-the-road results in *PoC*.

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