

WHAT IS POLITICAL ECONOMY?

VALUE

FREDERICK HARRY PITTS



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Value

Frederick Harry Pitts

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Dedication

To Nico

Introduction

This book introduces how the idea of value has been understood within political economy, and the social and political implications of its different interpretations. The book traverses Aristotle, mercantilism, the classical political economy of Smith and Ricardo, Marxism, marginal utility theory and its neoclassical descendants, institutionalist economics and the sociology of valuation. Surveying the most important conceptualizations of value, the book considers issues such as what makes one thing exchangeable with another, the relationship between value and price, and the ascription of value creation to some activities over others. The book transcends economic explanations alone, exploring the social and political significance of decisions made about what things are worth, and the people and processes involved in their creation.

A closed case for much of mainstream economic thinking, the issue of value is a pressing one because it exposes the tension at the heart of the social and political processes that render all things equivalent and comparable under the single measure of price. These processes are increasingly at stake politically. National populists content to sacrifice economic rationality for an emotional politics of belonging; anti-‘globalist’ protectionisms fencing value back within borders; anti-austerity social movements protesting the hunger for gold of high finance; the establishment of so-called ‘real’ economies centred on alternative currencies and business models that purport to keep wealth within localities – all lay claim to a critique of the social and political processes through which capital, states and other actors value and price the world around us. But only

further populist discontent and frustration will follow the failure of this constellation of political tendencies to grasp what really underpins a society that knows the price of everything and the value of nothing.

Value theory, the book shows, provides a better footing to grasp the social forms and relations with which the present political moment fumbles. In navigating value, the book is indebted to Marx's critique of political economy, which, rather than as an alternative economics or political economy, is treated here as a critical theory of society itself.¹ As opposed to *critical* theory, traditional or mainstream theory does not go beyond the way things appear – the forms in which human social relations are mediated, such as labour, capital, money and the state.² It takes these things for granted, and presents them as natural or static. In some cases, it purports to solve practical problems pertaining to them; in others, it makes moral arguments about the justice or ethics of a given social formation. Archetypal of this tradition is the classical political economy of Adam Smith and David Ricardo – which broke new ground by understanding labour, capital, value and the relationship between them. Well before the rise of pure economics, classical political economy highlighted the idiosyncrasies of a system where a surplus accrues from the transaction of apparently equivalent commodities. Tracing this surplus back to the labour process, political economy embedded economic phenomena within social relations of power and domination. But it did not adequately enquire as to the conditions of possibility and reproduction of historically peculiar products of human practice such as commodities and money.

It was left to Marx, with his critique of political economy, to explore how the forms of economic objectivity assumed by classical political economy were grounded in a set of antagonistic social relations and systemic structures that

compel individuals to act in certain ways. Critical theory, unlike traditional theory, recognizes and relativizes its own theoretical claims and those of others as a part of the social world they theorize. Marx's immanent critique confronted classical political economy on this basis, as a part of the society it studied, proceeding through the tales that capitalism told about itself in its works of theory to the underlying social constitution they expressed.

The rebranding of economics as a science introduced a separation between politics and economy unthinkable to the political economy that preceded it, and this has coloured the reception of value theory since. The intellectual historian Philip Mirowski, whose work we return to throughout this book, acerbically observes that economists presume an impossible ability to model the reality of economic life from a safe scientific distance, but are themselves implicated in the 'cultural movements of their time or the metaphors used to rationalize the physical and social worlds'.³ As Marx captured, even the most seemingly objective ideas about society are themselves part and parcel of that society and its reproduction.

In this sense, value theory is no mere academic exercise. The 'objective' theories of value that reigned supreme until the late nineteenth century stressed labour's role in production, and policed a boundary between productive and unproductive sectors of the economy that had real impact on decisions made about investment, policy and income distribution, as well as the politics of social division in ascendant capitalist societies.⁴ Later, 'subjective' theories of value in neoclassical economics centred on preferences, including those of workers in choosing labour over leisure depending on the right incentives. Whilst freeing value theory from 'productivist' principles centring solely on the sphere of production to capture better the relational character of value in the sphere of consumption,

valid substantialist insights, which highlight the role of the employment relationship in the constitution of value, were cast aside. The persuasiveness of subjective theories of value was aided by the claims to scientific status inherent in neoclassical economics. One of the great misfortunes of subjective theories of value, Mariana Mazzucato notes, is how:

In the intellectual world, economists wanted to make their discipline seem 'scientific' - more like physics and less like sociology - with the result that they dispensed with its earlier political and social connotations ... while economics students used to get a rich and varied education in the idea of value, learning what different schools of economic thought had to say about it, today they are taught only that value is determined by the dynamics of price, due to scarcity and preferences.⁵

There is, of course, some sense in this schooling, insofar as these ideas, true or not, really do structure the way things are valued - or at least how value is calculated - in capitalist society. Marginalist utility theory still structures how governments govern, investors invest and businesses do business.⁶ In this way, theories of value have a performative effect and one might just as well learn to use the master's tools as any others. Nonetheless, the essence of a critical method is to think through and against the grain of the way things are to create the potential of an alternative. However much neoclassical economics captures or sculpts the reality of economic life in contemporary capitalism, it is insufficient to simply stop there. It is the contention of this book that, in order to do this, a leap must be made from economic to social theories of value.

The problem of value, as Robert Heilbroner puts it, represents ‘the effort to tie the surface phenomena of economic life to some inner structure or order’.⁷ Aristotle inaugurated the study of this problematic, inquiring after how the ‘equalization of unlike objects as commodities ... requires an arbitrary and conventional means of equalization: in other words, a notion of value’.⁸ In the modern age, meanwhile, political economy confronted the problem of value by seeking ‘the basis of just price in a non-absolute world’, rapidly freeing itself from royal or divine determination.⁹ We can follow Heilbroner in broadly identifying ‘five distinct attempts to unravel the value problematic’: substantialism, the cost-of-production approach, Marx’s theory of value, utility theory and the normative theory of value. These map roughly onto Mirowski’s demarcation between conservation or *substance* theories of value, comprising substantialism and cost of production; *field* theories of value, which span Marx and utility theory; and the *social* theory of value, of which Heilbroner seems to be speaking too in his delineation of the ‘normative’ institutionalist approach to value.¹⁰ This book broadly tracks this typology, covering each of these strands in turn, as well as some others along the way.

[Chapter 1](#), ‘Value as Substance’, considers theories of value that posit a conserved substance in the commodity itself, typically put there by labour. This idea develops through so-called ‘balance of trade’ mercantilism based on trade and competition between nations, which vied with physiocratic accounts of the productive centrality of agriculture to nascent capitalist economies. It blossoms in classical political economy and its focus on the surplus, before reaching its climax in the critique of political economy by Marx, who moved beyond market exchange to confront the classed dynamics of the workplace in determining the production and distribution of value.

[Chapter 2](#), 'Value as Relation', considers the development of so-called 'field' theories of value that situate value not in any thing or activity but rather in the money-mediated relationship between them. First, we survey the contribution of 'free trade' mercantilists and the work of Samuel Bailey, before using the so-called 'new reading' of Marx to demonstrate how the full development of the latter's value theory breaks with substantialist accounts of the production of value, stressing instead the sphere of circulation and the moment of monetary exchange in ascribing value to products of labour. This places Marx on the path to a proto-marginalist 'subjective' theory of value – a historically decisive break with the 'objective' theories of value associated with prior political economy.

[Chapter 3](#), 'Value as Utility', examines the development of the relational 'field' theory of value marginalist utility theory. We first explore its foundations and political imperatives through the work of Bernoulli and Bentham, before a discussion of its central unit of analysis, the 'util'. Drawing on critical reconstructions in the work of institutionalists such as Mirowski, we identify utility theory's incomplete break with a concept of substance. Finally, we explore, through a consideration of the so-called 'Weber-Fechner' debate, issues in the marginalist tradition around the measurability of marginal utility. Whilst utility theory has some advantages, moving from a production-based standpoint to include other moments of consumption and exchange within the determination of value, its individualized and asocial view of capitalist society leaves significant conceptual gaps with problematic real-life consequences.

[Chapter 4](#), 'Value and Institutions', surveys how 'social' and 'normative' theories of value plug gaps inherent in other approaches to value. We first explore the 'normative' theory of value inaugurated with Aristotle, before charting the

development of the 'social' theory associated with institutionalists like Thorstein Veblen and John Commons, before moving on to the more recent 'power' theory of value promoted in the work of Jonathan Nitzan and Shimshon Bichler. We then discuss the increasingly significant 'Sociology of Valuation and Evaluation' – specifically, how social and political processes of valuation are theorized in the work of Arjun Appadurai, and the 'valuation studies' that develop from his work an analysis of the 'regimes of value' enacted in so-called 'market devices', as well as the 'cultural economy' approach influenced by Michel Callon and Pierre Bourdieu. Continuing a focus on the 'performativity' of both value and theories of it, we use the work of Mazzucato to explore the past and present politics of productiveness and unproductiveness that both influence the development of different theories of value and represent their real-world outcome.

[Chapter 5](#), 'Value as Struggle', revisits aspects of both the 'substantialist' and the 'relational' Marx introduced in the first and second chapters, using open Marxism and autonomist Marxism to delve deeper to unfold the historical constitution of value in a set of classed, gendered and racialized social relations based on the separation of individuals from the independent means to reproduce the conditions of living, and how the dual character of labour as concrete and abstract within the production process itself represents the terrain for class struggle over the form and content of work and value in capitalist society.

[Chapter 6](#), 'Value in Crisis', closes the book by considering the possible futures of value in a financialized economy based on modes of 'immaterial' production. The 'postoperaist' school of Italian post-Marxism proposes a crisis in the law of value, wherein the value produced by contemporary digital labour exceeds the capacity of capital to capture it through means such as financialization. We

conclude by insisting on the persistence of value in spite of its purported 'crisis' – if not as an economic category, then as a subject of social and political struggle that will rage into a new decade of populism, technological change and, now, at the time of writing this introduction, pandemic.

Finally, some acknowledgements. This book brings together threads from a decade-long empirical and theoretical interest in value, but the initial spark for much of the work represented here was a project led by Lee Marshall of the University of Bristol on 'The Value of Music in the Digital Age', funded by the Faculty of Social Sciences and Law. My thanks go to Lee for his input and support with the original mapping of, and early work on, the book that followed. I have also learnt a great deal from conversation and collaboration on the topic of value with other colleagues and friends over the past years – in particular, Matt Bolton, Jon Cruddas, Ana Dinerstein and Patrizia Zanoni. Sincere thanks are also due to George Owers at Polity for suggesting that I write the book in the first place, and the excellent editorial support received thereafter from him and his team. In particular, I would like to thank two anonymous reviewers for their incredibly generous and helpful comments on the manuscript at an earlier stage. All the usual disclaimers apply, especially seeing as I did not have the space to respond to their recommendations in full. The book is dedicated to my youngest daughter Nico – funnily enough, not the first baby in recent family history to be born in the breathing space between submission and revision of a book I was writing. With that in mind, I would like to thank my partner and children for bearing with me in the final throes of writing and revising the book amidst the strange and slightly crazed lockdown days of the first half of 2020. The book was written before the pandemic hit,

but the debates raging in its wake – about the value of previously undervalued forms of work, or the value of human life and health versus the value of continuing economic activity – will only intensify in the inevitable crisis to come, sharpening the political and material significance of the issues discussed in the pages that follow.

Notes

- 1 W. Bonefeld, 2014. *Critical Theory and the Critique of Political Economy: On Subversion and Negative Reason*. London: Bloomsbury; R. Bellofiore and T. R. Riva, 2015. The Neue Marx-Lektüre: Putting the Critique of Political Economy Back into the Critique of Society. *Radical Philosophy*, 189, pp. 24–36; F. H. Pitts, 2015. The Critique of Political Economy as a Critical Social Theory. *Capital & Class*, 39(3), pp. 537–45.
- 2 M. Horkheimer, 1976 [1937]. Traditional and Critical Theory. In P. Connerton (ed.), *Critical Sociology*. London: Penguin, pp. 206–24.
- 3 P. Mirowski, 1991. Postmodernism and the Social Theory of Value. *Journal of Post Keynesian Economics*, 13(4), pp. 565–82 (p. 578); P. Mirowski, 1989. *More Heat than Light: Economics as Social Physics, Physics as Nature's Economics*. Cambridge University Press, p. 265.
- 4 M. Mazzucato, 2019. *The Value of Everything: Making and Taking in the Global Economy*. London: Penguin, p. 7.
- 5 Mazzucato 2019, p. 8.
- 6 Mazzucato 2019, pp. 7, 22.
- 7 R. L. Heilbroner, 1983. The Problem of Value in the Constitution of Economic Thought. *Social Research*,

50(2), pp. 253-77 (pp. 253-6).

- 8 Aristotle, 2000. *The Politics*. Trans. T. A. Sinclair. London: Penguin; Aristotle, 2004. *Nicomachean Ethics*. Trans. J. A. K. Thompson. London: Penguin; Mirowski 1989, p. 145; A. Monroe, ed., 1924. *Early Economic Thought*. Cambridge, MA: Harvard University Press, p. 27.
- 9 A. Dinerstein and M. Neary, 2002. From Here to Utopia: Finding Inspiration for the Labour Debate. In A. Dinerstein and M. Neary (eds.), *The Labour Debate: An Investigation into the Theory and Reality of Capitalist Work*. Aldershot: Ashgate, pp. 1-26 (p. 13).
- 10 Heilbroner 1983, pp. 253-6; Mirowski 1989.

1

Value as Substance

Substantialist approaches to value posit the labour content of a good or service as ‘an order-bestowing force’, as opposed to anything external to it.¹ Substantialist theories of value see value as carried and conserved within things, either inhering within the things themselves or inserted there by the labour that created them. They rest on a series of defining positions: the ascription of a natural basis to economic value; the suggestion that value is conserved from the production through to the exchange of products; the ‘reification’ of the economy as an orderly ‘law-governed structure’ akin to nature; the proposal of an ‘invariant standard’ of value; the policing of a boundary between activities productive and unproductive of value; the conviction that the sphere of production is where value is determined; and the resulting ‘relegation’ of money to a purely ‘epiphenomenal status’ expressive of embodied labour.² As with so much else in value theory, we can trace this line of interpretation to Aristotle, who located in labour a common element underlying the mystery of the equivalent exchange of diverse goods.³

In the modern age, theories of value mimicked the development of Western physics.⁴ When the physics of energy conservation was the only science available, the first stirrings of substantialism in ‘balance of trade’ mercantilism took on the Cartesian insight that motion is an ‘embodied substance ... passed about from body to body by means of collision’, reifying value as a substance ‘conserved in the activity of trade to provide structural stability to prices and differentially specified in the process

of production'.⁵ Taking this analogy forwards, where the substantialist approach really comes alive is in the work of the physiocrats and, later, the classical political economists. In the *Wealth of Nations*, Adam Smith suggests that 'It is natural that what is usually the produce of two days' or two hours' labour, should be worth double of what is usually the produce of one day's or one hour's labour', a position later taken up by David Ricardo and, to some extent, Karl Marx.⁶

From mercantilism onwards, the trajectory of substantialism and associated 'objective' theories of value from the seventeenth century was also deeply imbricated in social and political shifts, and served the purposes of different actors at different times in different places, with consequences by turns reformist, reactionary and revolutionary. Mercantilism buttressed the social power of the rising merchant class with a zero-sum understanding of value as bound within national borders in the face of expanding international trade; physiocracy buttressed the power of agriculturalists against mercantile interests; classical political economy, the power of industrialists against feudal remnants; and Marx's version of the labour theory of value, the power of the increasingly assertive proletariat against the industrialists. Today, the national populist tenor of the times grants conservationist appreciations of value as a zero-sum game or substance in time and space fresh political potency, rendering the study of substance theories of value newly relevant. The present-day salience of such thinking shows that the problem of value is by no means a drily academic topic, but one that touches everyday life and current affairs.

Mercantilism and Physiocracy

Substantialist theories of value first had real-world economic and political impact through so-called 'balance of

trade' mercantilism, the 'first appearance of a conservation principle in Western economic thought'.⁷ Mercantilism reacted to the shifting political economy of sixteenth- and seventeenth-century colonialism, wherein trade expanded and vast amounts of precious metals were extracted from colonies and transformed into currency. The latter came to convey wealth and prosperity, and the 'production boundary' between productive and unproductive was redrawn around 'whoever bought, owned and controlled' its supply. Where income was greater than expenditure, an enterprise was deemed productive, and those who drew down on this surplus as consumers without producing were deemed unproductive.⁸

The mercantilist understanding of the economy - which reappears today in the return of protectionist nationalisms - suggested that a system of equivalent exchange must always mean, in the words of Francis Bacon, that 'whatever is somewhere gotten is somewhere lost', justifying inter-country rivalry on the basis that 'trade is a zero-sum game'.⁹ Value is here taken to be something conserved, and, to the extent that the exchange in which it features is conducted with the national currency, containable within the borders of the state from which it arose. Hence, the positive trade balance - back on the lips of the post-liberal right today - comes to represent the conservation and augmentation of the value substance.

Another element of classical substantialism that crops up in the intellectual imaginary of contemporary populisms of both right and left is the positioning of sections of the economy that are 'productive' of value against those that are 'unproductive' of value. Such a distinction is intrinsic to theories of value that rest on a 'conservation principle'. No substantialism can successfully free itself of the presumption of the unproductiveness of one economic

activity or another, because ‘the imposition of conservation principles in the context of a substance theory of value essentially dictates the existence of such categories’. The French physiocrats ‘were the first to make the postulation of unproductive sectors a hallmark of their analysis’, and from this it ‘became the hallmark of a substance theory of value’.¹⁰

The physiocrats were a mid-eighteenth-century school that sprang from the court of Louis XV in France, mainly gathered around the physician and royal advisor François Quesnay. Quesnay’s medical practice inspired a ‘metabolic’ vision of the economy, and specifically the role of agriculture within it. Quesnay was frustrated with the mercantilist policies of the French monarchy, which focused on trade and fundraising for military expenditure, rather than what he saw as the ‘productive’ agricultural sector.¹¹ The physiocratic distinction of productive from unproductive had political implications, insofar as the ‘almost complete identification of productivity with the agricultural sector had an overriding aim. Their restrictive production boundary gave the landed aristocracy ammunition to use against mercantilism, which favoured the merchant class, and fitted an agricultural society better than an industrial one.’¹² For a physiocrat such as Boisguillebert, the true value of things resided in the amount of labour-time that is expended in the production of the particular commodity, whilst the money that expressed different quantities of value in exchange ‘disturbs the natural equilibrium or the harmony of the exchange of commodities’. This is, in part, a result of the historical circumstances in which Boisguillebert operated, whereby the court of Louis XIV was characterized by a ‘blindly destructive greed for gold’.¹³ In language that invites evident parallels with present populist discourse, Boisguillebert referred to finance as a ‘black art’,