

James Furner

Marx's Critique of Samuel Bailey

Introduction

The theory of value developed by Karl Marx in *Capital* has been the subject of much debate and controversy. This paper examines the validity of one distinction within this theory, the distinction between exchange-value and value, by reconstructing Marx's much less debated critique of the anti-Ricardian political economist Samuel Bailey.¹ Despite the relative obscurity of Bailey as a political economist and as an influence on Marx, the advantage of turning to Marx's critique of Bailey is that it clarifies where the strengths and weaknesses lie in Marx's account of value. An investigation of Marx's critique of a forerunner of marginal utility theory also makes it easier to meet later criticisms of Marx's theory of value common amongst non-Marxists.

Many discussions of Marx's theory of value focus on a couple of pages in Section One of Chapter One of *Capital*. In these passages, Marx is quick to distinguish between exchange-value and value as a

¹ I would like to thank Andrew Chitty for discussions, which helped me develop the argument of this paper, as well as Chris Arthur and an anonymous referee for instructive comments on earlier drafts.

purely social aspect of commodities and to identify its source in (abstract) labour. A number of contemporary advocates of Marx's theory of value stress that neither issue can be resolved at this point. With regard to the distinction between exchange-value and value, one is typically directed to Section Three of Chapter One in which Marx sets out from value and demonstrates that its expression requires the development of money.²

With regard to the relation between value and 'abstract' labour, a difference emerges between Patrick Murray's turn to Section Four of Chapter One on commodity fetishism,³ in which Marx sets out from a system of production organised in private yet materially dependent units in order to demonstrate why commodities acquire an 'objectivity as values [*Wertgegenständlichkeit*]',⁴ and Chris Arthur's account turned towards the category of capital.⁵ Differences aside, one advantage of such accounts is to have stressed that value is connected in two directions, both to exchange-value and to labour.

To approach the relation between exchange-value and value via an examination of Marx's critique of Bailey is not, however, to belittle the importance of these sections of Chapter One. Marx's critique of Bailey can even provide them with a degree of support due to its very different form. Insofar as Marx tracks Bailey's conception of value from the initial context of commodity exchange to a whole range of categories within the space of twenty-six manuscript pages, the critique that emerges provides a general overview of the connections between value in its forms as commodity, money and capital impossible within the confines of Chapter One.

Although rooted in different texts, the following argument is broadly compatible with recent accounts of Marx's 'systematic dialectic'. The implications of the latter for Marx's theory of value are to guard against its evaluation as either an axiom or piece of analytical reasoning and instead to insist that value is grounded in later, more concrete categories.⁶ Although vulnerable in the context of a discussion of commodities torn apart from later categories, the distinction between exchange-value and value is justified in that value is later shown to gain independent form in money and to provide production with its overriding purpose. The approach followed here may be said to share this methodological position.

² See, for example, Arthur 1998b and the first three essays in Moseley 1993.

³ See Murray 2000.

⁴ Marx 1976, p. 166.

⁵ See Arthur 2001.

⁶ See Reuten 1993, pp. 90–3; Reuten 2000, pp. 146–7; Arthur 1998b.

Marx came across Bailey's work at least as early as the Summer of 1845 during a short stay in Manchester.⁷ The first evidence that he read Bailey is provided by his copying, with little annotation, of sections of Bailey's *Money and Its Vicissitudes in Value* (1837)⁸ between mid-December–February 1851.⁹ This notebook was to provide the source of all Marx's future references to *Money*, concentrated in the *Grundrisse*, the *Urtext* of 1858 and *Capital*. Of greater importance is Bailey's other main work, *A Critical Dissertation on the Nature, Measure and Causes of Value* (1825).¹⁰ One can infer from a reference to the *Critical Dissertation* in the *Verzeichniß zu dem Citatenheft* ('Bailey's False Theory of Value Refuted by the Circulation of Capital'),¹¹ written between 1859–60, that Marx had also read and noted this earlier work by then. Marx's discussion of the *Critical Dissertation* is concentrated in Notebook XIV of his 1861–3 manuscripts, later published in Part III of the *Theories of Surplus Value*.¹² This discussion is the source not just of later references to the *Critical Dissertation* in Chapter One of *Capital* but also of parts of its argument. It is upon this discussion, by far Marx's most extended critique of Bailey, that this paper will focus.

Few have been prompted to offer an extended discussion of Marx's critique of Samuel Bailey, despite the five references to Bailey in later versions of *Capital*'s first chapter, more separate references than any other thinker bar Marx himself.¹³ Marx's characterisation of Bailey as a 'fool'¹⁴ and his *Critical Dissertation* as 'definitely worthless except for the definition of the "measure

⁷ See Marx & Engels 1998, pp. 183, 190.

⁸ From now on referred to as *Money*.

⁹ Marx & Engels 1983, pp. 385–405. This date is given in the introduction to the MEGA volume, pp. 36–7.

¹⁰ From now on referred to as *Critical Dissertation*.

¹¹ Marx & Engels 1980, p. 268. Where reference is made to German texts, translations are my own.

¹² Marx & Engels 1976, pp. 1313–50.

¹³ Rubin seems to have been the first to attribute importance to Marx's reading of Bailey, noting a greater sharpness in Marx's distinction between exchange-value and value in *Capital* in comparison to the *Contribution to the Critique of Political Economy* (Rubin 1982, pp. 108–9). Subsequent discussion of Marx's critique of Bailey can be found in the work of the Projektgruppe 1975, pp. 523–41, Kliman 2000, pp. 94–9 and Dussel 2001, pp. 124–30. However, their main drawback is that they have been as protective of Marx as the main study of Bailey is of Bailey – neither quoting from the other side nor, in the case of the Marxist literature, questioning Marx's account. Later argument will show in what way Rubin's claim (1982, pp. 108–9; 1994, pp. 60–1), followed by Kliman 2000, p. 94, that Marx's 'third thing argument' did enough to refute Bailey is rejected. On Bailey see Rauner 1961.

¹⁴ Marx 1971, pp. 144, 154, 159.

of value”¹⁵ (inconsistent with his acknowledgement of Bailey’s criticisms of Ricardo,¹⁶ Mill,¹⁷ and Bentham¹⁸) together with Bailey’s repetitive style and the slackness in his argument have no doubt discouraged many. The account of Marx’s critique of Bailey given here has chosen neither to repeat the abuse nor some of the more obvious points in Marx’s favour. The assumption of such a procedure is that what remains of Bailey’s argument demands some sort of an interpretative response.

Marx’s ‘third thing argument’

In order to appreciate the significance of Marx’s critique of Samuel Bailey, it is first important to consider Marx’s attempt to distinguish exchange-value and value in the first section of Chapter One of *Capital*. Having stated that his is an investigation of capitalist production that will begin by analysing the commodity and having explained the sense in which commodities are objects of use or ‘use-values’, Marx continues

Exchange-value appears first of all as the quantitative relation, the proportion, in which use-values of one kind exchange for use-values of another kind. This relation changes constantly with time and place. Hence exchange-value appears to be something accidental and purely relative, and consequently an intrinsic value, i.e. an exchange-value that is inseparably connected with the commodity, inherent in it, seems a contradiction in terms.¹⁹

Given that exchange-value is a relative expression subject to constant change, the suggestion that commodities have an ‘intrinsic value’ seems odd. Nevertheless, this is what Marx intends to establish. To talk of intrinsic value at this early stage is minimally to say that the social relation between owners of use-values produced and offered for exchange bestows a social aspect on those products expressed in their exchange. Although three earlier versions of the following argument were published in the first and second editions of *Capital* and in *Wages, Prices and Profits*,²⁰ the final version of Marx’s argument is the fullest. Marx continues

¹⁵ Marx 1971, p. 125.

¹⁶ Marx 1976, pp. 155, 177, 675.

¹⁷ Marx 1971, p. 87.

¹⁸ Marx 1976, p. 759.

¹⁹ Marx 1976, p. 126.

²⁰ Marx & Engels 1983, p. 19; Marx & Engels 1987, p. 71; Marx 1968, p. 201.

A given commodity, a quarter of wheat for example, is exchanged for x boot-polish, y silk or z gold, etc. In short, it is exchanged for other commodities in the most diverse proportions. Therefore the wheat has many exchange values instead of one. But x boot-polish, y silk or z gold, etc., each represent the exchange-value of one quarter of wheat. Therefore x boot-polish, y silk, z gold, etc., must, as exchange-values, be mutually replaceable or of identical magnitude. It follows from this that, firstly, the valid exchange-values of a particular commodity express something equal, and secondly, exchange-value cannot be anything other than the mode of expression, the 'form of appearance', of a content distinguishable from it.²¹

This passage begins by considering the fact of a given commodity's exchange with many other commodities. These exchange-values are said to be exchange-values the wheat 'has'. To say that the exchange-values belong to the wheat is taken to imply that there is something of which the wheat is further possessed by virtue of which it has exchange-values. To grant the wheat such an intrinsic property allows one to say that there is a constancy that x boot-polish or y silk or z gold each represent and which makes them 'of identical magnitude'. There is thus more to Marx's reference to equality than the fact that a diverse set of commodities exchange for the same amount of wheat. There is said to be some intrinsic aspect to a commodity that any number of other commodities may represent such that in representing it they are equal.

The following paragraph then proceeds in somewhat reverse fashion. Marx takes the form of a single exchange between two commodities and proceeds directly from the equality in which two commodities may now be said to stand to the consideration of a third thing, value:²²

Let us now take two commodities, for example corn and iron. Whatever their exchange relation may be, it can always be represented by an equation in which a given quantity of corn is equated to some quantity of iron, for instance 1 quarter of corn = x cwt of iron. What does this equation signify? It signifies that a common element of identical magnitude exists in two different things, in 1 quarter of corn and similarly in x cwt of iron. Both are

²¹ Marx 1976, p. 127.

²² That the phrase 'third thing' refers not to a further commodity but to value is clear from Marx's subsequent comment that 'the common factor in the exchange relation, or in the exchange-value of the commodity, is therefore its value'. Marx 1976, p. 128.

therefore equal to a third thing, which in itself is neither the one nor the other. Each of them, so far as it is exchange-value, must therefore be reducible to this third thing.²³

Unfortunately, assuming A to prove B and then taking B to prove A does not get one very far. However, representing the structure of Marx's argument in this way does at least allow one to question interpretations of the last two paragraphs, both positive (Rubin's) and negative (including the joint critique of Anthony Cutler, Barry Hindess, Paul Hirst and Athar Hussain as well as Anthony Brewer), that take Marx simply to have proceeded from the assumption that exchange involves an equality:

Thus Marx starts from the fact of manyfold equalization of all commodities with each other, or from the fact that every commodity can be equated with many other commodities. . . . Marx says . . . let us take exchange in the form in which it actually takes place in a commodity economy. Then we will see that every object can be equalized with all other objects. In other words, we see an infinity of proportions of exchange of the given product with all others.²⁴

Exchange must be conceived as an equation if the discourse of *Capital* is to produce its particular concept of value and that concept is necessary to the theory of *surplus value*. . . . The notion of an equation necessitates a third term and hence opens the discursive space for labour-time as that term.²⁵

The argument for the use of labor values presented in the first chapter of *Capital* is almost unbelievably weak . . . though Marx's trick of representing exchange by an equation may have helped to give it some superficial plausibility.²⁶

As the above discussion hoped to show, Marx actually begins his 'third thing argument' by supposing exchange-values to be had by a commodity. However, it is also necessary to mention one further piece of textual evidence used in support of the suggestion that Marx's argument concerning value assumed a certain conception of exchange. It is to this effect that Marx's short commentary on Aristotle was to be cited in Eugen von Böhm-Bawerk's famous

²³ Marx 1976, p. 127.

²⁴ Rubin 1982, p. 110.

²⁵ Cutler et al. 1977, p. 16.

²⁶ Brewer 1995, p. 117.

critique.²⁷ Marx quotes approvingly the statement that “[t]here can be no exchange”, he [Aristotle] says, “without equality, and no equality without commensurability”.²⁸ By adopting Aristotle’s comment and then proposing his own conception of value as the solution, it might seem that Marx formulates his conception of value as a solution to the problem of exchange. It is not until the end of Marx’s short commentary on Aristotle that such an interpretation is undermined:

Aristotle’s genius is displayed precisely by his discovery of a relation of equality in the value-expression of commodities. Only the historical limitation inherent in the society in which he lived prevented him from finding out what ‘in reality’ this relation of equality consisted of.²⁹

The important point to note here is that a relation of equality is found in the ‘value-expression of commodities’. With this phrase, exchange can no longer be seen as the logical starting-point of Marx’s argument. Instead of inferring value from an equality of exchange, it is equality that is found in the expression of value. As Marx put it in the section of his 1861–3 manuscripts devoted to Samuel Bailey, ‘it should be noted that it is assumed that it [commodity A] always exchanges at *its value*, consequently for an *equivalent*’.³⁰ If the interpretation offered so far is valid, Marx is not to be understood as proceeding from a certain conception of exchange but from a claim about commodities having exchange-values.

Defences of Marx’s ‘third thing argument’

It is one thing to identify a gap in an argument and quite another to try to fill it. One recent attempt to defend Marx’s ‘third thing argument’ as here understood is provided by Andrew Kliman in *Historical Materialism* 6. Kliman attempts to defend Marx’s premise that commodities “‘have” exchange-value’ by arguing that this premise is a ‘fact’ of everyday experience in capitalist society.³¹ Once this premise is granted, one can talk about commodities possessing their exchange-value on account of an intrinsic value.

²⁷ Böhm-Bawerk 1975, p. 68.

²⁸ Marx 1976, p. 151.

²⁹ Marx 1976, p. 152.

³⁰ Marx 1971, p. 126.

³¹ Kliman 2000, p. 102.

Kliman argues that an intrinsic conception of value lies at the basis of our everyday patterns of thought and behaviour that take commodities to have a worth independent of their actual exchange.³² What lends this argument a certain strangeness is that, at no point in Chapter One of *Capital*, could Marx be construed as providing a principled claim about extending validity to commonplace ideas. If anything, the way in which the idea of an intrinsic value is first introduced in contrast to what exchange-value 'appears to be [*scheint*]' suggests the inappropriateness of such an attempt.³³

Moreover, placing this objection aside still leaves Kliman's argument stretching commonplace thinking too far. It is by no means automatic that, in order to think in terms of an exchange-value for a commodity different from its actual price, one must think that this commodity in some sense possesses or has exchange-value. With regard to Kliman's first example, in which one thinks of commodities as having a value different from the price at which they are offered to the point of buying them on this basis, one might instead believe that the price at which a commodity is offered for sale is a 'bargain' (or a 'rip-off'), in consequence of some violation of normal conditions of supply and demand. In effect, one would simply carry out a mental comparison between the current asking price for a commodity and the price of an identical (or nearly identical) commodity in the past or elsewhere. Marx specifically pictures thinking of this kind when commenting in the course of his critique of Bailey that '[t]he most ordinary merchant does not believe that he is getting the same value for his £1 when he receives 1 quarter of wheat for it in a period of famine and the same amount in a period of glut'.³⁴ It is perfectly possible for the merchant to think both that the actual price of the wheat is not a true price (in the sense of what she may reasonably be expected to pay) and that wheat does not 'have exchange-value' (this instead being relative to supply and demand in a given place at a given time).

Thus, with respect to Kliman's first example, the only distinction that needs to be made is the distinction between actual price and average price over a certain period. One does not need to think of average price as something a commodity 'has'. The same sort of objection can be made in response to Kliman's second example, that of calculating the value of one's assets. An

³² Kliman 2000, pp. 101–2.

³³ Marx 1976, p. 126.

³⁴ Marx 1971, p. 150.

estimate of the price one's possessions might fetch can base itself upon a knowledge of past exchanges. A given estimate may therefore prove to be good or bad depending upon the degree to which it manages to anticipate market conditions at time of sale. It is neither desirable nor possible to rescue Marx's 'third thing argument' by appealing to commonplace patterns of thought.

Although Kliman's argument fails, it might still be claimed that Marx's 'third thing argument' finds sufficient support from the wider context of relations of commodity production and exchange at which Chapter One operates. It is true that Marx highlights there the fact that the organisation of production into private, materially dependent units provides the specific precondition of exchange as the general form through which private labour is confirmed as social. It is not clear, however, how such a claim could justify an intrinsic conception of value any more strongly than providing no reason for its positive rejection. It is not enough, in other words, either to refute or to exclude all rival conceptions of value. With regard to the issue of refutation, acceptance of Marx's claim that value-expressions presuppose a particular organisation of production does not, by itself, provide a perspective from which one may criticise alternative conceptions of value, such as Samuel Bailey's, whose sole precondition is the occurrence of exchanges. For example, the inclusion under the latter precondition of more kinds of things (such as land) within what are deemed value relations can only be faulted as erasing the distinction between value and price that Marx upheld (together with the understanding of society allowed by such a distinction) once the concept of surplus-value has been introduced. With regard to the issue of exclusion (from being a theory of Marx's chosen object), claiming that there is nothing about an alternative conception of value such as Bailey's that prevents it from being applied beyond the reach of capitalist production does not, by itself, invalidate it as potentially explanatory of features of capitalist production.³⁵

If it is true that the general framework of Chapter One provides insufficient justification for Marx's 'third thing argument', then neither can one accept John Rosenthal's argument for value, which shares certain similarities with Marx's 'third thing argument'. In the course of his discussion of the extrinsic and intrinsic measures of value, Rosenthal claims that 'the issue of what determines exchange-value arises immanently from a consideration of the

³⁵ I return to this issue at the end of the next section.

value-expression'.³⁶ Having introduced two hypothetical expressions of the worth of commodities, 1 coat = 20 yards of linen and 1 lb. of tea = 2 yards of linen, Rosenthal goes on to argue

So, the comparison tells us that with a coat we can obtain ten times more commodities of any and every sort than with a pound of tea: that we can, in effect, obtain a portion of the total social product which is ten times greater. Whereas, however, comparisons of different amounts of linen are straightforward, a relevant unit of measurement being ready to hand: how exactly are the 'amounts' of physically *heterogeneous* bundles of commodities to be compared? With respect to *what* does one bundle represent a 'greater' portion of the social product than another?³⁷

The problem with Rosenthal's argument is the move between saying (i) a coat exchanges for ten times the quantity of linen or of any other commodity or set of commodities than 1 lb. of tea, to saying (ii) one obtains with a coat a ten times greater portion of the total social product than with 1 lb. of tea. Whilst (i) involves a comparison of quantities of the same use-value, (ii), in its talk of 'portions' of a 'total social product', already implies the availability of a measure of value distinct from a third commodity in exchange and intrinsic to commodities. It is therefore of little surprise that Rosenthal can move from (ii) to an intrinsic conception of value determined by labour time. Rather than showing an intrinsic measure of value to emerge 'immanently' from a consideration of the expression of value, Rosenthal's choice of terms already assume an intrinsic conception of value. Marx's 'third thing argument' has not been rescued.

Samuel Bailey's theory of value

It is possible to move from the task of criticising particular defences of Marx's 'third thing argument' to underscoring why such defences necessarily fail by examining Marx's critique of Bailey in Notebook XIV of the 1861–3 manuscripts. A textual shift is at once justified by the passage in which Marx makes note of Bailey's argument that a commodity may simply be said to exchange with a variety of different commodities in incommensurable proportions:

³⁶ Rosenthal 1998, p. 169.

³⁷ Ibid.

But according to Bailey there is no value of A that could be expressed in B, because neither A nor B have a value apart from that expression. The value of A expressed in B must be something quite different from the value of A in C, as different as B and C are. It is not the same value, identical in both expressions, but there are two relations of A which have nothing in common with each other, and of which it would be nonsense to say that they are equivalent expressions.³⁸

According to Bailey, value would belong to neither commodity. Instead, value would refer to the relation in which two commodities exchange: '[v]alue denotes consequently nothing positive or intrinsic, but merely the relation in which two objects stand to each other as exchangeable commodities'.³⁹ Clearly, such a view is wholly incompatible with Marx's attempt to understand the different exchange-values that a commodity 'has' as expressions of a unity, value. Yet Marx does not consider the position he had attributed to Bailey in the course of his 'third thing argument' in *Capital*. Marx does not refer to Bailey until the third section of Chapter One, where he criticises Bailey for only concerning himself with the 'quantitative aspect' of the exchange relation between commodities.⁴⁰ If Marx's latter comment were fair, there might seem to be no need to consider Bailey's argument any further, since the exchange of commodities in given proportions could not proceed if it were not underpinned by some sort of qualitative homogeneity. Moreover, Marx's intrinsic conception of value would be justified by default in so far as it provided an account of qualitative homogeneity.

Neither of the above conclusions, however, can be upheld. Bailey can indeed be said to provide an account of the qualitative homogeneity presupposed by commodity exchange in his theory of 'esteem'. All exchanged items are objects of 'esteem' or 'preference' which agents may have a greater or a lesser desire to possess:

When, however, we regard two objects as subjects of choice or exchange, we appear to acquire the power of expressing our feelings with precision. . . . But this is not the expression of positive, but of relative esteem; or, more correctly, of the relation in which A and B stand to each other in our estimation. This relation can be denoted only by quantity.⁴¹

³⁸ Marx 1971, p. 150.

³⁹ Bailey 1967a, pp. 4–5.

⁴⁰ Marx 1976, p. 141.

⁴¹ Bailey 1967a, p. 3.

Bailey's approach is, therefore, quite different from that of Marx. Even if Bailey's account of qualitative homogeneity neither hinges upon a factor intrinsic to exchangeable goods nor allows for quantitative equality, only quantitative specification, it is nevertheless *an* account. Just as a previous quote from Bailey showing that it is possible to refuse Marx's claim that a quarter of wheat 'has' a variety of exchange-values removes that part of Marx's 'third thing argument' earlier described as assuming A to prove B, the possibility of providing an account of the qualitative homogeneity of commodities without resorting to Marx's intrinsic conception of value removes that part of Marx's 'third thing argument' earlier described as taking B to prove A.

Of course, Bailey's position involves no more convincing an assumption than Marx's. At a push, one could even claim that there is one respect in which Marx's approach is already superior. This is less a matter of Marx's fetishism theory, which, in its simplest context, explains why value appears to be the equivalent although the latter only expresses value, thus providing a diagnosis of the problem in a procedure such as Bailey's. Bailey also possessed a diagnostic account of other approaches in that he sought to explain how the presence of money encouraged one to talk of value as though it were an intrinsic property of commodities.⁴² It is, rather, a matter of Bailey's use of a transhistorical category such as esteem to explain a historically specific phenomenon. However, although it is true that there is a real slackness about the way in which Bailey jumps from using transhistorical to historical terms and that Marx used such opportunities to ridicule Bailey,⁴³ in practice, Bailey used the concept of esteem in connection with terms particular to commodity production such as market competition.⁴⁴ Thus, the following discussion hopes to show that the way in which value is to be justified is revealed by Marx's pursuit of Bailey's theory of value within the context of what, for Marx, were the more complex categories of money and capital.

⁴² Bailey 1967a, pp. 6–9; Bailey 1967b, p. 53.

⁴³ For example, between 'object' and 'commodity'. Marx 1971, p. 140.

⁴⁴ Declaring in Chapter XI, titled 'On the Causes of Value', that esteem 'may be the result of a variety of considerations connected with exchangeable commodities' (p. 180) Bailey goes on to list factors such as cost of production, competition, monopoly and demand. Bailey 1967a, pp. 182, 185, 187.

Marx and Bailey on money

If what have been drawn out so far are the negative implications of Bailey's position for Marx's approach to value, it is now time to turn to the positive. One of the positive aspects of Marx's critique of Bailey concerns the question of money. An initial starting-point can be found in the following comment:

But if he [Bailey] had analysed money as a 'measure of value', not only as a quantitative measure but as a qualitative transformation of commodities, he would have arrived at a correct analysis of value. Instead of this, he contents himself with a mere superficial consideration of the external 'measure of value'.⁴⁵

Although the direct claim of this passage is that Bailey's failure to push his analysis of money beyond a superficial concern with its role in providing a quantitative measure of value prevented him from arriving at a correct, intrinsic conception of value, it is clearly plausible to read it the other way, namely as implying that Bailey's failure to arrive at a correct, intrinsic conception of value would prevent him from fully understanding money. To evaluate such a claim one must turn to Bailey's theory of money itself.

Bailey's account of the functions of money and their inter-relation can be found in the opening chapter of *Money*. Bailey begins by stating that money is 'in the first place' the instrument with which everyone exchanges, what he calls the 'medial commodity'.⁴⁶ Although, by fulfilling this role, money aids the 'readiness of interchange and bargaining',⁴⁷ Bailey does not try to present a version of the (unconvincing) argument from barter that money is a technical necessity but, rather, states it as a given fact or 'circumstance'.⁴⁸ From this 'circumstance' a second function, its use as the 'commodity of contract', becomes 'general'.⁴⁹ Thirdly, it is 'necessary' that the medial commodity functions as the 'measure of value'.⁵⁰ In the *Critical Dissertation*, Bailey's discussion of money had focused on this third function and it is against this latter discussion that the above comment from Marx was directed.

⁴⁵ Marx 1971, pp. 137–8.

⁴⁶ Bailey 1837, pp. 1–3.

⁴⁷ Bailey 1837, p. 5.

⁴⁸ Bailey 1837, p. 3. For arguments why barter cannot explain the necessity for money, see Arthur 1998b, p. 454 and Campbell 1997, p. 100.

⁴⁹ Bailey 1837, p. 3.

⁵⁰ Bailey 1837, pp. 3–4.

According to the *Critical Dissertation*, value was measured by establishing the 'mutual relation of two commodities by their separate relations to a third'.⁵¹ If one knew the C-value for A and the C-value for B, one could calculate the B-value for A and the A-value for B.⁵² The process of measuring value could thus provide a given commodity with 'as many kinds of value as there are commodities in existence'.⁵³ Clearly, such a process of inference from given facts about the proportions in which commodities exchange logically presupposes the actual existence of money. It was with this in mind that Marx was to continue his criticism of Bailey's account of money: '[b]ecause he finds it [a relation of value] reflected in the *monetary expression*, he does not need to "understand" how this expression becomes possible, how it is determined, and *what* in fact it expresses'.⁵⁴

Although it may be admitted that Bailey is able to provide an account of the functions which money fulfils, to note the beneficial effects of these functions for production and exchange⁵⁵ and to recognise that, owing to certain physical qualities, a particularly commodity – gold – is particularly suited to fulfil the role of the money-commodity,⁵⁶ Marx claims that Bailey cannot say what money is an expression of and thus why it exists at all. If true, and if Marx's conception of value were capable of providing such an explanation, one would have found a way of showing the superiority of Marx's conception of value.

That Bailey is vulnerable on this point is shown by the poverty of his account of the relation between the different functions of money. Although Bailey could appreciate the practical dependence of the third function upon the first, that is that the commodity functioning as the instrument of exchange for this reason necessarily functions as the medium for the comparison of exchange relations, he simply assumed the existence of a commodity fulfilling the first monetary function. In the *Critical Dissertation*, this assumption is perhaps understandable in that it is kept within the context of discussing what Bailey took to be the third, derivative function of money as the measure of value.⁵⁷ *Money*, however, shares this assumption:

⁵¹ Bailey 1967a, p. 152.

⁵² Bailey 1967a, p. 9.

⁵³ Bailey 1967a, p. 39.

⁵⁴ Marx 1971, p. 155.

⁵⁵ Bailey 1837, pp. 46–75, 5–6.

⁵⁶ Bailey 1837, pp. 5–11.

⁵⁷ Bailey 1967a, pp. 97–8.

Such are the functions which money performs and the purposes which it serves, whatever may be the material of which it is constituted. In rude nations various commodities have been used in this capacity, but in civilized countries the precious metals have superseded every other.⁵⁸

It is important to stress that this absence is supported by Bailey's account of value as a relation between commodities in exchange. Since it is a fact that exchange concerns two commodities, value can be further specified as a relation between two commodities. Any such exchange will do: '[s]uppose that at some former period, when the value of commodities was determined by the quantity of labour required to produce them, A and B were the only exchangeable commodities in existence, and that they were of equal value'.⁵⁹ Rejecting Bailey's approach, Marx was to insist that a system of commodity exchange cannot be represented in terms of exchanges between two commodities. Commodity exchange presupposes a division of labour within private yet materially dependent units. If one instead supposed that there were only two products of labour, 'the products would never become commodities' because a large proportion of the product would be consumed by its immediate producers.⁶⁰ On Marx's terms, such a scenario cannot lead to an adequate expression of value since value is bound up in a particular form and cannot yet be shown to be the universal aspect 'common to all commodities'.⁶¹ Of course, within the framework of Bailey's conception of value, it is sufficient to point to the remaining exchanged portion of products A and B in order to identify a value relation. The point to be grasped is that Bailey is incapable of advancing from such a conception of value to explaining the necessity of money. The conceptual inadequacy in Bailey's treatment of money is not just compatible with but also encouraged by his conception of value.

That Marx addressed the question as to why a commodity fulfilling what Bailey designated as the first function of money exists at all is the result of his identification of the logical dependence of this 'first' function upon the measure of value function and the derivation of the latter from the opposition between use-value and value within the commodity. After all, it is the need

⁵⁸ Bailey 1837, p. 5.

⁵⁹ Bailey 1967a, p. 6.

⁶⁰ Marx 1971, p. 144.

⁶¹ Marx 1976, p. 158.

for value to gain an expression distinct from use-value appropriate for representing products of social labour that drives Marx's discussion of money in Section Three of Chapter One, rather than any concern with money in its function as an instrument of exchange. The existence of a money-commodity is a development of the opposed use-value and value aspects of the commodity, in the sense that only the singling out of a particular commodity provides an identical and thus fully adequate representation of the value dimension that all commodities share. In the money-commodity, value is represented in a form distinct from all manner of use-values as the abstraction from all use-value that it is. As Chris Arthur and Martha Campbell have pointed out,⁶² and in contrast to Bailey's procedure, it is only once one reaches the general form of value with its important characteristics of all-inclusiveness and identity of measuring unit allowing quantitative comparison that Marx claims value is really expressed: '[b]y this form [the general form], commodities are, for the first time, really brought into relation with each other as values, or permitted to appear to each other as exchange-values'.⁶³

Marx and Bailey on capital

Marx's criticism of Bailey's conception of money is not the only positive aspect of his critique. Moreover, whilst showing Marx's conception of value to allow an explanation of money's necessity where Bailey is silent may persuade few non-Marxists, Marx follows what he takes to be Bailey's erroneous conception of value beyond the category of money to that of capital and hence profit, whose explanation is of undoubted importance:

This absurd argument against Ricardo is quite futile. . . . It merely amounts to a repetition by Bailey of his proposition that *value* is the quantity of articles exchanged for an article. In dealing with *profit* he was bound to find himself in an embarrassing position. For here, the value of capital is compared with the value of the product. Here he seeks refuge in taking *value* to mean the value of an article estimated in labour (in the Malthusian manner).⁶⁴

In this passage, Marx suggests that, far from being able to explain profit, the confusion between use-value and value that arises within Bailey's discussion

⁶² Arthur 1993, p. 80; Campbell 1997, pp. 97–8.

⁶³ Marx 1976, p. 158.

⁶⁴ Marx 1971, p. 154.

at the level of the commodity is carried over to his discussion of capital, forcing him to seek 'refuge' in estimating the value of profit in terms of the labour it can command in exchange. Bailey's conception of value would be further undermined, in so far as it required him to take up an indefensible view of profit.

Just as Bailey took commodities to be both quantities of something and things exchanged for something else, he distinguished between profit as a quantity and as something exchanged. As a quantity, profit is the 'proportion' of the total product received by the owner of capital.⁶⁵ In asking whether profits have risen, Bailey claims that 'we do *not* mean whether a definite portion of some article called profits will exchange for a greater quantity of other things than before, but whether the gain of the capitalist bears a higher ratio to the capital employed'.⁶⁶ How much of something else one exchanges it for is, instead, a matter of the value of profit. To ask if the value of profit has increased is to ask

2. Whether the aggregate value of his share is greater, estimated in some of the commodities produced? 3. Whether the aggregate value has risen, estimated in labour?⁶⁷

Although Bailey answers both suggestions affirmatively, it is easily shown that only the latter allows one to claim that a rise in 'profit' necessarily entails a rise in the 'value of profit'. If one supposes profit to rise, that is a rise in the proportion of the product appropriated by the owner of capital, the amount of other articles for which it is exchanged need not rise. The presence and extent of a change in this amount depends upon the article chosen for the comparison. It is only by assuming that the articles providing the comparison undergo the same alteration in productivity as those representing the aforementioned profit that Bailey affirms 2.⁶⁸ It is left unsaid that, if the articles chosen for the comparison experience no change in productivity or even undergo a fall in productivity, the value of profit so estimated will not rise but remain unaltered or fall. On Bailey's terms, and with regard to question 2, 'profit' can rise but the 'value of profit' in a given commodity, including

⁶⁵ Bailey 1967a, p. 62.

⁶⁶ Bailey 1967a, p. 63.

⁶⁷ Bailey 1967a, p. 67.

⁶⁸ Bailey 1967a, pp. 67–8.

the money-commodity, can remain the same or even fall. Such expressions get one no further than the purported owner of a 'rise' in profit nevertheless unable to recommence production on the same scale due to a fall in the amount of raw materials which his profit allows him to command.

As Marx was quick to spot, it is only 3 which provides Bailey with a theoretical escape route. A representation of an increase in the proportion of the total product appropriated by the owner of capital in terms of labour commanded must increase, given that a proportional increase in the quantity of the product so appropriated requires that the proportion going to labour decreases (even if this latter proportion represents an absolutely greater quantity of the product than before). However, such an estimate is as impractical as it is true by definition.

The problems in Bailey's discussion derive, on the one hand, from his use of the term profit to describe a mere quantity of goods without reference to exchange-value and, on the other, from his conception of value. Whilst the former presents Bailey with the task of fixing changes in profit and the value of profit to parallel one another, the latter permits little more than a solution cast in labour-commanded terms.

For Bailey, remember, value is a relation between commodities in exchange. Since it is a fact that only commodities contemporary with one another can be exchanged, Bailey can further specify value to be 'a relation between contemporary commodities'.⁶⁹ This inference has important implications for intertemporal comparisons of value and hence profit. What one can consistently do is compare the relations in which a given commodity exchanges with other commodities at different points in time, for example compare the amount of commodity y commodity x exchanges for at T0 and T1. Ruled out, however, are comparisons resting on the assumption that commodities of different periods can stand in a relation of value to each other. This sort of comparison assumes that one is equipped with a common measure of value in different periods. But nothing can mediate things incapable of mediation. Indeed, Bailey goes as far as to say that there is no need for such a function to be performed: '[i]t is obvious then, that if no relation of value can exist between objects in different ages, there can be no measurement of it, nor consequently can there be any measure or medium of comparison required'.⁷⁰

⁶⁹ Bailey 1967a, p. 72.

⁷⁰ Bailey 1967a, p. 115.

It is exactly at the level of capital, however, that the importance of the comparison Bailey denies becomes clear. Breaking from Bailey's conception of value as simply an exchange relation between contemporary commodities is legitimated by the concern to provide a more realistic account of the significance of profit for the reproduction of capital: '[i]s it not a fact that, in the process of circulation or the process of reproduction of capital, the value of one period is constantly compared with that of another period, an operation upon which production itself is based?'.⁷¹ To thereby adopt an intrinsic conception of value in explaining profit as the accumulation of value over a given period of time would be, for Bailey, to proceed from a false assumption. The argument against this is, surely, that its truth is demonstrated in the development of a superior explanation of capital, one in which the distinction between use-value and value is important for distinguishing value as providing production with its overall purpose.

Conclusion

In highlighting the relevance of Marx's critique of Samuel Bailey for understanding Marx's theory of value, the argument of this paper has been that the proof of an intrinsic conception of value is to be found in the later development of more complex categories. From this perspective, it is possible to shed light on one of Marx's more frequently cited yet elusive methodological comments, as well as to offer positively and negatively couched guidelines for approaching Marx's value theory. With regard to the first claim, it is fair to say that Marx's critique of Bailey fills out what his letter to Dr. Kugelmann dated 11 July 1868 only hinted at.⁷² It is now understandable why, in response to a review in the Leipzig *Centralblatt* claiming that he took the determination of value by labour time as an 'axiom' from which the whole of the rest of his discussion proceeded with 'the most rigorous logic',⁷³ Marx considered the latter part of the above statement to grant him the 'greatest possible concession', stating '[t]he unfortunate fellow does not see that, even if there were no

⁷¹ Marx 1971, p. 154. As Arthur (1998a, p. 97) and Kliman (2000, p. 97) have shown, Marx repeats this point in the second volume of *Capital*. The advantage of focusing on Marx's critique of Bailey in the manuscripts of 1861–3 is that this critique can follow Bailey's own awkward manoeuvres more closely.

⁷² Marx 1988, pp. 67–70.

⁷³ 'h' 1868, pp. 754–5.

chapter on “value” at all in my book [*Capital*], the analysis I give of the real relations would contain the proof and demonstration of the real value relation’.⁷⁴ It should, by now, be clear that it is Bailey who follows an axiomatic procedure and how different this is from Marx’s approach. It would therefore be surprising if Marxists were to continue to give much positive weight to the ‘third thing argument’.

Of course, it is not claimed that following Marx’s critique of Bailey’s conception of money and capital provides the magic formula for refuting all subsequent utility theory. Such a task would have to include an explanation of the place of Marx’s discussion of supply and demand in the third volume of *Capital*. Nevertheless, certain swipes by later representatives such as Böhm-Bawerk do lose their force as well as their originality. Other critiques of rival approaches to political economy might focus on different categories altogether or on different aspects of money and capital, but the method of approach is clear.

Nor can the above argument be met with a systematic shrug of one’s dialectical shoulders. This is not just a matter of the fact that, without an account of Marx’s critique of Samuel Bailey in the 1861–3 manuscripts, textual support for such an approach beyond that allowed by the density of Marx’s argument in *Capital* is reduced. It also reflects an under-researched but potentially fruitful difference in procedure between the first three volumes of *Capital* and the ‘historical reviews’⁷⁵ forming part of the 1861–3 manuscripts. Whilst, in the former, Marx takes great care when introducing new, relatively more complex categories into his discussion, his historical reviews require him to shift level of abstraction in following the theorist under discussion (as unpublished drafts of an earlier period of investigation, they also register the development of Marx’s own categorial system).⁷⁶ Although making them difficult to unpack, such bursts of discussion often do much to reveal the relations between categories. It is in this sense that Marx’s critique of Bailey was said to provide an overview of value in its forms as commodities, money and capital. That the manner in which systematic dialectics urges one to evaluate Marx’s theory of value can draw sustenance from that part of *Capital*

⁷⁴ Marx 1988, p. 68.

⁷⁵ Marx 1975c, p. 345. For a qualified defence of the ‘historical review’ interpretation of the 1861–3 Manuscripts against Enrique Dussel (in Dussel 2001) see Furner 2002, pp. 118–21.

⁷⁶ See Dussel 2001.

evidently not following a systematic dialectical method of presentation is apparently paradoxical but, ultimately, a strength.

References

- Anon., 1967 [1821], *Observations on Certain Verbal Disputes in Political Economy Particularly Relating to Value, and to Demand and Supply*, New York: Augustus Kelley Publishers.
- Arthur, Christopher J. 1993, 'Hegel's *Logic* and Marx's *Capital*', in *Marx's Method in Capital*, edited by Fred Moseley, Atlantic Highlands: Humanities Press.
- Arthur, Christopher J. 1998a, 'The Fluidity of Capital and the Logic of the Concept', in *The Circulation of Capital: Essays on Volume Two of Marx's 'Capital'*, edited by Christopher J. Arthur and Geert Reuten, Basingstoke: Macmillan.
- Arthur, Christopher J. 1998b, 'Systematic Dialectic', *Science & Society*, 62, 3: 447–59.
- Arthur, Christopher J. 2001, 'Value, Labour and Negativity', *Capital & Class*, 73: 15–39.
- Bailey, Samuel 1837, *Money and its Vicissitudes in Value; as they Affect National Industry and Pecuniary Contracts: with a Postscript on Joint-Stock Banks*, London: Effingham Wilson, Royal Exchange.
- Bailey, Samuel 1967a [1825], *A Critical Dissertation on the Nature, Measure, and Causes of Value*, New York: Augustus Kelley Publishers.
- Bailey, Samuel 1967b [1826], *A Letter to a Political Economist: Occasioned by an Article in the Westminster Review on the Subject of Value*, New York: Augustus Kelly Publishers.
- Böhm-Bawerk, Eugen von 1975 [1896], *Karl Marx and the Close of His System*, Clifton: Augustus M. Kelley.
- Brewer, Anthony 1995, 'A Minor Post-Ricardian? Marx as an Economist', *History of Political Economy*, 27, 1: 111–45.
- Campbell, Martha 1997, 'Marx's Theory of Money: A Defense', in *New Investigations of Marx's Method*, edited by Fred Moseley and Martha Campbell, Atlantic Highlands: Humanities Press.
- Cohen, Gerald A. 1979, 'The Labour Theory of Value and the Concept of Exploitation', *Philosophy & Public Affairs*, 8, 4: 338–60.
- Cutler, Anthony, Barry Hindess, Paul Hirst and Athar Hussain 1977, *Marx's 'Capital' and Capitalism Today*, Volume One, London: Routledge and Kegan Paul.
- Dussel, Enrique 2001, *Towards an Unknown Marx. A Commentary on the Manuscripts of 1861–63*, London: Routledge.
- Ehrbar, Hans and Mark Glick 1986, 'The Labour Theory of Value and Its Critics', *Science & Society*, 50, 4: 464–78.
- Furner, James 2002, 'An Unknown Marx?', *History of Economic Ideas*, 10, 2: 115–21.
- 'h' 1868, 'Marx, Karl, das Kapital. Kritik der politischen Ökonomie', *Literarisches Centralblatt für Deutschland*, 4 July, 28: 754–6.
- Kliman, Andrew 2000, 'Marx's Concept of Intrinsic Value', *Historical Materialism*, 6: 89–113.
- Marx, Karl 1968 [1865], 'Wages, Price and Profit', in *Selected Works in One Volume*, London: Lawrence and Wishart.
- Marx, Karl 1971 [1962], *Theories of Surplus Value, Part 3*, Moscow: Progress Publishers.

- Marx, Karl 1975b [1939–41], 'Introduction (1857) to the *Grundrisse*', in *Texts on Method*, edited by Terrell Carver, Oxford: Basil Blackwell.
- Marx, Karl 1975c [1956], *Theories of Surplus Value, Part 1*, Moscow: Progress Publishers.
- Marx, Karl 1976, *Capital, Volume I*, London: Penguin Books.
- Marx, Karl 1978 [1959], *Theories of Surplus Value, Part 2*, Moscow: Progress Publishers.
- Marx, Karl 1988, 'Marx to Ludwig Kugelmann', in *Collected Works*, Volume 43, London: Lawrence and Wishart.
- Marx, Karl and Friedrich Engels 1975a, *Gesamtausgabe (MEGA)*, Abteilung I: Band 1, Berlin: Dietz Verlag.
- Marx, Karl and Friedrich Engels 1976, *Gesamtausgabe (MEGA)*, Abteilung II: Band 2, Berlin: Dietz Verlag.
- Marx, Karl and Friedrich Engels 1983, *Gesamtausgabe (MEGA)*, Abteilung II: Band 5, Berlin: Dietz Verlag.
- Marx, Karl and Friedrich Engels 1986, *Gesamtausgabe (MEGA)*, Abteilung IV: Band 4, Berlin: Dietz Verlag.
- Marx, Karl and Friedrich Engels 1988, *Gesamtausgabe (MEGA)*, Abteilung II: Band 6, Berlin: Dietz Verlag.
- Moseley, Fred (ed.) 1993, *Marx's Method in 'Capital'*, Atlantic Highlands: Humanities Press.
- Moseley, Fred and Martha Campbell (eds.) 1997, *New Investigations of Marx's Method*, Atlantic Highlands: Humanities Press.
- Murray, Patrick 2000, 'Marx's "Truly Social" Labour Theory of Value, Part I: Abstract Labour in Marxian Value Theory', *Historical Materialism*, 6: 27–65.
- Projektgruppe 1975, *Der 4. Band des 'Kapital'? Kommentar zu den Theorien über den Mehrwert*, West Berlin: Verlag für das Studium der Arbeiterbewegung.
- Rauner, Robert M. 1961, *Samuel Bailey and the Classical Theory of Value*, London: G. Bell and Sons Ltd.
- Reuten, Geert 1993, 'The Difficult Labor of a Theory of Social Value', in *Marx's Method in 'Capital'*, edited by Fred Moseley, Atlantic Highlands: Humanities Press.
- Reuten, Geert 2000, 'The Interconnection Between Systematic Dialectics and Historical Materialism', *Historical Materialism*, 7: 137–65.
- Rosenthal, John 1998, *The Myth of Dialectics: Reinterpreting the Marx-Hegel Relation*, London: Macmillan Press.
- Rubin, Isaak I. 1982, *Essays on Marx's Theory of Value*, Quebec: Black Rose Books.
- Rubin, Isaak I. 1994, 'Abstract Labour and Value in Marx's System', in *Debates in Value Theory*, edited by Simon Mohun, Basingstoke: Macmillan Press.
- Smith, Tony 1990, *The Logic of Marx's 'Capital': Replies to Hegelian Criticisms*, Albany: State University of New York Press.
- Smith, Tony 1998, 'Value Theory and Dialectics', *Science & Society*, 62, 3: 460–70.