In a recent article in this journal, Julie Matthews (1983) argues that the Marxist labor theory of value is "antithetical" to the concept of "choice" and cannot theorize the freedom that economic agents have in the market place to choose consumption bundles and work activities (jobs). Thus, Matthews concludes, Marxist theory has not been able to deal satisfactorily with phenomena related to the different patterns of consumption and of work activity such as the existence of varied political and cultural identities within the working class. Matthews concludes that Marxist theory would only be able to discuss such phenomena if it abandoned the labor theory of value.

We appreciate Matthews’s attempt to confront Marxist theory with the need to conceptualize such phenomena. But, in contrast to her view, we maintain that the Marxist theory of value is fully compatible with choice in the market place and with varied political and cultural identities.

Of course, we do not dispute that some Marxists have not produced satisfactory analyses of the political and cultural identities of economic agents. Matthews, however, does not note the appearance of readings of Marx’s theory of value in the literature that begins to develop a non-economicist discussion of differentiations within the working class (or, indeed, within any one group of economic agents). In addition, we argue that Matthews is unappreciative of the theoretical possibilities that Marxian theory offers to discuss market behavior, possible because she does not differentiate the structure and concepts of Marxist theory from the structure and concepts of Neo-Classical theory. If Matthews had argued that Marxian theory is paradigmatically incompatible with the Neo-Classical concept of choice, then we would have no objections. But, we do contest her charge that Marxist theory cannot deal with choice at all.

Matthews argues that, in Marxist theory, the value of labor-power (or, wages) is a given determined by the value of a given subsistence basket that workers are assumed to consume. It is the assumption of a given wage, she continues, that precludes choice by the workers as to the contents of the subsistence basket. Matthews recognizes that, in Marxist theory, the composition of the wage bundle does not have to be uniform across all workers. According to her, however, even a model which assumes different

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wage bundles for different groups of workers (classified according to their "ethnic background, age, occupation, or success in the class struggle") would not allow for "choice" to be operative. (In such a model, the existence of differential consumption would simply be introduced ad hoc and would not be theoretically produced "choices" that workers/consumers exercise in the market place.) According to Mathies, the only way to introduce "choice" is to assume that workers are paid a money wage and then allow them to spend on whatever commodities they choose. But, she continues, Marxian theory cannot assume a money wage without a corresponding "given" bundle of wage goods because the money wage can only be determined as an expression of the value of a pre-given consumption basket. Thus, Mathies concludes that Marxian theory cannot theorize the choices that produce the differential consumption patterns of the working class.

We do not agree with Mathies' contention that Marxian theory must suppress the monetary character of the wage. Marxian theory indeed stresses this monetary character when it is appropriate for it to do so, e.g. when discussing the process of accumulation—as, in general, it stresses the monetary character of all exchanges when the value of money and exchange-value. The fact that, in the intertemporal model of value relations, the value of labor-power is set, the value of the goods composing the wage bundle does not allow the inference not allow the inference that the wage bargain is carried on through references to quantities of use-values. All that Marx claimed was that "in a given country, at a given period, the average quantity of the means of subsistence necessary for the labor is practically known" and that, therefore, the theoretical assumption of a given value of labor-power can be translated into an assumption about a given quantity of use values containing a given sum of exchange value. (Marx, 1867, p. 171) Thus, in Marx's theory, the assumption is a necessary generalization and not an affront to how the wage bundle is at any time, historically determined. Mathies does not see that, for Marxian theory, the actual, historical, behavior of workers in the market place is not constrained by the procedures of model building.

Having established that the value of labor-power is introduced in Marxian theory as the market value as a model and not as a historical constraint, we can now move to Mathies' discussion of the idea of the differential wage bundles for different groups of workers unsatisfactory as a basis for the calculation of the value of their labor-power. Such an assumption would be quite appropriate in Marxian theory for, while not excluding the possibility of a cultural and political as well as economic fragmentation of the working class, it would preserve the homogeneity of workers with respect to their division from the means of production and, thus, preserve the concept of a "working class."

We think, however, that there is a reason for Mathies' insistence that the "social" be directly incorporated into the model of price determination. The reason is that Mathies does not differentiate between making the economic model of value relations consistent with a sociological analysis of differential consumption patterns and deriving these differential consumption patterns from the economic choices of workers, i.e., analyzing the differential consumption patterns of the working class as the outcome of the calculating exercise of "rational economic beings" much in the way Neo-Classical theory discusses consumer behavior. If Mathies' suggestion is to derive the differentiated consumption bundles of workers through the application of the Neo-Classical principle of economic rationality, then on what grounds does she argue that it is not sufficient for Marxian theory to assume the differentiated wage bundles as a datum of the model of value/price relations? How is it possible to incorporate into the model of price relations the choices made by workers about their consumption bundles other than through the analytical tools of Neo-Classical theory?

If Marxian theory does not incorporate a "rational economic behavior" of workers qua consumers into the model of value/price relations, other than through the paradigmatically ill-conceived coexistence with Neo-Classical theory, this does not mean, as Mathies would lead us to believe, that Marxian theory cannot theorize about choice in the market place or about the varied political and cultural identities of workers that result partly from the different patterns of consumption that these workers have. What it does mean is that the Marxian model by its very self-structure on the market "choices" of workers qua consumers, makes a statement that these choices are not reducible to an expression of "economic rationality" but are to be understood as partly, or largely, the result of non-economic (e.g., institutional, cultural, psychological, political) forces. We cannot here go into the Marxian conception of market behavior and the strengths and problems of this conception, for that would require a whole paper. We can, however, answer questions about how it is possible and whether it is legitimate for Marxian theory to disregard the concept and, thus, the theoretical effects of "consumer economic rationality." The answer to these questions of course depends on what conception we must have of the requirements of a theory of value and of economic theory in general.

The discussions surrounding the Graefe critique of the Neo-Classical theory of distribution have made it clear that the classical model of value/price determination is logically independent of considerations determining the particular of output in the economy as a whole and of any particular conception of how the quantity adjustments necessary to bring market-prices to an equality with "natural (long-run) prices" take place in each particular market. (See Ganor in Eshel and Nihlgate, 1983 and J. Eshel and M. Nihlgate, 1983, "Introduction.") In Neo-Classical theory, utility functions are necessary because of the need to simultaneously determine both prices and quantities at equilibrium—or, alternatively, the determination of equilibrium prices is a result of the orthodox conception of the economic problem in terms of the behavior of "rational economic agents." There is no need in the Marxian model to introduce consumer preferences because there is no self-imposed theoretical need to conceive of the determination of the size and composition of output as determined simultaneously with the set of prices that render the rate of profit uniform across industries—or, alternatively, the separation of the determination of prices from the determination of the size and composition of output is made possible by the absence of a conception of economic rationality. The significance of the implicit Marxian assertion that the existence of different consumption bundles is not reducible to the expression of a universal operation of "economic rationality" can be assessed only in the context
of intellectual history. In this context, it is important to recall that Marx was critical of the Classical Political Economists, whom he in other ways very much respected, for their assumption that individuals, partly in opposition to this classical conception of the bases of economic behavior that Marx developed a theory of value and a theory of the dynamics of capitalist society that formulated economic "laws" in terms of the class production and distribution of surplus-labor and that focused only on market relations through which production and distribution of surplus-labor is channeled in a capitalist society.

We emphasize the word channeled because we want to emphasize that, in our reading, the Marxian concept of exchange is never reducible to a purely "economic" category. If this is so in the contractual exchange of "labor-power" and "variable capital" (an exchange which provides the necessary context for the production and appropriation of surplus-labor as surplus-value but which, nonetheless, occurs only because of the historical and institutional forces which create the "working" of capital) it is so, for Marxian theory, with all acts of exchange. Marx created all market relations as historically determined. It is exactly for this reason that he did not reduce and could not consistently have reduced, all transactions that take place in and through the market as just expressions of a given, non-cultural, non-political, economic rationality.

In Marxian discourse, the differences that exist among workers with respect to consumption bundles have to be explained in terms of the varied cultural, political, institutional, and historical forces that have impacted on different groups of workers. Then, as we have seen, these differences can be introduced as data into the model of value/price relations. To do otherwise, to explain these differences—as Matthews seems to us to suggest—as the result of the operation of the "economic rationality" of economic agents, would be only an attempt to denude Marxian of its critical power as social theory.

Notes

1. In our view, Steven Resnick and Richard Wolff have gone furthest in producing a Marxian concept of class which admits of the complexity of economic, political, and cultural identities that has been previously ignored or dismissed in the "economic" Marxian tradition; see Steven Resnick and Richard Wolff, "Classes in Marxian Theory," The Review of Radical Political Economics, Vol. 13, No. 4, Winter 1982. Other attempts to produce more sophisticated concepts of class that recognize the contradictory cultural and political identities of workers amongst other classes include Luigi E. Carbone, The Economic Identification of Social Classes, Routledge and Kegan Paul, London, 1977; and in his own work, John Eatwell, "The Irrelevance of Returns to Scale in Sraffa's Analysis," Journal of Economic Literature, Vol. 15, No. 1, March 1977.

2. Matthaei does not mention an article by Leif Johansen, "Labour Theory of Value and Marginal Utilities," reprinted in E.K. Hunt and Jesse G. Schwartz, The Critique of Economic Theory, 296-311, which shows that, for goods which can be produced on any scale (such goods as have been the center of interest of Marxian value theory), a complete model still leaves prices determined by the labor theory of value even if one accepts the marginal utility theory of consumer behavior. We mention this article because it constitutes another critique of Matthaei's thesis about the incompatibility of Marxian theory with "choice" in the market place.

3. The slice-of-time nature of the Marxian model of value-price determination has been repeatedly emphasized in the literature and made analogous to the slice-of-time nature of the Sraffian model of price determination. See, e.g., John Eatwell, "The Irrelevance of Returns to Scale in Sraffa's Analysis," Journal of Economic Literature, Vol. 15, No. 1, March 1977. In models of this type (generally known as Ricardian-type models), the wage is an exogenous variable; see P. B. Barone, Il Capitale nelle Teorie della Distribuzione, Milan, Giuffre, 1967. The exogeneity of the wage, however, is an analytical device designed to highlight the institutional (class) structure within which prices are determined and not an argument for a (supposed) non-market, non-monetary nature of the wage bargain; see John Dobb, "The Sraffa System and the Critique of the Neo-Classical Theory of Distribution," reprinted in E.K. Hunt and J.G. Schwartz, The Critique of Economic Theory, op. cit. Indeed, Marx constructed the concept of "labor-power" in order exactly to argue that the capital wage-labor relation was partly a market, economic, relationship.

4. Thus, in his now famous introduction to the Grundrisse, Marx (1973, p. 84) wrote: "The individual and isolated hunter and fisherman, with whom Smith and Ricardo begin, belongs among the unimaginative conceits of the eighteenth-century philosophers. Smith and Ricardo stand with both feet on the shoulders of the eighteenth-century prophets, in whose imagination this eighteenth-century individual appears as an ideal ...."

References


Garegnani, Pierangelo. "On a change in the notion of equilibrium in recent work on value and distribution." In John Eatwell and Murray Milgate
The comment offered by Amariglio and Callari agrees with my argument in "Freedom and Unfreedom in Marxian Economics" that, under a labor theory of value, consumption bundles of workers must be taken as "data." However, Amariglio and Callari defend this formulation. Economists, they argue, correctly begin with the result of consumer choices—a consumption bundle, or set of differentiated bundles—because the process of consumer choice is essentially extra-economic. They ask "on what grounds does Matthews argue that it is not sufficient for Marxian theory to assume the differentiated wage bundles as a datum of the model of value/price relations?" My answer is in three parts.

First, the assumption of wage bundles as a datum in determining value/price relations falsely depicts the process through which wages, prices, and profit are determined. Taking differentiated wage bundles as a datum of the model means taking real wages as a priori given, and viewing profits as the residuals or "surplus value" remaining after real wages, and "constant capital" costs, have been net. In practice, it is often real wages which are the "residuals," determined by the pricing decisions of firms. Wage bargains set money wages. Firms commonly "mark-up" above their wage and other variable costs to achieve a target rate of profit. Their combined pricing decisions then determine the purchasing power of workers' money wages. If workers win "raises" in their money wages, firms are often able to protect their profit margins by increasing their prices which keeps real wages from increasing. Many economists recognize this struggle over distribution between capitalists and workers as a common cause of inflation.

Second, the Amariglio-Callari revision of the labor theory of value to allow differentiated wage bundles for different kinds of workers still precludes consumer choice. Since the theory views the (non-differentiated) bundles as combining (non-differing) wage levels, it cannot grasp consumer choice. This is because consumer choice proceeds in the opposite manner: workers take their money wages, and choose their "bundles." If there were choice, even workers with the same money wage might consume different bundles.

Third, the necessary corollary of the Amariglio-Callari formulation—that consumer choices "are to be understood as the result of non-economic (i.e., institutional, cultural, psychological, political) forces" incorrectly denies the effects of economic forces on consumer choice. The remainder of this reply addresses these effects, and the alternative formulation of pricing within which they exist.

To understand consumer choice, one must reverse the causality used in the labor theory of value: it is the money wages of workers, combined with the prices set by firms, which place limits on the value of the consumption bundles workers can acquire. The fact that workers are individually paid in money instead of commodities forces each of them (or members of their families) to choose how to allocate their incomes among different commodities. One's choice of commodities makes one an individual, a unique person. In this way, the organization of consumption under capitalism is responsible for the existence of consumer choice, and indeed, provides an essential arena of freedom.

In capitalism, the economy further effects consumer choice by shaping the needs which underlie these choices. The options between which consumers choose are the different commodities produced by firms. Firms create and develop these commodities in the hope of capturing consumer demand. In this process, and in the related advertising of their commodities to consumers, firms participate importantly in the development of needs. The continual struggle to grow means that firms must constantly sense out, develop, and fill new needs. Class and workplace hierarchies fuel the infinite expansion of needs by making one's level of consumption the expression of one's worth in an economic hierarchy. So while economic forces do not determine the particular consumption bundles of consumers (this is left to the individual), and this fact is the basis of individuality), such forces do influence consumption choices in important ways.

This interpretation of the role of consumer choice in capitalism is very different from the neo-classical interpretation in which the market economy is viewed as the result of the utility-maximizing choices of isolated individuals. Indeed, in their view, the choices are "extra-economic." Amariglio and Callari are in agreement with neo-classical theory, which takes utility-maximizing behavior and consumer preferences as given upon which they build their theory.

So I reiterate my point that the labor theory of value's formulation of wage determination prevents an understanding of consumer choice and should be rejected on these, among other, grounds. However, my argument does not, as the commentators suggest, imply that, as in neo-classical subjective value theory, consumer preferences and marginal utility play a part.