UNIT 2 USE VALUE AND EXCHANGE VALUE*

Structure

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2.0 OBJECTIVES

After going through the Unit, you will be able to:

- explain the concept of commodity in a capitalist society;
- discuss the changes in social relations with the development of exchange relations in capitalist societies;
- describe the impact of commodity fetishism on relationship among individuals; and
- outline Marx's theory of surplus value.

2.1 INTRODUCTION

Values refer to the approved or desirable beliefs held by individuals in a society or culture. Different individuals may value different beliefs for instance some individuals may value sharing while others may value individualism. Values may vary in societies, cultures and time periods. Individuals have always valued certain beliefs or ideas since ancient times.

When Karl Marx analyses value he is looking at how value is seen in relation to 'commodities' subjected to exchange with the emergence of capitalist society. Karl Marx looks at value in economistic terms through the concept of commodities which embody both 'use value' and 'exchange value'. Marx does

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not look at value in terms of immaterial beliefs but in terms of a tangible thing as a 'commodity.'

While Marx was in London in 1849 he devoted time to study economics and wrote *Capital* in 1867. The chapter on 'Commodities' is the first chapter of *Das Capital* Volume One written by Karl Marx. This chapter undertakes an examination of the concept of commodity in a capitalist society and also its related factors as use value and exchange value. Marx's analysis of commodity is a critique of the writings of political economists as Adam Smith and David Ricardo. Ricardo's writings largely shaped England's economic policies. Through an understanding of the concept of commodity Marx critiques the economic principles of capitalist society.

2.2 COMMODITY

Marx examined the concept of commodity in a capitalist society as an economic product which was an outcome of a system of social relations. Also a commodity in subjected to buying and selling as the market develops in capitalist society. There is an immense accumulation of commodities in societies with capitalist mode of production. A single commodity is the basic unit of a capitalist society. A commodity is a thing outside of the human beings and satisfies human needs. There are various examples of commodities as shoes, dress, bread, butter. Diverse commodities satisfy diverse wants. A commodity displays both quantity and quality. The value of a commodity is determined by the amount of labour socially necessary or socially necessary labour time required in producing it e.g., diamonds are more valuable than other commodities because they are rare to find on Earth's surface and diamonds also require more labour time to produce them. The two factors associated with a commodity in a capitalist society are use value and exchange value. Similarly, the labour that is embodied in a commodity also displays the two fold character that is useful labour and abstract labour.

2.3 USE VALUE OF COMMODITIES

Commodities only have use value and value of a commodity is created when useful labour in the abstract is embodied in it. The use value of commodities according to Marx consists of two elements that are matter and labour. The use value of a commodity refers to the utility of a commodity or human need that a particular commodity fulfils. Use value refers to the ability of a commodity to render 'a particular service to an individual' (Morrison 1995: 60) e.g., shoes protect the feet, dress clothes the body, and bread and butter fulfils the need for hunger. Also every commodity fulfils a particular need which cannot be fulfilled by other commodity. This is because the use of a commodity is determined by the physical properties and also their quality.

A thing can be useful without it being a commodity to be bought and sold in the market e.g., air, water, soil etc. (Calhoun, Moody, Pfaff, Schmidt, and Virk 2002: 47). A thing can have use value, be useful and a product of labour without it being a commodity e.g., A farmer raises agricultural produce for his family's

subsistence produces use value and not commodities. In order to produce a commodity an individual must expend useful labour on a thing, produce it for others and also subject it to exchange. A commodity is therefore produced when not only use value but social use value is produced as in producing value for others (Calhoun, Moody, Pfaff, Schmidt, and Virk 2002: 47). Value is not found in a commodity. If a thing that is produced is useless it does not have any value and the labour that is expended on it is useless.

Useful labour creates simple use values. Commodities such as linen and coat both have distinctive use values. Useful labour and production for subsistence has happened for time immemorial. Only in capitalist society where there is exchange it takes the form of commodity. In a capitalist society useful labour is transformed into a commodity. In feudal society or tribal society there is no system of exchange and useful labour does not take the form of commodity. Useful labour signifies the capacity of human labour to engage in productive activity and create simple use values in a commodity. Both linen and coat are commodities which are a consequence of productive activities geared toward a definite aim and employing certain means of production. There is a qualitative distinction between the labour, skills and abilities that are required to produce both linen and coat i.e. in activities such as both weaving and tailoring. Useful labour is qualitatively distinct and produces different utilities in different commodities. Only when useful labour and not simply labour is spent on a thing that use value is created in a commodity.

2.4 EXCHANGE VALUE OF COMMODITIES

In a feudal society production is for use and consumption. In a feudal society things only have use value. Exchange value emerges in developed economies as capitalist society where commodities are bought and sold in the market. Exchange value is represented as the ability of definite quantitative proportion of a commodity to be represented in the value of a quantitative proportion of another commodity. For example one kg of tea can be represented in the value of 4 kg of rice. Therefore a common element is found between two different commodities and their values are commensurable in exchange. What emerges is a 'value in exchange' (Morrisson 1995:61). As commodities are represented by values in exchange their use value becomes insignificant. A universal ground is found in all commodities which is represented by quantitative measures only. This is because one commodity is now replaceable with another. Also in capitalist societies when we speak of value we speak of value in the abstract in how a quantitative proportion of one commodity can be represented through an equation and in relation to the value of a quantitative proportion of another commodity. Also exchange value shapes all social relations in capitalist societies. Exchange value of a commodity is accidental and changes with time and place. Marx believed that in reality commodities are not comparable as each commodity has a distinct quality and fulfils a unique function. Marx critiqued that for

commodities to be commensurable in exchange all useful distinctions between different kinds of commodities are eliminated.

There are three consequences of exchange of commodities. Firstly, when commodities are subjected to exchange it is abstracted from their use. A common ground is established to determine the value of commodities on the basis of quantitative measures. In exchange therefore qualitative distinction between commodities and their use values recedes to the background. Secondly exchange in capitalist production leads to the elimination of distinction between different kinds of labour that is expended in different commodities. Marx believed that the skills and abilities of a coat maker who makes a coat is different from the skills and abilities of a shoemaker who makes shoes. He believed that different kinds of labour produce different use values. Both shoemaker and coat maker are paid wages according to the labour time required to make shoes and coats. Therefore the distinct labours of the shoemaker and the coat maker are equated quantitatively according to the labour time required to produce shoes and coats respectively. The quantity of labour is measured by its duration, that is, its labour time. The third consequence of the exchange value is its impact on social relations. Marx held that in contrast to earlier societies where individuals are valuable in themselves, in capitalist societies all relationships are subject to buying and selling. Therefore the value of things is determined by their ability to enter the market. For example, the relationship between a capitalist and a worker is determined by the exchange value of the worker's labour. The worker is paid wages. This wage is a price of the worker's labour. In a capitalist society the capitalist exploits the worker as the capitalist partakes in the exchange of commodities in the market. The worker on the other hand sells his labour power, that is his capacity to do work, and creates value in production. The worker receives only wages for his maintenance. Such wages are less than the value the worker creates; therefore the worker is exploited.

Political economists David Ricardo and Adam Smith visualized that there is only one kind of labour that is spent on a commodity. Marx held that there is a 'dual character of labour' that is embedded in a commodity. The two kinds of labour that are expended on a commodity are useful labour and abstract labour. Marx questions as to how the values of coat and linen are different in capitalist society. In other words, if coat and linen embody simple use values and are products of qualitatively distinctive labour how is their exchange value different. This is because in capitalist society only the physiological expenditure of energy on a commodity is taken into account. There is a shift from the qualitative distinction between different kinds of labour, skills and abilities, aims of useful labour to a quantitative measure of physiological expenditure of energy. This change to a quantitative measure leads to an abstraction from useful labour as there is a focus on something comparable in different kinds of useful labour. Abstract labour is there only in capitalist societies as it is measured in terms of duration of labour time. Therefore the coat costs twice as much as linen as greater duration of labour time has gone into creating it. On the other hand the value of useful labour gone

into creating coat and linen is qualitatively distinct and the labour embodied in both of them is equally valuable. There is a generalisation from the useful labour that is expended on a commodity and it is known as abstract labour which forms the basis of exchange value of commodities.

2.5 THE ORIGIN OF VALUE AND VALUE FORM

Adam Smith and David Ricardo held that commodities are valuable because labour is embedded in commodities. Marx was influenced by Smith's and Ricardo's thinking and he critiqued it further. Marx analyses how value becomes essentially associated with a commodity and how is the value of one commodity expressed in relation to another. He holds that it has not been proved by any chemist that a commodity has a substance which is a source of its value. Marx holds that the value of a commodity is not an inborn part of a commodity. Value emerges because of a system of social relations in which a commodity is seen in relation to other commodities and a commodity is compared to other commodity. This aspect of a commodity lies hidden as a 'value form'. Value Form is not the same as exchange value. The value of a commodity is determined in relation to another commodity in a capitalist society (Morrison: 1995, 69). According to Marx the common substance which emerges when commodities are subjected to exchange is their value. The value of a commodity is determined by its relation to other commodities and this is relative value (Morrison 1995: 70). Value of a commodity emerges when relative and equivalent forms of value confront each other and enter into a comparison. According to Alan Carling what Marx implied is that a commodity as linen does not know its value until it is reflected in the mirror of the coat, until it sees itself as a coat (Morrison 1995: 71).The first commodity that is linen plays an active role is the relative form of value while the second commodity the coat plays a passive role and represents the equivalent form of value of linen. These expressions of value are opposed to one another yet the two forms of value can swap with each other and this is the valuing moment for Marx.

2.6 FETISHISM OF COMMODITIES

'Fetish is the display of unusual devotion toward a material thing or object in the belief that it has extraordinary powers' (Morrison 1995: 72). As already discussed commodities only have use values created by useful labour and not a single atom of substance is found in a commodity which is valuable. In capitalist societies it is believed that commodities are valuable in themselves and they also possess extraordinary powers. (e.g., the use of branded items of consumption by certain sections of society in liberalized World is due to the belief that the branded items possess extraordinary powers that are not possessed by non-branded items which may be of good quality).

Marx critiqued the political economists as Ricardo and Smith who held that commodities were bearers of value. Also the political economists did not investigate how commodities possessed exchange value in a system of social

relations in a capitalist society. Marx held that commodities are seen to possess extraordinary powers as they enter into a system of exchange relations and a market develops in a capitalist society. Commodities possess extraordinary powers in relation to exchange value and not use value. This is because as bearers of use value commodities satisfy just human needs and are products of useful human labour. This occurs when social relations develop in a capitalist society that individuals believe that value is a part of commodity and the commodity manifests extraordinary powers. In order to explain fetishism of commodities in capitalist societies Marx developed an analogy to tribal societies where individuals believe that certain objects have magical powers. Marx held that there is no magical power inherent in any object. The belief of an object possessing extraordinary powers is due to the individual's relation to the object which is part of a social framework. In capitalism the belief that objects have extraordinary powers is known as 'commodity fetishism.'

Check Your Progress 1

Fill in the blanks with appropriate words:

1) A commodity is produced in capitalist society when not only use value but ……. is produced.
2) Exchange value is refers to the ability of definite quantitative proportion of a commodity to be represented in the value of a …… of another commodity.
3) Abstract labour is measured in duration of ……
4) ……labour creates simple use values.

2.7 CIRCULATION OF COMMODITIES

In capitalism commodities enter into a system of exchange. In earlier forms of production as feudalism production is primarily for use and is regarded as social production. Social relations are between individuals. In the stage of, commodity fetishism, it appears that relations are between things and not individuals. In capitalism, relations take the form of exchange. All the activities of buying, selling, producing and consuming are for private gain. Social relations are dominated by exchange and individuals confront each other as buyer, seller, producer and consumer of commodities (Morrison 1995: 75).Individuals are engaged in a system of exchange relations as possessors of commodities circulated in the market. Things are seen as more valuable. Commodities appear to have human like qualities, a fetish form and enter into social relations with one another. The relations between individuals become material relations as individuals are mere possessors of commodities. Commodities, on the other hand, enter into exchange relations and are the determinants of value. As mere possessors of commodities, the human form of individuals in production is obscured.

2.8 THEORY OF SURPLUS VALUE

For all commodities and also for the labour of the worker there is a market in capitalist societies. The capitalist pays a price or wage to the worker in exchange for the services of the worker. The capacity of the worker to do work is referred to as labour power which is bought by the capitalist for a price. Labour power is different from labour which refers to the physical act of labour. The capitalist buys the labour power and pays the worker in the form of wages. The wages are for the maintenance of the workers and for a new generation of workers to be raised who will be valuable to the capitalist (Hughes, Sharrock, and Martin 2003: 64). The exchange value of labour is the price or wage paid by the capitalist to the worker. The use value of labour refers to the capacity of the worker to add value to the things being worked upon. The labour of the worker turns the raw materials in the production process into commodities of utility. Marx holds that the capacity of labour to add value to the commodity that is the 'use value' of labour is greater than the 'exchange value' of labour that is the price or wages paid by the capitalist to the worker. This difference in value represents the surplus value which is appropriated by the capitalist and is a source of profit for the capitalist. It is to be made clear that 'surplus value' is not profit as goods produced must be sold in the market which entails a cost of distribution. It is the capitalist who becomes the owner of the product of labour and appropriates profit as the cost of production and distribution is discounted. Marx holds that the relationship between the capitalist and the worker is inherently exploitative and the worker is dehumanised.

Check Your Progress 2

1) Describe the consequences of exchange of commodities in capitalist societies?

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2) Explain the phrase 'fetishism of commodities' in capitalist societies.

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2.9 LET US SUM UP

In this unit we discussed about the concept of commodity in capitalist society. We understood that in contrast to feudal society where production is for use, in capitalist society production is for exchange of commodities in the market. Therefore, the two factors of commodities in capitalist society are use value and exchange value. When we speak of use value of commodities we take into account the qualitative distinction between commodities. The exchange value, on

the other hand, abstracts and generalizes from use value and takes the quantitative distinction between commodities into consideration. Fetishism of commodities implies that commodities possess extraordinary powers in capitalist society which entails that relation between individuals are seen as more material in terms of buyers, sellers, consumers and producers in the market and it appears that social relations are between things and not individuals.

2.10 REFERENCES

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2.11 SPECIMEN ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress 1

1) social use value
2) quantitative proportion
3) labour time
4) useful labour

Check Your Progress 2

1) The development of capitalism and exchange of commodities have certain consequences. Firstly the qualitative distinction between use values of commodities recedes to the background while determining exchange. In exchange the emphasis is on a quantitative expression of something that common in all commodities. There is an abstraction from use of commodities. This common expression is the duration of time expended on a commodity or labour time. Secondly the qualitative distinction between different kinds of labour is not considered e.g., the distinction between tailoring and weaving. Thirdly the exchange of commodities brings about changes in social relations in capitalist society where individuals' status in society depends upon their ability to appropriate private products and enter the market.

2) The phrase 'fetishism of commodities' refers to the beliefs of individuals that certain commodities have extraordinary powers or human like properties in capitalist societies. Similarly, in tribal societies certain objects are believed to possess magical powers. Marx holds that objects do not

possess powers but beliefs of individual's make them think that objects possess powers. This occurs when social relations develop in a capitalist society and individuals believe that value is a part of commodity and the commodity manifests extraordinary powers. A fetish can be a branded watch as it is seen as extraordinary and as having an ability to create a certain expression in society.

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