

Value, Use Value, Needs and the Social Division of Labour

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Introduction

This paper attempts to provide a consistent interpretation of the statement that value is fully created in production, by elaborating the relation between social needs (social use value), the social division of labour and value. Partly inspired by the debate between Kincaid and Fine and Saad-Filho over the production and realisation of value, Kincaid (2007, 2008, 2009) and Fine and Saad-Filho (2008, 2009), this paper also constructively engages with the debate by arguing that non-value production is inherent in the commodity economy, and thus in capitalism.

Above all, this has been a debate about the role of exchange in the production and determination of value. For Kincaid, “value is not fully and finally produced until commodities are transformed into money in circulation”, Kincaid (2008, p.184), although he acknowledges that value is created in production as potential or virtual values. In contrast, Fine and Saad-Filho argue that value is fully created (with its magnitude determined) in production and realised in exchange. For them, however, value production, especially the determination of the magnitude of value, is not entirely independent of exchange but established through the economic and social reproduction associated with the total circulation of capital including exchange. “[T]he notion of value as socially necessary labour time *presumes* that the general conditions of competition and realisation (as well as supply and demand and the weather) have already been incorporated into the determination of value as part of the general conditions of production of *all* commodities”, Fine and Saad-Filho (2009, p.xxx), emphasis in original. In other words, their view is that exchange does have a role in the determination of the magnitude of value, but only by affecting the conditions of production which are given before production.

In this paper, we take the side of Fine and Saad-Filho, but will also consider the problem of the verification of the social use value, which we believe leads to the argument put forward by both Kincaid and the Rubin tradition that value is not fully created until commodities are exchanged. Then, the fundamental question to be addressed is whether it is determined if a commodity is socially useful or not in production. We will demonstrate that wage-labour is not a sufficient condition of value production. In other words, not all commodities produced by wage-labour are socially useful and thus they are not values. We will also show that value or non-value production is determined in production. Hence, even though non-value production, i.e. production of commodities which are not socially useful, is introduced into the analysis, it is still retained that value is fully created in production and realised in exchange. In order to substantiate this, we will elaborate the relation between social needs, the social division of labour, social use value and value in subsequent sections of this paper. In the course of this analysis, although the Rubin tradition is criticised, its problématique of the verification of social usefulness and its emphasis on the law of value prove to be instrumental.

Commodity Fetishism and the Rubin Tradition

The essence of the capitalist mode of production is the class relations between capital and labour and the production relations built upon them. As a mode of production based on class, capitalism involves appropriation by one class of surplus produced by another. But appropriation in capitalism takes a different and peculiar form to that taken in other modes of production – labour powers becoming commodities. Capitalists buy the labour powers of workers as commodities at their values, and are thus involved in the exchange between equals. In this sense, the commodity-form of the capitalist class relations conceals its content, although the former is the necessary form or the mode of existence of the latter. In other words, social relations between people and classes appear as the relations between things (i.e. labour power and money as commodities). But let us leave aside the debate about whether generalised commodity production can exist without being based on the capitalist class relations. Rather, our point of departure is capitalism as a commodity economy, and our focus of analysis is on the peculiar form of the social relations under capitalism, i.e. the commodity-form.

As Marx points out, the fetishism of commodities arises from the commodity-form of products of labour, rather than from their use values or the determinants of their value (i.e. the equality of human labours, the labour time and social characteristic of human labours). Significantly, the determinants of value that have always concerned the producers, albeit to varying degrees, do not appear directly in the commodity economy: the equality of human labours as value; the quantity of labour or the duration of labour time as the magnitude of value; the social characteristic of labour as the world of commodities.

Then, it is not the social character of labour which is specific to the commodity economy, but its peculiar commodity-form that gives rise to the fetishism of commodities. Because of this commodity-form, and despite of the social division of labour, and thus the social relations in the sphere of production, in the commodity economy “the producers do not come into social contact until they exchange the products of their labour”, Marx (1990, p.165). It appears that there is no social planner determining and regulating the social division of labour in the commodity economy, as individual producers make their own production decisions. Hence, commodities are produced by “private individuals who work independently of each other”. As a result, “the specific social characteristics of their private labours appear only within ... exchange”, emphasis added.

More specifically, this peculiar social character of labour is twofold: “On the one hand, it must, as a definite useful kind of labour, satisfy a definite social need, and thus maintain its position as an element of the total labour ... On the other hand, it can satisfy the manifold needs of the individual producer himself only in so far as every particular kind of useful private labour can be exchanged with, i.e. counts as the equal of, every other kind of useful private labour”, p.166. All the different kinds of private labour “are carried on independently of each other, and yet, as spontaneously developed branches of the social division of labour, are in a situation of all-round dependence on each other”, p.167. Put simply, the labour of an individual producer in the commodity economy creates products that are useful for others, although what and how many to produce is entirely up to the individual producer. Humans work for others and, by doing so, work for themselves in the commodity economy, through the mediation of the commodity-form and money.

As the form of this peculiar social character of labour, the commodity-form exhibits a mysterious character. This lies in the fact that “the commodity reflects the social characteristics of men’s own labour as objective characteristics of the products of labour themselves, as the socio-natural properties of these things.”, pp.164-5. In addition, “it also reflects the social relation of the producers to the sum total of labour as a social relation between objects, a relation which exists apart from and outside the producers.”, p.165. The social relations between the producers, and thus the social relations between their labours, “appear as what they are, i.e. they do not appear as direct social relations between persons in their work, but rather as material relations between persons and social relations between things”, p.166. Therefore, it appears as though the producers who work independently of each other are not socially related to each other in production, and as though it is only after and through exchange between the products of their labour that their social relations are formed. In other words, the social relations of the producers appear as the consequence, rather than the cause, of the exchange of the products of their labour. Not only does the fetishism of the world of commodities give rise to the objective and independent existence of products of labour, it also inverts the relation between the content and form of the peculiar social relations of the commodity economy. It gives rise to the notion that the exchange of the products of labour establishes the social relations between their producers.

So it is not surprising that economic theories that emphasise the role of exchange in the commodity economy, albeit to varying degrees, have flourished. This can be accounted for in part by the fetishism of commodities. One such current theory is the Rubin tradition of Marxist Political Economy. This interpretation has contributed significantly to the development of Marxist Political Economy, in particular by directing attention to the commodity-form of capitalism and the role of money. Its analytical focus lies in the specific social characteristic of labour in the commodity economy and the fetishism of commodities. However, all this is achieved by inverting the relation between production and exchange in the commodity economy. In contrast to Marx, who ascribes analytical priority to production and argues that production is predominant over and determines exchange, Rubin and his followers consider that the social relations between individual producers are formed out of the exchange of the products of their labour. Hence, although it is acknowledged that production is not entirely private, internalising the imperative of creating socially useful products, it is seen to be inherently private. In addition, although production is basically for the satisfaction of definite social needs, it is argued that it is only after the products of labour go through the test of exchange that their social usefulness is verified. In sum, although the Rubin tradition rightly emphasises the social aspect of the capitalist commodity economy, it is at the expense of the real and analytical primacy of production, despite the fact that interconnection between production and exchange is acknowledged and even emphasised. This view, in respect of its consideration of the social relations between people as being determined by the social relations between their products of labour, even if it emphasises the social characteristic of labour, does not break with the fetishism of commodities, but is a consequence of it. How does it differ from the following notion of individual producers involved in everyday production and exchange of commodities resulting from the fetishism of commodities? “Men do not therefore bring the products of their labour into relation with each other as values because they see these objects merely as the material integuments of homogeneous human labour. The reverse is true: by equating their different products to each other in exchange as values, they equate the different kinds of labour as human labour”, Marx (1990, p.166).

This interpretation is in striking contrast to the relation between production, distribution, exchange and consumption that Marx puts forward in the Introduction to *Grundrisse*. Significantly, although Marx argues in detail that production, distribution, exchange and consumption are interrelated, “as the members of a totality, distinctions within a unity”, Marx (1993, p.90), he focuses on elaborating the interrelation of production with distribution and consumption. Exchange is mentioned, but only very briefly. For Marx (p.99), “That exchange and consumption cannot be predominant is self-evident”. More importantly, exchange is considered to be governed by individual rather than social needs. “[I]n distribution, society mediates between production and consumption in the form of general, dominant determinants; in exchange the two are mediated by the chance characteristics of the individual”, p.89, emphasis added. Production creates the objects of consumption on the basis of, and to satisfy, social needs; These are divided up among producers, landlords, etc. according to social laws: “Exchange further parcels out the already divided shares in accord with individual needs”. Let us leave aside distribution as its analysis requires more determinations than the commodity economy, like wage labour and landed property.

It is sufficiently clear that Marx views production as social because the purpose of production in the commodity economy is basically to create products that satisfy social needs. Production creates a world of commodities, determined qualitatively and quantitatively by definite social needs. Exchange distributes products according to the needs of individual consumers. Although social needs can be divided up into the needs of individual consumers, it is important to recognise that social needs are not the simple sum of the needs of individual consumers. Rather, the former determines and precedes the latter. And it is in this sense that Marx argues that production is predominant over and determines exchange. He also says, “(1) there is no exchange without division of labour, whether the latter is spontaneous, natural, or already a product of historic development; (2) private exchange presupposes private production; (3) the intensity of exchange, as well as its extension and its manner, are determined by the development and structure of production. For example. Exchange between town and country; exchange in the country, in the town etc. Exchange in all its moments thus appears as either directly comprised in production or determined by it”, Marx (1993, p.99). Of course, exchange is an indispensable moment of the total process. Without the social division of labour, there is no exchange; but without exchange, there is also no social division of labour and no commodity economy. In addition, it is obvious that these two presuppose and influence each other. Hence, from a purely logical point of view, it is a chicken-or-egg question as to which is predominant: production or exchange. It might also be possible to develop a theory of the commodity economy on the basis of the primacy of exchange over production. However, for Marx, such a choice is clearly a false one.

For the Rubin tradition in which it is implicit that exchange is the predominant moment of the commodity economy, the social division of labour in the sphere of production has little theoretical significance. Of course, as the sum total of individual production decisions (about what and how much or how many to produce) made by independent individual producers, the social division of labour in the sphere of production does exist, but is seen to be established only *ex post*. Not surprisingly, this does not have much analytical importance. This is especially because there is always a portion of commodities that fails to be exchanged, and thus the labours expended to produce this portion are considered to be wasted. Put differently, there are typically deviations from social needs in the *ex post* social division of labour in production. Significantly, exchange is supposed to correct such deviations and regulate production to establish a balance. Then why is deviation from balance typical,

or more precisely, inevitable? It is because of the peculiar social characteristic of labour in the commodity economy, that products of labour take the commodity-form. In the commodity economy, individual producers face the imperative to create socially useful products, but in the absence of social planners, their knowledge of (particular and total) social needs is never perfect. Even if we assume that a producer has perfect knowledge of particular social needs (e.g. clothes), his fate depends upon other producers' decisions as well – if too many items are produced by his competitors, despite our producer's sound and well-informed decisions, some of his products might not be sold, or he might need to reduce the price in order to sell all his products. It is only coincidence that commodities produced by independent producers fully satisfy social needs, all commodities are exchanged and no labours are wasted. This view assumes that, whereas production is inherently chaotic and unbalanced, despite the attempts and intentions of individual producers, exchange, while governed by no social planners, tends to establish balance in the economy.

It is also implicit in this interpretation that social (and individual) needs manifest themselves in the sphere of exchange. Likewise, exchange is considered to be the ultimate judge of the social usefulness of the products of labour. In addition, the socially necessary labour-time required to produce each and every type of commodity is seen to be (theoretically) known to exchange as a whole (with additional possibilities of modification from the viewpoint of Kincaid). But even the exact coincidence between supply and demand does not always mean that the price equals the socially necessary labour-time. For example, if all commodities of a specific type are sold, this can be interpreted in at least three different ways. Firstly, that the quantity of commodities produced coincides with the particular social need for that type of commodity, and the price coincides with the socially necessary labour-time. Secondly, that although more is produced than is required to meet the social need, the price goes down below the socially necessary labour-time so that all products are exchanged. Thirdly, that less is produced than is socially necessary, but the price is set higher than the socially necessary labour-time, and demand and supply coincide. Kincaid (2008, p.186) ignores the latter two cases when he says “if commodities are in short supply, relative to demand, prices rise and more hours of actual labour are counted as socially-necessary”, emphasis added. In respect of the fact that he seeks to modify his value theory while applying it, Kincaid's interpretation of value theory is Ricardian as well as Rubinesque, Fine and Saad-Filho (2009, p.xxx).

On the contrary, for Rubin, prices fluctuate around value. In other words, exchange does not modify socially necessary labour-time without actually affecting the conditions of production. Significantly, price is seen to function as a signal to producers. Hence, for the latter two cases, producers who know the individual labour-times for production will adjust the production scale, which will cause further fluctuations in the price until the social need coincides with the quantity produced. In Rubin's words, “In reality, every deviation of production, [from the balance], whether up or down, provokes forces which put a stop to the deviation in the given direction, and give birth to movements in the opposite direction. Excessive expansion of production leads to a fall of prices on the market. This leads to a reduction of production, even below the necessary level. The further reduction of production stops the fall of prices. Economic life is a sea of fluctuating motion. It is not possible to observe the state of equilibrium in the distribution of labour among the various branches of production at any one moment. But without such a theoretically conceived state of equilibrium, the character and direction of the fluctuating movement cannot be explained”, pp. 77-78. Hence, for Rubin, the latter two cases above do not represent equilibrium, “The state of equilibrium between two branches of production

corresponds to the exchange of products on the basis of their values. In other words, this state of equilibrium corresponds to the average level of prices”, p.78, emphasis in original. Significantly, this view on the role of exchange or market is reminiscent of Smith’s invisible hand and the neoclassical notion of equilibrium, in the respect that individual (exchange) actions are supposed to lead to a sort of balance through the mediation of price. For Rubin, individual exchange actions are governed by the law of value. “This average level is a theoretical conception. The average prices do not correspond to the actual movements of concrete market prices, but explain them. This theoretical, abstract formula of the movement of prices is, in fact, the ‘law of value.’” And in this sense, value is “the regulator of the production”, p.77.

In the Rubin tradition, therefore, it is inevitable that not all commodities are socially useful. Commodity production is not always value production, and producers do not know prior to exchange if their commodities are values or non-values. And as we observed earlier, unintended non-value production by individual producers is inherent in the commodity-form. “Total agreement between market price and value would mean the elimination of the unique regulator which prevents different branches of the social economy from moving in opposite directions. This would lead to a breakdown of the economy”, p.78. Therefore, Kincaid (2008, p.182) represents and summarises the Rubin tradition when he argues that value “remains only potential or virtual until commodities are sold”, emphasis in original, precisely because the social usefulness of commodities is only potential or virtual in the heads of the producers until they are exchanged. They turn out to be either values or non-values only after going through the litmus test of exchange. In this sense, although Kincaid agrees that “value is created only in production”, this does not correctly state his position. Rather, he should have said that value candidates are created only in production. Then, his argument that “whether value has been created in production depends in part on what happens in circulation”, p.184, emphasis in original, would have made more sense.

Value is Fully Created in Production

On the contrary, for Marx, value is fully created in production and realised in exchange. This means not only that products of labour are created in production, but that their social usefulness and the socially necessary labour-time required to produce them are determined in production. Commodities are exchanged in the market precisely because they are socially useful, not the other way around, although other factors, arising from different levels of abstraction, may prevent them from being exchanged. This presupposes that social needs are known at least theoretically in production. In the rest of this paper, we will seek to elaborate this point, focusing on clarifying the relation between social needs, the social division of labour, and value. At first, it might sound strange that social needs are known before exchange. How can we be sure that products are socially useful before they are exchanged? This poses a similar and more fundamental question: do we know if a product of labour is useful before consuming it?

Marx’s answer is yes. Marx (1990, p.126) says, “Use-values are only realised in use or in consumption”, emphasis added. For Marx, products are use values before they are consumed, that is, they are consumed because they are useful. Thus, the usefulness of a product or its use value belongs to the sphere of production, not to the sphere of consumption or exchange. Yet things are not useful in

themselves. Usefulness depends upon human relations with things. Although things are useful due to their physical properties, physical properties alone are not sufficient to explain the usefulness of things. In addition, the usefulness of a thing is not fixed, but changes over time and place. Floppy disks were useful 20 years ago, but are not any more, and are no longer produced. CDMA mobile phones are not useful in countries where only GSM networks are available. For a person who has a mobile phone, an additional phone of the same make and model might not be useful at all. This suggests that we cannot know whether a thing has use value or not just by contemplating it, or, especially, its material and technical properties. It depends on by whom, when, how and where it is to be used, to say the least. As there are many factors to consider, some of which are even unknown, we are tempted to conclude that we can never know if a thing has use value without using it. Despite this, Marx's view is that things (including the products of labour) are used because they have use values, not the other way around. The point is that usefulness depends on conditions that are external to things as well as on their intrinsic material properties.

Such (external) conditions are reflected in needs. Things have use values because they can satisfy needs. Humans work and create products in order to satisfy their definite needs even if not all their needs are satisfied through the products of labour (e.g. water, air). That humans should labour to satisfy their needs is a natural law and a basic condition of human life and reproduction, regardless of its form of manifestation. Significantly, production and needs are interrelated. Production is driven and motivated by needs, and needs are satisfied through production. Products of labour that do not satisfy any needs are not useful at all, and needs that are beyond production capability are only imaginary. Further, new needs may drive new product developments and innovation, and new products may stimulate new needs. Necessity is the mother of invention, and vice versa.

There are many qualitatively different needs. For example, the need for food is different from the need for clothes: it is evident that clothes cannot satisfy the need for food. In this sense, need is always particular, and is thus different from utility. In addition, needs as a whole are more than the simple enumeration of distinct needs, in the following respects. Firstly, interrelations exist between particular needs. The need for digital content presupposes the need for computing devices. Secondly, the relations between particular needs are quantitative as well. Thirdly, needs are not fixed. New needs arise and some existing ones vanish. When new needs are added, they establish new internal relations with existing needs, often involving the adjustment of relations between existing needs as well. This is the typical way that needs grow and evolve. Hence, we can speak of a system of needs consisting of various interrelated particular needs which evolve over time and place, whether they are the needs of an individual or a society. Corresponding to the system of needs is the division of labour that does not necessarily pertain to commodity production. Even in the case where the products of labour are entirely consumed by the producer, as long as there are many distinct needs (e.g. clothes, food, tools, etc.), the total labour time of the producer should be divided up into several distinct concrete labours or tasks. In addition, for each type of labour, there may exist a further division of labour. For example, to produce clothes requires spinning and weaving. Further, the division of labour can also be understood as a system that contains many different, but qualitatively and quantitatively interrelated, concrete tasks (or labours) as elements. This system evolves as new types of labour are added and unnecessary or outdated ones are removed.

When a system of the division of labour coincides with a system of needs, all the products of labour are use values. These products are useful and are thus consumed, which does not have to be proven. However, there is no guarantee that they will remain permanently useful. Due to the evolution of needs for whatever reasons, products that were useful at the point of production may become useless at the point of consumption. In addition, if the division of labour does not fully reflect needs, and as a result more products are produced than are necessary, the excess is useless and does not have use value. In the case of over-production, if all the products are identical, we cannot tell which will be consumed and which will not. We can only say that there is a portion of the total production that is useless, and the labour time expended to produce this portion is wasted. This holds true even before we introduce commodity production and the capitalist mode of production. In sum, it is a natural law that humans create and consume products to satisfy their needs. Needs give rise to a corresponding qualitative and quantitative division of labour, and vice versa. This is a universal or natural law. Only its forms of manifestation vary. Hence Marx says, “Every child knows that a nation which ceased to work, I will not say for a year, but even for a few weeks, would perish. Every child knows, too, that the masses of products corresponding to the different needs require different and quantitatively determined masses of the total labour of society. That this necessity of the distribution of social labour in definite proportions cannot possibly be done away with by a particular form of social production but can only change the form in which it appears, is self-evident”, Marx and Engels (1975, p.196, emphasis added).

Importantly, even at this abstract level, needs and the division of labour converge only as a tendency. Even if we abstract from the mediation of exchange, possible divergences between them are obvious. Suppose it becomes impossible to grow rice due to permanent changes in weather conditions. A portion of the need for food that used to be satisfied by rice ceases to be so and will have to be satisfied by other grains instead (e.g. Rye, wheat). In other words, the need for rice, a sub-need for food, will vanish, replaced by an increased need for other grains, another sub-need for food. However, the existing system of the division of labour would not be able to adjust instantly for technical and natural reasons. As a result, sufficient quantities of other grains will not be produced for a certain period. As a consequence, during this period, there will be gaps between needs and the division of labour, resulting in individual and/or social deficiency and instability. Nevertheless, they will converge eventually. Either production capacity for other grains will increase or the need for food in general will shrink. As can be inferred, the natural law that needs should coincide with the division of labour is an underlying force and asserts itself through the parallel development of social needs and the system of the division of labour. (Social and individual) needs grow through divergence and re-convergence between needs and the division of labour.

When we consider the social division of labour in the commodity economy, this natural law appears in more complex and specific forms.

Marx says, “the form in which this proportional distribution of labour asserts itself in a state of society in which the interconnection of social labour expresses itself as the private exchange of the individual products of labour, is precisely the exchange value of these products”, Marx and Engels (1975, p. 196, emphasis in original). As we have seen earlier, in the commodity economy humans create products that are socially useful, and consume products that are created by other members of society. Although it appears that producers are independent from each other, their seemingly private labours presuppose

the existence of a system of social needs (or use values) even though social needs are not fully known to individual producers. Similarly, exchange presupposes the social division of labour and “the world of commodities”, Marx (1990, p.162). Significantly, social needs in the commodity economy are not the total sum of individual consumers’ needs. Rather, social needs determine individual needs. The evolution or development of social needs should not be understood as resulting from changes in individual needs. In addition, given that there are no social planners determining the path of evolution or development of social needs and the social division of labour, they grow spontaneously. Marx (1990, p.201) says, “[T]he division of labour is an organisation of production which has grown up naturally, a web which has been, and continues to be, woven behind the backs of the producers of commodities”.

How does this relate to our goal of demonstrating that value is fully created in production? As we have seen, as in other modes of production, the products of labour are created to satisfy definite social needs in the commodity economy. The peculiarity of the commodity economy lies in the fact that the products of labour take the commodity-form and need to be exchanged in the market before consumption. As products of labour created to satisfy definite social needs, commodities have social use values and are therefore values. And precisely because they are values, they are exchanged. Exchange simply reallocates socially useful products among members of the society based on their individual needs. With all this in mind, we can say that value is the category which analytically captures the peculiar social aspect of labour in the commodity economy, and the law of value is the peculiar form of the natural law that a society as a whole creates and consumes products in order to satisfy definite social needs. We have also seen that the combination of an absence of social planners and the spontaneity of this process as a whole in the commodity economy, necessarily gives rise to the fetishism of commodities, and that the actual social division of labour inevitably diverges from social needs. In other words, it is inevitable that there will always be commodities produced that are not socially useful. It is not only inevitable but also necessary. If social needs always coincided with the social division of labour, all products would be socially useful and consumed, and there would be no problem of realisation. So producers would not face the imperative to sell their products, and no competition would exist. Although such an economy might exist ideally, it would be very different from the commodity economy. In this sense, the commodity economy is a commodity economy precisely because of the existence of non-value production or the production of socially useless products. In addition, without acknowledging the existence of non-value production, it is not possible to affirm that social use values are predetermined and value is fully created and determined in production. However, this fact, in the minds of ordinary people, is reflected as the imperative that producers must create socially useful products and as that the failure of exchange is due to producers’ incapability. Hence, although “commodities are in love with money”, Marx (1990, p.202) “transubstantiation”, p.197, between commodities and money appears to happen only accidentally. Marx acknowledges this and even calls this difficulty of exchange (that results partly from inevitable non-value production) – “the commodity’s salto mortale”, p.200. He emphasises this point by saying, “this act of transubstantiation may be more ‘troublesome’ for it than the transition from necessity to freedom for the Hegelian ‘concept’, the casting of his shell for a lobster, or the putting-off of the old Adam for Saint Jerome”, p.203.

In sum, commodity production is both value production and non-value production. Out of total commodities produced, some necessarily fail to be exchanged because they are socially useless (non-

value). In respect of the fact that this has nothing to do with exchange, both social needs and the social division of labour are concepts that belong to the sphere of production. Although they are inter-related and converge, it is normal that there are divergences between them. This is how the law of value operates.

Hence, value is fully created in production and realised in exchange. Significantly, for Marx, whereas production is the essence of the commodity economy in general and capitalism in particular, exchange is its (necessary) form. Theoretical reconstruction of capitalism as the concrete starts from production and ascends towards exchange. Through the course of analysis, the analysis gets more complex and concrete; more complex and concrete concepts are introduced; abstract concepts are reconstructed and attain richer meanings and determinations. In the analysis of the sphere of production (under capitalism), at its most abstract level, the focus is placed upon the capital-labour relation in the commodity-form – workers selling their labour-powers as commodities to capitalists – and tendential laws and social processes arising from the nature of capitalism as the generalised commodity production for profit, for example, the tendency of the organic composition of capital (OCC) to rise, the production of relative surplus value and the constant generation of relative surplus population, etc. Although Marx details several cases of the failure of exchange resulting from commodities being socially useless in chapter 3 of volume 1 of *Capital*, saying that it is a “matter of chance whether this transubstantiation [exchange] succeeds or not”, he immediately suggests abstracting from this in the analysis of production. “[W]e have to look at the phenomenon in its pure shape, and must therefore assume it has proceeded normally”, p.203. In other words, in the analysis of the sphere of production Marx abstracts from the real existence of non-value production. In addition, the proportional relations between production sectors or the quantitative aspect of the social division of labour are also abstracted. Although it is implicit in the division of capital into constant capital and variable capital that there are many production sectors in the economy, relations between sectors are not analysed. Rather, the economy is treated as if it is a one-sector economy in which the only exchange that matters is the one between capital and labour.

Although Marx mentions in chapter 1 of volume 1 of *Capital* that commodities should be socially useful to be values, commodities are always considered to be socially useful in the analysis of the sphere of production. In addition, this abstraction from non-value production is retained in a more concrete and complex level of analysis, the reproduction scheme, which Marx introduces in the second volume of *Capital*, although the proportional relations between production sectors are introduced to the analysis. This scheme shows how balanced reproduction, simple and expanded, is possible, not as an exceptional actual case, but as an underlying force. In other words, while actual unbalance between sectors is typical, forces towards balance are operating. Importantly, balance is different from the neoclassical notion of equilibrium which is something to be reached eventually through resource reallocation. Rather, balance as an underlying force asserts itself as a kind of disruptive force against imbalance. As Marx says, “this constant tendency on the part of the various spheres of production towards equilibrium [balance] comes into play only as a reaction against the constant upsetting of this equilibrium [balance]”, Marx (1990, p.476). In the same vein, Fine and Saad-Filho (2004, p.64) say, “Marx is concerned to show how, despite the chaotic co-ordination of different producers through the sphere of exchange, in the absence of a conscious plan, both simple and expanded reproduction exist within the capitalist system”, emphasis in original. Again, this exists

only as a tendency, which becomes “an *a posteriori* necessity imposed by nature, controlling the unregulated caprice of the producers”, Marx (1990, p.476).

Whilst it is presupposed that all commodities created in production are socially useful, there are two processes pertaining to the sphere of production by which commodities become useless [or non-values] or their values diminished. Firstly, due to productivity or complexity increase, in which knowledge plays a crucial role, the value of commodities may diminish, or be completely destroyed. In the latter case, the commodities become useless because of excess increase in supply or replacement through obsolescence. Secondly, new sectors or branches of the social division of labour may be established and recognised, and existing sectors may be extinguished due to the evolution of social needs and a corresponding change in the social division of labour, both of which grow and change spontaneously. Therefore, even if a particular kind of labour was a branch of the social division of labour yesterday, it may no longer be recognised as such today, and the value of commodities produced by that labour yesterday may get completely destroyed today. Unless commodities are exchanged as soon as they are produced, they face this type of realisation problem which arises from changes in the conditions of production. This can happen without the producers noticing or without involving subsequent proportional changes to prices. Such incongruity between price and value will be addressed eventually, but not as harmoniously and smoothly as suggested by Rubin and mainstream economics.

In addition to the realisation problem, as we have seen earlier, there is the inevitable risk that commodities are not socially useful – production of non-value. Further, the boundary between value production and non-value production changes as social needs and the social division of labour evolve. The risk of non-value production increases especially when a producer tries to introduce a new type of product. Marx (1990, p.210) says, “Perhaps the commodity is the product of a new kind of labour, and claims to satisfy a newly arisen need, or is even trying to bring forth a new need on its own account. Perhaps a particular operation ... may ... establish itself as an independent branch of labour, and send its part of the product to market as an independent commodity. The circumstances may or may not be ripe for such a process of separation. Today the product satisfies a social need. Tomorrow it may perhaps be expelled partly or completely from its place by a similar product”. For a new sector to be established, either there is a social need for this separation, or it should at least be able to induce a new type of social need (but not necessarily for final consumption as opposed to intermediate production). Non-value production can also happen because of excess supply compared to the corresponding social need. “Although our weaver’s labour may be a recognised branch of the social division of labour, yet that fact is by no means sufficient to guarantee the utility [use value] of his 20 yards of linen. If the society’s need for linen – and such a need has a limit like every other need – has already been satisfied by the products of rival weavers, our friend’s product is superfluous, redundant and consequently useless”, emphasis added.

Non-value production originates neither from the sphere of production nor from the sphere of exchange, but is attached to the commodity-form itself. Production of non-value is also different from the difficulties involved in the realisation of value as we have seen, in that these presuppose production of value. However, in the minds of ordinary people, all these appear as difficulties in selling their products, giving rise to the notion that exchange is more important than production, and the notion that we do not know whether a commodity is socially useful or not prior to exchange.

Production of non-value which is inherent in the commodity-form has not received much attention so far. As the most abstract analysis of production abstracts from non-value production, it is not analysed in exchange and distribution either, at more complex and concrete levels. Simply put, non-value production does not have to be and indeed cannot be reconstructed at more concrete and complex levels. In this sense, production of non-value might not have much theoretical significance in terms of the reconstruction of capitalism in thought. However, it is partly due to this neglect of non-value production that the Rubin tradition and exchange-centred analyses have flourished.

Conclusion

So far we have demonstrated that commodity production involves both value production and non-value production, even if the latter is not intended by individual producers, and acknowledging the inevitable existence of the latter is crucial in clarifying that value is fully created in production. The conclusion of this paper can be summarised as follows:

Firstly, social needs and the social division of labour belong to the sphere of production, and are interrelated. In the absence of social planners, they necessarily diverge. As a result, commodity production involves both value production and non-value production. Non-value production is attached to the commodity-form.

Secondly, social needs are theoretically known in production. Social use values are established through the economic and social reproduction associated with the total circulation of capital. As a system, social needs or social use values give rise to the balanced social division of labour. However, the balanced social division of labour exists only as a tendency

Thirdly, this warrants the presumption that social use values are predetermined for the process of production but these cannot be known to individual producers.

Fourthly, either value production fails (i.e. non-value production) or value is destroyed, despite being socially necessary in quantity and social use value, subject to the evolution of social needs and the potential for disruption by exchange (whether general, as in a crisis, or within a particular sector). This appears to individual producers as difficulty in selling, giving rise to the notion (and theories) of the primacy of exchange.

Fifthly, these considerations provide the foundation for analysing both the independent movements in exchange (use values or not, value destruction or not) and the evolution of social use values as economic and social reproduction proceeds.

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