

Use Value, Exchange Value, Value, and Labor

Use Value: The capacity of a commodity to satisfy human needs or wants.

- A) Use value resides in the physical properties of a commodity.
- B) Use value is a qualitative property.

Exchange Value:

- A) Qualitative meaning: the property that a commodity has of being exchangeable for other commodities.
- B) Quantitative meaning: the ratio at which a commodity is exchanged for other commodities.

Value: The common “substance” that every commodity contains that is expressed as (or underlies) exchange value.

Use Value, Exchange Value, Value, and Labor (con't.)

What creates value: When one abstracts from the specific use-value of a commodity – and hence from its physical properties in which use-value resides – what remains is that the commodity is a product of human labor.

Conclusion: Human labor is the “substance of” or “creator of” value, which in turn is the common property that all commodities contain which is expressed as exchange value.

Thus, the quantity of labor required to produce a commodity determines its value.

Distinction between value and labor: Labor is a process that creates value, while value is an attribute of a commodity -- namely, the common “substance” that is expressed as (and determines) the exchange value of a commodity.

The Labor Theory of Value

Concrete (or useful) labor: labor with specific skills directed to producing a particular product.

Concrete labor creates use-value.

Abstract labor: labor in general.

Abstract labor creates value.

Value and social relations: Value expresses a social relation between the separate labors of different commodity producers.

Direct labor: the labor expended by workers producing the product.

Indirect labor: the labor expended by workers in producing the means of production used up in producing a product.

The Labor Theory of Value (con't.)

Initial statement of labor theory of value: The value of a CD is determined by the amount of abstract labor required to produce it.

Three Complications: conditions of production (technology), intensity of labor, and skill.

Refined statement of labor theory of value: The value of a CD is determined by the number of hours of labor, of average skill and intensity, that are required to produce the CD under normal conditions of production.

The Labor Theory of Value (con't.)

“SNALT”: Socially necessary abstract labor time – that is, labor time as defined in the “refined” statement of the labor theory of value.

Productivity of labor: number of units of a commodity produced per hour of (direct plus indirect) labor.

Price* of a commodity: the exchange value of a commodity expressed in units of money.

*Price as used here is different from “price of production” which will be introduced in section 3E.

The Labor Theory of Value (con't.)

Equal value exchanges for equal value.

L_C = hours required to produce a coat

L_M = hours required to produce a unit of money (a dollar of money)

If Q_C coats exchange for Q_M units of money, then

value of Q_C coats = $Q_C \times L_C = Q_M \times L_M$

P_C = price of a coat (units of money that one coat exchanges for)

$1 \times L_C = P_C \times L_M$

Therefore,

$P_C = L_C / L_M$

If it takes 10 hours to make a coat and 2 hours to make a unit of money,
then

$P_C = 10 \text{ hours per coat} / 2 \text{ hours per } \$ = \5 per coat

The Labor Theory of Value (con't.)

What role do demand and use-value play in Marxian value theory?

1. A commodity must have use-value to have value.
2. Use-value explains why exchange takes place.
3. Total demand determines the quantity of each commodity that will be produced and hence affects the allocation of resources.
4. The demand/supply relation can cause the market price to deviate from exchange value.
5. In the case of monopoly, demand plays a role in determining exchange value.