

Letter from Moshé Machover:

3 August, 2005

Shimshon and Yoni shalom,

Since our meeting on 28 May I have been meaning to write to you, in order to put on the record points of agreement and disagreement.

Reading [your exposition of the LRB gang of 4](#) has prompted me to go ahead. I am speaking only for myself. Emmanuel, to whom I am copying this, may want to differ from some of what I say.

Let me start with a topic which we did not have time to discuss. At my insistence, we started at a rather philosophical level and spoke mostly about the notion of power. As time was limited, we put aside the issue of the labour theory of value, and left it untouched.

First, some points of agreement, or possible agreement.

I agree that Marx's theory of prices (by means of labour values, via equalization of the rate of profit and prices of production) does not work. (I also agree that the neo-classical theory, via utilities, doesn't work -- but I have no interest in that topic.)

In fact, this has been pointed out many a time and oft.

Also, I agree that Marx's ideas about skilled labour and its alleged reduction to simple labour are incoherent and circular; at least, I can't make sense of them.

I also agree with your view that this absence of a valid theory of prices leaves a big gap in the foundation of Marxian political economy.

In *Laws of Chaos*, Emmanuel and I filled the gap, but only in part. We showed that if one gives up the idea of equilibrium price (or, more precisely, the equilibrium unit price of a given type of commodity at a given time) and rate of profit as a determinate quantity and replaces it by stochastic distributions, then one can establish a probabilistic connection between labour-values (the labour content of commodities, ignoring any distinction between "skilled" and "simple" labour) and prices.

This enabled us to re-formulate a -- rather than the -- Marxian political economy, vindicating some of Marx's conclusions but refuting some others (such as the alleged falling tendency of the average rate of profit).

The gap was only partly filled, because we offered no complete theory as to what determines the distributions of the rate of profit and unit prices. Even if we have

pretty good ideas about their general shape, we have no precise theory about how their characteristic parameters are determined.

You have a theory of prices. Perhaps it is correct; I must reserve judgment on it, as I am not sure I understand it.

Now for a basic disagreement.

I strongly oppose expunging the concept of labour-value from political economy. This is "Hamlet" without the Prince of Denmark. As far as I am concerned, critical political economy is about the social metabolism of human labour and its products. Its main task is to analyse the mechanism whereby some people appropriate the products of other peoples' labour, or in other words whereby some extract surplus labour from others.

I would go as far as to say that while prices are epiphenomenal, labour values are fundamental. I say this without in any way prejudging the exact connection between the two categories.

A science of political economy is needed mainly because capitalist exploitation, the extraction of surplus labour through capitalist relations, is uniquely opaque. Unlike exploitation of slave labour, and other forms of personal bondage (including even debt bondage), which are quite transparent, capitalist exploitation is mediated by an impersonal mechanism that operates behind the backs of exploited and exploiters alike. Labour values are vital for quantifying and analysing this phenomenon. Marx's strategy for accomplishing this was via his theory of prices. You and I agree that this strategy fails. But this doesn't mean that labour values are to be junked or ignored. Doing so leaves you with the epiphenomenal without the essential. Rather, the challenge is to incorporate labour values in political economy by another strategy.

Now let me address the topic we did discuss in May: that of capital as power.

I should make it clear that I am in sympathy with your definition of capital as power. At least, I agree that it is some kind of power: the power to exploit -- ie, to extract surplus labour. I am also in sympathy with your idea that it is also the power to determine prices (I hope I am not misrepresenting you here).

What I object to is your tendency (as far as I can see) to elide the distinction between this sort of power and political power. The power of capital is *sui generis*; it is economic power. The fact that this is distinct from political power is at the heart of capitalism as a socioeconomic system. It makes it possible to isolate the power of capital (at least to a great extent) away from the political domain, and preserve the illusion of democracy. Democracy -- however diluted and deceptive -- is allowed to operate in the political domain precisely because this domain excludes the economic domain, in which the power of capital holds sway. While this democracy (however restricted)

operates in the political domain, the economic domain is ruled by a combination of micro-tyranny and macro-anarchy.

Of course, like most real-life boundaries, the boundary between the two domains is both porous and elastic. But this does not mean that it does not exist. On the contrary, social and political battles are fought about where it ought to be located. For example, privatization is essentially annexation of part of the political domain by the economic.

This is just an interim summary. I hope we can continue our discussion at some time in some form.

Warm wishes, MM