Is economic value subjective?

23 June 1999

To the editor:

Your explanation of surplus value was interesting but unclear. (“Automation, the working class and the extraction of surplus value” http://www.wsws.org/articles/1999/may1999/corr-m27.shtml and “How is value determined: An exchange with a reader” http://www.wsws.org/articles/1999/may1999/sr-m11.shtml).

As far as I can tell, value is subjective. It doesn't matter how much it costs the producer, but whether someone can use it. For example the one could produce lots of concrete and steel and build apartments no one want to live in. It doesn't matter how much it cost, those apartments are worthless if no one wants them. By using labor and raw materials where they aren't needed it is possible to decrease value. Perhaps Marx takes this into account, since it leads to the same conclusion that there is a standard rate of profit. However it isn't clear where this is taken into account, and failure to do so leads to social bankruptcy.

Anders

Dear Anders,

I'm going to deal with your first statement—that value is subjective. You then go on to give an illustration of this by referring to an apartment that is worthless because nobody wants it. You say that regardless of how much it cost, those apartments are worthless if no one wants them. So, value must be subjective.

First, you need to go back a bit. An apartment is a commodity. We live in commodity producing society where countless billions of commodities are exchanged on a daily basis. You say these exchanges are not law governed but are a result of entire arbitrary, lawless, subjective impulses. You should ask, why was the apartment built in the first place? Was it the result of a plan to supply necessary housing to those who need it? Or was it built on the assumption that it could be exchanged for money at the same time as providing the owner of the apartment with a profit? In a capitalist society the second answer is obviously the correct one. An apartment is a commodity like the billions of other commodities we exchange and consume daily. To uncover the laws governing the capitalist system Marx began by scrutinising its basic element, the commodity.

A commodity—an object outside ourselves that satisfies some sort of human want—has both a use value and an exchange value. Your apartment has to be usable to be a commodity. And must also have an exchange value. The magnitude of its exchange value is determined by the amount of socially necessary labour contained within it. Your apartment, if it contains x amount of socially necessary labour will embody x value. That commodity will exchange with another of x value which will contain an equivalent amount of socially necessary labour. The price of the apartment fluctuates, but it fluctuates about a certain point. That point is its value, socially determined and governed by definite processes.

In the act of exchanging commodities, what is being exchanged is a substance common to the commodities, which is independent of their use-value. Whether it was cups, pens or apartments being exchanged, the commodity contained a common substance—labour. The magnitude of value of a commodity, which governs the proportions in which it exchanges with other commodities, is determined by the amount of socially necessary labour it contains. Socially necessary labour is the labour (measured by time) which it takes on average to produce it under the prevailing conditions of skill and intensity.

You actually refer to a process that has to be looked at more closely: “ *no one wants* the apartments”. There appears to be something more than subjective feelings governing this. How does demand operate under capitalism—purely subjective? On the contrary.

For example, let us say that the demand for umbrellas is 100 per year, that umbrellas contain four hours of labour time each and exchange, say for simplicity's sake, for $4 each. So the total amount spent on umbrellas is $400. However, in a particularly rainy season, the demand for umbrellas doubles to 200. The amount available to spend on umbrellas (demand) rises to say $800, but there are only 100 umbrellas. The amount that umbrellas will exchange for goes up to say $8. But an umbrella still only contain 4 hours of labour time. The price of the commodity is way over its actual value. This results in a greater number of producers turning to making umbrellas, resulting in say 400 umbrellas being produced. If demand is still only at 200, there will be 200 umbrellas nobody wants.

The price of the umbrellas has fluctuated—from $4 to $8, maybe even going down to $2 but what it has fluctuated around is not some arbitrary construct but how much value, i.e. human labour, the commodity contains within it. This very simple example also shows how the social allocation of labour is regulated. The law of value regulates the movement of capital which in turn regulates the distribution of social labour. There is nothing subjective about it.

I was unclear about the meaning of your last sentence. Perhaps you could elaborate on it.

Yours sincerely,
Erika Zimmer