

Alternative Economics :  
a critique of political economy

Exchange and consumption (i)

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# General Remarks

- We've begun to see how a simple term such as "value" turns out to be rather complicated.
- We also saw how no matter how many different examples of value we thought up it still didn't clarify the concept of value for us. If anything, it added further confusion.
- (We did agree at least, though, that money was one expression of value).
- As noted before, academic work requires a lot of conceptual and theoretical work so that we can speak more precisely about those things that concern us.

## General Remarks (ii)

We'll start with the question of

EXCHANGE

And then move on to the question of

CONSUMPTION

We'll also see how intimately connected these two processes are in modern society, such that it seems that exchange value expressed through consumption becomes the measure of all wealth.

# More on money as a value (i)

“The wealth of societies in which capitalist mode of production prevails appears as an immense collection of commodities.”

Marx, K. Capital, volume 1. Penguin Classics, Harmondsworth. p.125

What does he mean by this ?



More on money as a value  
(ii)



**I shop**  
therefore  
**I am**



More on money as a value (iii)





“Exchange value appears first of all as the quantitative relation, the proportion, in which use-values of one kind exchange for use-values of another kind. This relation changes constantly with time and place.”

Marx, K. *Capital*, volume 1. Penguin Classics, Harmondsworth. p.126

“... for instance 1 quarter of corn = x cwt of iron. What does this equation signify ? It signifies that a common element of identical magnitude exists in two different things... Both are equal to a third thing, which in itself is neither the one nor the other. Each of them, so far as it is exchange-value, must therefore be reducible to this third thing.”

Marx, K. *Capital*, volume 1. Penguin Classics, Harmondsworth. p.126

# More on money as a value (iv)



# Some circuits of capital

C = Commodity

M = Money

E = Exchange

$C \rightarrow M \rightarrow C \rightarrow M \rightarrow C \rightarrow M \rightarrow C \rightarrow M \rightarrow C \dots$  etc

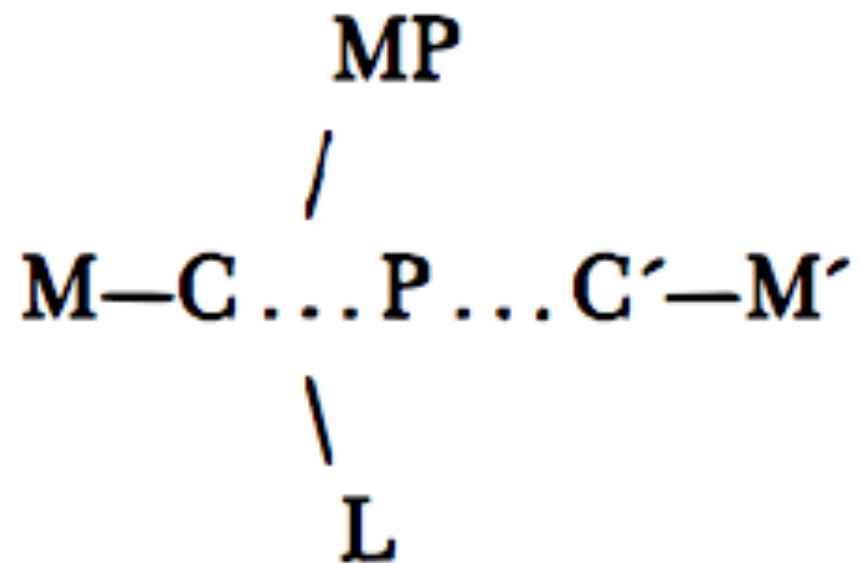
no increase in value

$C \rightarrow M \xrightarrow{E} C_1 \rightarrow M_1 \xrightarrow{E} C_2 \rightarrow M_2 \xrightarrow{E} C_3 \rightarrow M_3 \xrightarrow{E} C_4 \dots$  etc

buy low, sell high – increase in price yes; but increase in value ?

# General formula of capital in Marx

$$M \rightarrow C \rightarrow M^1$$



C = Commodity

M = Money

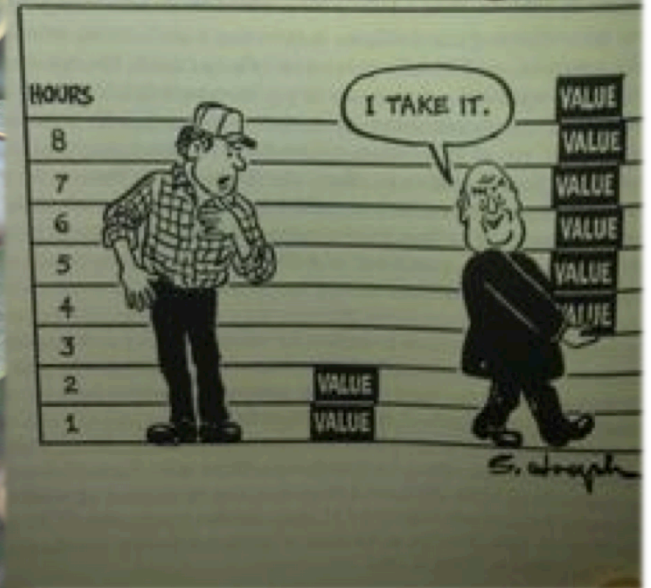
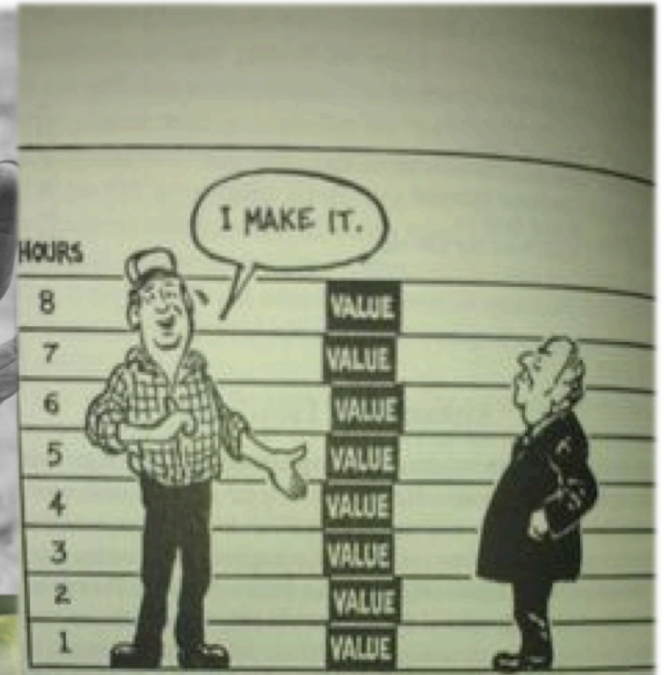
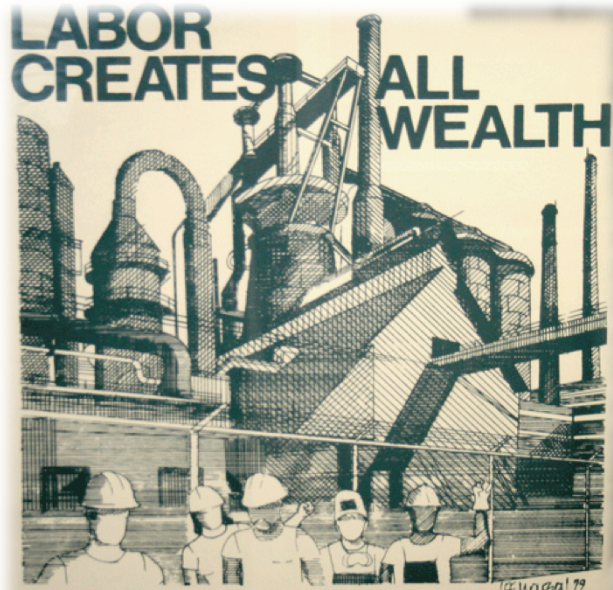
L = Labour

MP = Means of Production

P = Productive Capital

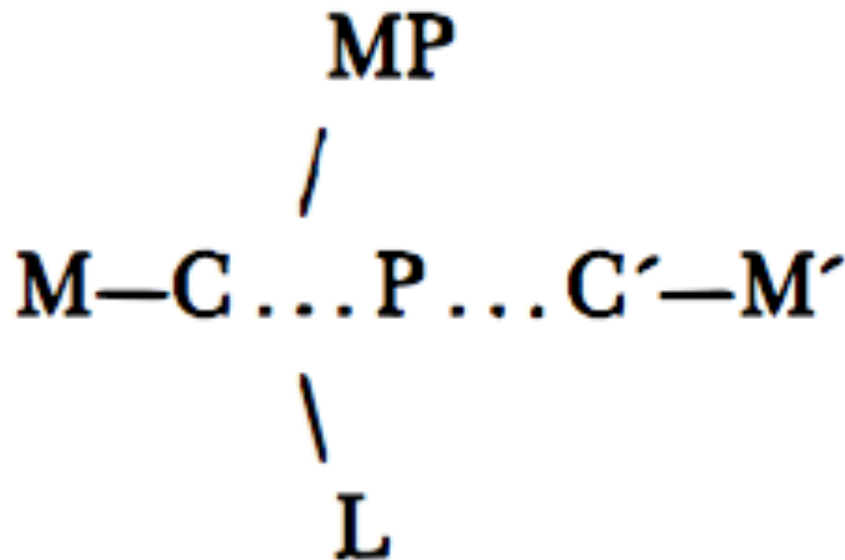


# Labour theory of value



## General formula of capital in Marx

Marx's general formula for capitalist expansion or capitalist wealth production or production of capitalist value was that money (M) is advanced to purchase a commodity (C) in order to produce new commodities that are sold for a profit, creating more money. Let's call that the simple moment or metamorphosis. Next, more complex moments and metamorphosis arise when with the commodities that have been purchased, the capitalist buys the means of production (MP) and labour-power (L), and in so doing transforms money capital into productive capital (P). It is the addition of labour-power which is crucial to the production of value.



C = Commodity

M = Money

L = Labour

MP = Means of Production

P = Productive Capital



## Summary so far ...

- In this theory of value – known as the labour theory of value – the source of all wealth is to be found in labour.
- But Marx doesn't pluck that idea out of thin air. What is important about this theory and why we've spent time uncovering it, is because it is the way or mechanism by which value is produced by combining labour with commodities and exchanging them.
- So, start with commodities; examine what they are, i.e, they have use value. Then see how they're exchanged, and we see that commodities now have exchange value. Next all of those millions of exchange values can be expressed in one universal equivalent, i.e, money.
- Finally, add labour power (and means of production i.e, tools) to produce new commodities of greater value.

# How wealthy is an economy ? (i)

If we don't know what value refers to we can't know what wealth refers to ?  
That's one reason that we need a theory of value.

Wealth can then be seen as an accumulation of those things that we value.

- How wealthy are you, the simple individual ?
- How wealthy is your family (however you define your family) ?
- How wealthy is the street you live on, and the community you live in (however you define community) ?
- How wealthy is your *polis* ?

## How wealthy is an economy ? (ii)

In modern capitalist society wealth is measured in terms of the value of commodities put into **monetary circulation**. This is crucial.

Commodities may have great utility but if they have not been given exchange value i.e, have not been monetised then that value simply is not counted.

Let's play a word game.

## The value of one word.

John works 40 hours per week, 49 weeks per year as a client relationship manager. He makes sure that his clients are well looked after, that they feel comfortable with the service provided, that they will return to John's company for any future business that may arise. John is proud of his record in early identification and resolution of any problems and difficulties that his clients may experience. John takes care of his clients' interests both responding to short term needs and long-term development. John is paid £50,000 per year plus bonuses.

Jane doesn't work, she's a stay-at-home mother. She makes sure that her children clients are well looked after, that they feel comfortable in the family, that they'll appreciate their childhood years long after they've left home. Jane is proud of her skills and love as a mother, taking care of everything from her children's coughs and colds to their education and career. She's always there for them, and her children know that they can turn to Jane whenever they're troubled or need help. Jane is paid £0 per year.

# Money as a measure.

Clearly money has been used as a measure. Alternatively one can think of money as a unit of value. Let's just think about measuring the value of an economy ? Take some basic categories such as GDP or size of debt or size of a corporation.

# Measuring an economy (i)

	1981-1985	1986-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	
<b>Country name</b>								
			± 2011	± 2012	± 2013	± 2014		
<b>Afghanistan</b>			17,930,239,400	20,536,542,737	20,310,881,087	20,841,951,232		
<b>Albania</b>			12,890,866,743	12,344,529,628	12,916,669,736	13,370,191,506		
<b>Algeria</b>			199,070,864,638	204,331,017,992	210,183,410,526	214,063,173,188		
<b>American Samoa</b>								
<b>Andorra</b>			3,427,235,709	3,146,177,741	3,249,100,675			
<b>Angola</b>			104,115,867,663	115,341,613,336	124,163,174,733	131,400,635,026		
<b>Antigua and Barbuda</b>			1,129,918,370	1,204,713,111	1,200,587,519	1,269,117,037		
<b>Argentina</b>			559,849,040,366	607,711,914,608	622,057,981,847	540,197,457,444		
<b>Armenia</b>			10,142,111,334	9,957,890,702	10,431,217,084	10,881,605,059		
<b>Aruba</b>			2,584,463,687					
<b>Australia</b>			1,388,066,356,092	1,534,425,905,763	1,560,372,473,125	1,453,770,210,672		
<b>Austria</b>			429,072,838,477	407,575,109,733	428,321,937,480	436,343,622,435		
<b>Azerbaijan</b>			65,951,627,200	68,730,906,314	73,560,484,385	75,198,010,965		











# Measuring an economy (ii)

Summary Table 1. Key indebtedness indicators, 2008–10

Country	Total external debt, 2010 (\$ millions)	Present value of debt, 2010 (\$ millions)	Ratio of total external debt to exports of goods and services (%)	Ratio of present value of debt to exports of goods and services (%)	Ratio of total external debt to GNI (%)	Ratio of present value of debt to GNI (%)
Ecuador	14,815	12,770	75	64	26	22
Egypt, Arab Rep.	34,844	28,793	56	46	18	15
El Salvador	11,069	9,732	201	177	53	46
<i>Eritrea</i>	1,010	597	1,237	732	57	34
<i>Ethiopia</i>	7,147	3,924	194	107	24	13
Fiji	452	403	28	25	15	13
Gabon	2,331	2,126	18	16	21	19
<i>Gambia, The</i>	470	217	157	73	64	29
Georgia	9,238	7,536	225	184	80	65
<i>Ghana</i>	8,368	4,956	103	61	30	18
Grenada	576	631	309	338	96	106
Guatemala	14,340	12,115	139	118	37	32
<i>Guinea</i>	2,923	2,007	211	145	78	54
<i>Guinea-Bissau</i>	1,095	124	766	87	130	15
<i>Guyana</i>	1,354	762	131	74	57	32
<i>Haiti</i>	492	282	55	32	8	4
<i>Honduras</i>	4,168	1,971	57	27	30	14
India	290,282	252,804	91	79	20	18

“The debt service ratio is the ratio of debt service payments made by or due from a country to that country’s export earnings.”

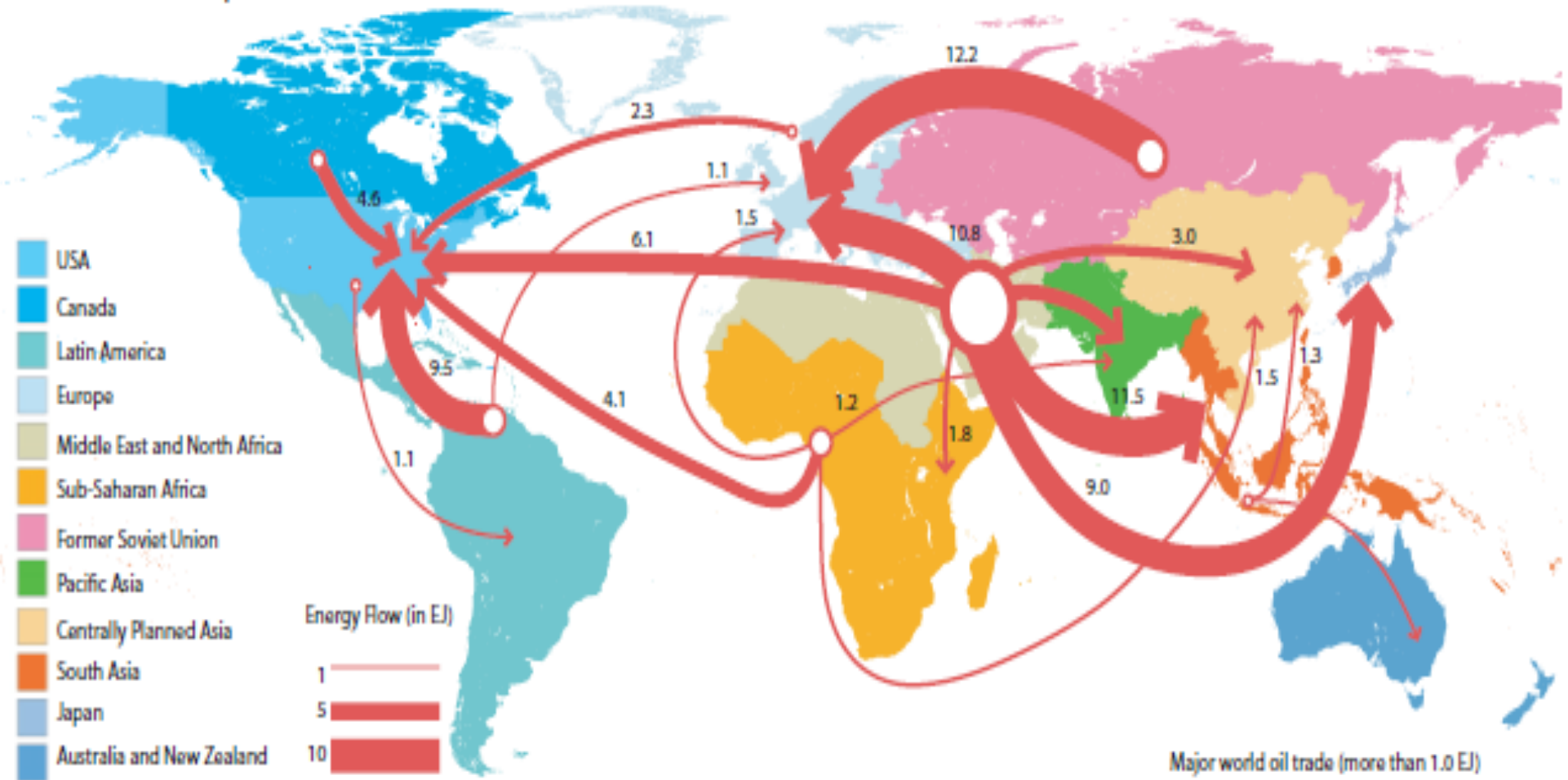
# Measuring an economy (iii)

Filter	Rank	Rev Change	Profits	Profit Change	Assets	Employees
<b>CLEAR FILTERS</b> Companies are ranked by total revenues for their respective fiscal years.						
Rank	Search company by name <input type="text"/>					
1.		<b>Walmart</b> <span>WMT, -0.48 %</span>	Bentonville, AR General Merchandisers			
2.		<b>Sinopec Group</b> <a href="#">See Company Profile &gt;</a>				
3.		<b>Royal Dutch Shell</b>	The Hague, Netherlands Petroleum Refining			
4.		<b>China National Petroleum</b>	Beijing, China Petroleum Refining			
5.		<b>Exxon Mobil</b> <span>XOM, 0.93 %</span>	Irving, TX Petroleum Refining			
6.		<b>BP</b> <span>BP, 0.58 %</span>	London, Britain Petroleum Refining			
7.		<b>State Grid</b>	Beijing, China Utilities			
8.		<b>Volkswagen</b>	Wolfsburg, Germany Motor Vehicles and Parts			
9.		<b>Toyota Motor</b> <span>TM, 0.10 %</span>	Toyota, Japan Motor Vehicles and Parts			
10.		<b>Glencore</b> <span>GLNCY, 1.92 %</span>	Baar, Switzerland Mining, Crude-Oil Production			



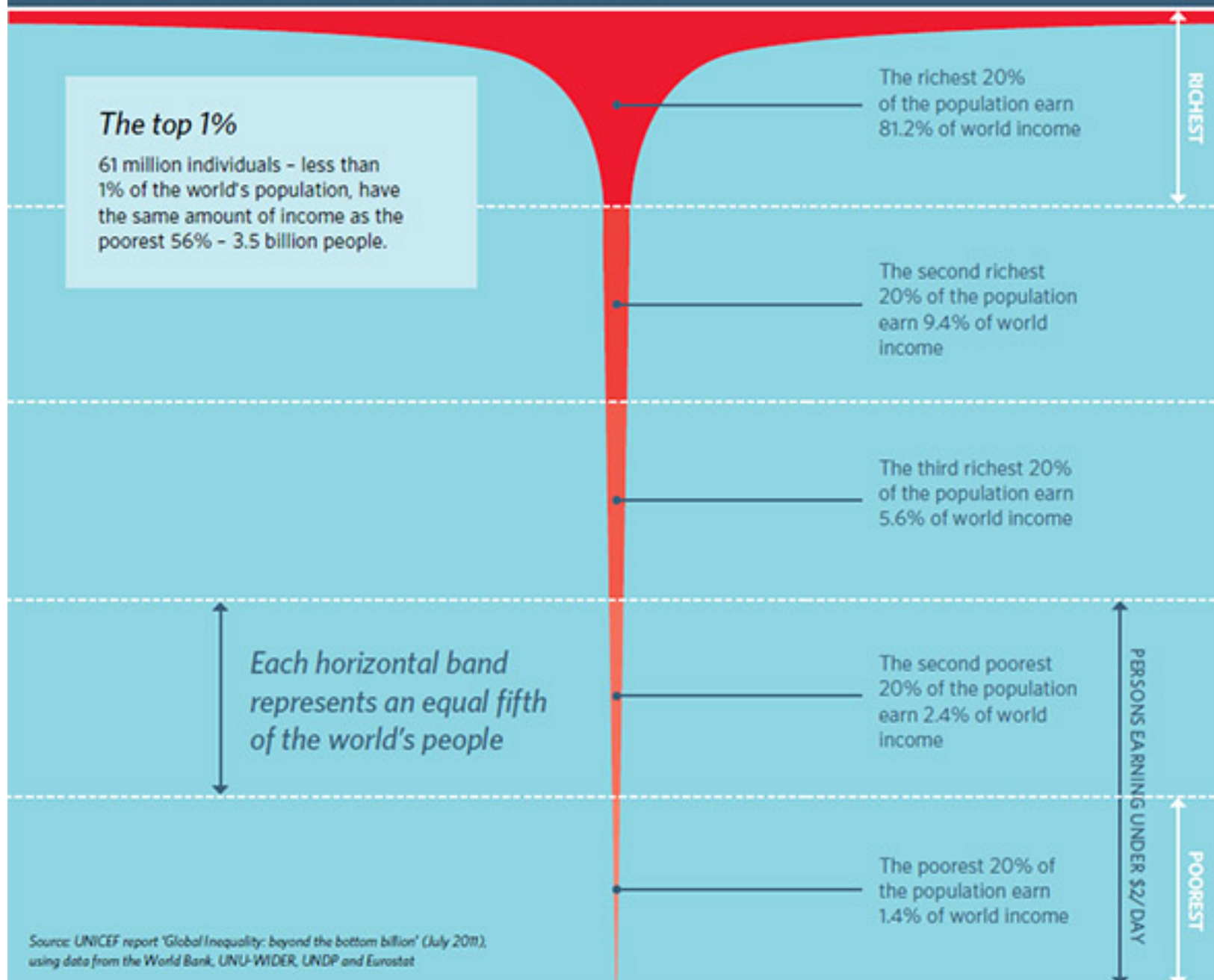
# Exchange of energy

Crude oil and oil products



Source : <http://www.sankey-diagrams.com/tag/trade/> from Global Energy Assessment 2012. IASSA.

## Global wealth distribution by population quintiles



# Follow Up

Go to the FUB webpages or my Weebly pages [fubjs.weebly.com](http://fubjs.weebly.com) and follow the links to readings, video and audio links, and other material.