

Ideology, markets and money

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Contemporary economic theory is considered in terms of the science/ideology distinction. Marx's critique of Hegel is then used to derive a demarcation criterion that sharply separates scientific knowledge from ideology. This critique interprets Hegelian methodology as fundamentally ideological because it understands reality in terms of abstract thought and then hypostatizes that thought as reality. This process is more generally treated in terms of Marx's theory of value and money, in which money really does do what Hegelian logic purports to do. The consequences of considering Marxian theory in this way provide some purchase on the logic and limitations of contemporary economic theory.

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Introduction

Ideology is in general concerned with people's beliefs. This paper is situated within the intellectual tradition that relates subjective beliefs to people's objective conditions of existence. Thus it is presumed that there is an ontological difference between a person's objective conditions of existence and her subjective experience of those conditions, and that an account of the former can meaningfully be given. Hence a theory of ideology has to explain (among other things) this difference. This immediately implies that there is a set of epistemological issues with respect to ideology, which concern the characterisation of 'knowledge' as the vantage-point from which the 'ideological' is identified.¹

The existence of a difference between objective conditions of existence and subjective experience of them implies that the terms 'objective' and 'subjective' can be satisfactorily defined. In the language of the nineteenth century, Marx expressed the contrast between objective and subjective in terms of a contrast between a materialist and an idealist approach to social reality.² If objective conditions of existence and the subjective experience of those conditions are not the same, his materialist explanation had to show how

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¹ This 'critical' approach to ideology is sometimes contrasted with a more 'neutral' one that sees ideologies as 'belonging' to particular groups.

² 'Materialism' as used by Marx is treated in this paper as synonymous with the contemporary term 'realism'.

appearances both are in some sense different from an underlying reality, and at the same time derive from it. Such a contrast founded the claim that ideology was 'false consciousness'. However, this raised more problems than it solved, since it implied a state of 'true' consciousness, yet said nothing about how such a state was to be attained. Politically, it left the way open for those who claimed privileged access to 'knowledge' to form 'vanguard' political parties in the pursuit of state power. Such approaches have hardly been crowned with success.¹

This is one reason why approaches within the Marxist tradition to the analysis of ideology have in recent years been heavily criticised.² Such criticisms (deriving in large part from the work of Foucault) are generally concerned with subverting notions of economic determinism and replacing them with a discursive theory of knowledge, truth and power. Foucault argued that the production of knowledge is the exercise of power. That a discourse might be true or false is subverted, because the issue of truth or falsity is thereby wrongly posed. Rather, within a discourse, regimes of truth can be identified with historically specific relations between power and knowledge, those relations producing the effects of truth in historically specific ways. In many ways this is an attractive approach. The boundary of such a regime of truth (for example, of neoclassical economics) is demarcated by a variety of practices of exclusion. The status of statements is controlled by structural principles (for example, methodological individualism) interior to the discourse, and hence certain types of statement (for example, deriving from non-individualistic traditions) are rejected as false by common consent (thus the denial of classes as agents). Certain individuals are disqualified as speakers, or (as long as they have sufficient quantitative technique) tolerated only as eccentrics, and certain topics and objects of discourse (such as class, race or sex) can only be treated in particular ways. Speakers within the discourse are required to participate in a ritual, adhere to doctrine, join a group, or otherwise conform to what is regarded as acceptable by the social regime whose discourse it is. The 'politics of truth' (the relationships between knowledge, discourse, truth and power) is thereby set against the 'economics of untruth' (the determination of subjectivity by the conditions of production).³

However, what motivates this paper is not that epistemological accounts of ideology have in general been vitiated by economic determinism. It is rather that standard versions of these accounts have not paid *sufficient* attention to the 'economic'. In this paper, the 'economic' is not just a generalised notion summarising material conditions of existence; it has a much more specific content, to do with the pervasiveness of money relations in contemporary society. Money is the form through which social validation is bestowed upon what is exchanged in the market, and as such is the general form of appearance of 'value'. Production for the market and its associated monetary relations certainly preceded capitalism, but it is only with capitalism that market phenomena penetrate all areas of social existence. An adequate theory of the forms that 'value' takes is therefore in part a theory of the appearances of capitalism. As such, the theory of money provides the basis for an epistemological theory of ideology.

It is true that one part of the Marxian tradition has long seen this basis in the reifications of commodity fetishism. A standard argument within this tradition is that failure to recognise these reifications means that tendencies towards universality within particular,

¹ Explanation of failure in terms of the vanguard 'betraying' its followers then compounds the difficulties.

² See, for example, Barrett (1991).

³ The phrases are Foucault's, cited by Barrett (1991, p. vii).

historically determined forms are misconceived as tendencies towards an atemporal universality. The consequence then is that a particular social order is misinterpreted as the universal natural order of things, a slippage characteristic of ideological rationalisations of (and for) the *status quo*. Such slippage is a logic of hypostatisation. The logic of hypostatisation in Hegel and Marx was examined by Colletti (1972, 1973, 1975A, 1975B), has been a continuing theme in the work of Arthur (for example Arthur, 1979), and has been considered more recently by Rosenthal (1998). Otherwise, it has received relatively little attention. Most commentary on Colletti has focused on his philosophical treatment of the dialectic, and his advocacy of a Kantian rather than an Hegelian approach to contradiction. But rather less attention has been paid to a different but related part of his argument, that

the processes of hypostatisation, the hypostatisation of the abstract, the inversion of subject and predicate, far from being in Marx's eyes modes of Hegel's logic that were defective in reflecting reality, were in fact processes that he located . . . in the structure and mode of functioning of capitalist society itself. (Colletti, 1975B, p. 20)

This process of hypostatisation is not only a logic, but also a real process; money is a hypostatisation of the concrete and particular as the abstract and general, and the real effects of such a hypostatisation include the reifications of commodity fetishism. Hence the paper explores the connections between the logics of money and of ideology.

In order to motivate an approach to these connections, the first section of the paper considers some aspects of contemporary economic theory. The second section defines a realist ontology and discusses what sort of epistemology might be compatible with that definition. In doing so, it outlines an interpretation of Marx's critique of German idealism, a critique, that is, of the process of inversion whereby Hegel's philosophy treats concrete reality as abstract thought and then hypostatizes the abstract in the real. While the question of the reality of structures and things is an ontological one, this process of inversion which Marx identified is used to define a criterion of demarcation between science and ideology, and thereby approach the epistemological issue of the truth or otherwise of knowledge. The third section outlines the well-known relation of ideology to the phenomena of commodity fetishism, and then considers commodity fetishism in terms of the process of inversion. It goes on to argue that commodity fetishism is not a simple intellectual mistake, because its inversions derive from the logic of the money-form of value. An account of ideology as the hypostatisation of thought is grounded in the real hypostatisation of the money-form of value.

1. Ideology, science and economics

Contemporary economic theory begins with axioms and assumptions and uses a deductivist methodology to arrive at conclusions; the goal is to provide explanations for prevailing patterns of economic activity (or predictions for those patterns given some parameter change). Much intellectual effort has gone into the construction of economic models, and in order to obtain particular results, such models have to be drastically simplified. In itself, this is neither exceptional nor even remarkable. Indeed, questioning simplifying assumptions as unrealistic is usually not germane, for a model is designed only to capture some feature of the world that is believed worthy of explanation. Progress is held to involve not criticism of assumptions, but the formulation of a better model, where

'better' can take any number of meanings, including for example more parsimony in assumptions, relaxation of restrictions, greater elegance of deduction, and so on.¹

However, consider the issue of aggregation, both aggregation across goods and aggregation across agents. It is not that these simplifications in these areas are 'unrealistic'; it is rather that they are seriously problematic. Consider, first, aggregation across goods. Since the work of Leontief in the late 1940s, it has been known that in general the theoretical condition for aggregation such that the aggregate behaves as though it were a single good is highly restrictive. To replace a vector of quantities of some set of commodities with a scalar which completely summarises that vector requires that the marginal rate of substitution between any two of the commodities being aggregated is independent of the quantity of any commodity outside the set of those being aggregated. One way around this is simply to presume a one-good world, but the number of interesting questions that can be asked within such an approach is limited. A second procedure is to restrict the model to steady-state growth; then there exists a set of intertemporal prices such that all own rates of return are equal, and at *the* rate of interest a chain index of capital for example can be constructed. But there are still difficulties. For suppose there are two price vectors, each satisfying equality of all own rates of return, which support some given efficient output plan; then so will any non-negative linear combination of these price vectors. Yet there is no reason why such a linear combination across steady states will also have all own rates of return equal, and there is therefore no good economic reason to presume it.² The literature, though, is replete with the use of aggregate variables whose aggregation lacks any theoretical rationale.³

Second, consider aggregation across agents. In consumer theory, the explanation of individual consumer demand is sought in constrained utility maximisation on the basis of given preferences and endowments. This should be tested by empirical observations of the way in which people behave in contemporary society. But it is not. For the demand data available is not typically that of the individual, but is rather that of an aggregate of individuals, and that aggregate cannot be treated as representative of its individual components (unless very strong and highly unrealistic assumptions are made about the distribution of preferences or income). When individual excess demand functions are aggregated, the aggregate excess demand function will be continuous, homogeneous of degree zero in prices and (everyone's) income, and (given local non-satiation of preferences over all consumers) satisfy Walras' Law. But no other properties of the individual functions will in general carry over. In particular, the aggregate function may not satisfy the Weak Axiom of Revealed Preference. Further, rather strong assumptions have to be imposed upon the aggregate function to ensure uniqueness and stability, without which comparative statics arguments make little sense.⁴ Accordingly, the only way to combine a rigorous analysis based on individual maximisation with 'rationality' which yields uniqueness and stability is to presume a 'representative agent'. But not only does such a modelling

¹ This is weaker than either Friedman's instrumentalism or Samuelson's critique of it. For Friedman, 'the only relevant test of the *validity* of a hypothesis is comparison of its predictions with experience' (Friedman, 1953, pp. 8–9), and he criticised the confusion of descriptive accuracy with analytical relevance (*ibid.*, pp. 30ff.). Samuelson dubbed this latter the 'F-twist', and asserted that 'the basic F-twist . . . is fundamentally wrong in thinking that unrealism in the sense of factual inaccuracy even to a tolerable degree of approximation is anything other than a demerit for a theory or hypothesis' (Samuelson, 1963, p. 233).

² This was not clearly stated during the 1960s' capital controversies, but see Bliss (1975, chs 7–10) and Dixit (1977).

³ In particular, the use of aggregate production functions widely ignores the outcome of the 1960s' capital controversies.

⁴ For a survey, see Mas-Colell *et al.* (1995, ch. 4).

strategy pose some difficulty in even thinking about such phenomena as asymmetric information, a stock market, and the distributional effects of government policy. It is also that there is some difficulty in conceptualising economic activity and trade at all. Kirman (1992) critically surveys the problems of using a 'representative agent' approach to circumvent aggregation difficulties, and concludes,

the fact that behavior at the macroeconomic level exhibits regularities does not mean that it is useful or appropriate to treat the economy as a maximising representative individual. (Kirman, 1992, p. 134)

But the common justification runs counter to this: aggregate models with their nominal rigidities and their implications for short-run movements in output work reasonably well empirically, and this justifies an opportunistic approach to model construction, even if the theoretical foundations strictly speaking are lacking (Solow, 1997, Blanchard, 1997). The problem is that, while a model with rigidities might account for observed time series, those rigidities have to be theoretically explained. Moreover, the dominant paradigm asserts that that theoretical explanation has to be situated in the Walrasian tradition of general equilibrium in which observed movements in quantities are analysed as an optimising response to observed movements in prices (Lucas, 1977). But when high theory in the Walrasian tradition dispenses with aggregation, the results are disappointing. First, because uniqueness is problematic, and out-of-equilibrium behaviour not well specified, the method of comparative statics lacks a secure rationale. Second, the theory has no real handle on the existence of money and hence on problems of aggregate demand. Third, intertemporal analysis, which attaches a date, and uncertainty, which attaches a state of the world, to each commodity, sit oddly with the empirical paucity of futures markets. And fourthly, modelling time in a finite-dimensional commodity model is awkward, because it appears to imply that at some date the economy will come to an end. In contrast, in infinite horizon (overlapping generations) models, either saddle point stability is assumed, or some additional hypothesis is introduced, additional that is to the basic assumptions of the theory and the market-clearing requirement, which leads to the result. Because ruling out complex dynamics requires strong assumptions, the saddle-point literature is characterised by special rather than by general results. In general, equilibrium paths might be indeterminate (because non-unique), and the fundamental theorems of welfare economics do not hold.¹

These difficulties rarely find an acknowledgement in elementary textbook treatments and in more popularised accounts. There, simplified theories are presented whose justification is sought not in confrontation with a real world, but in terms of an axiomatic rationalism using methodological individualism. There is selective acceptance of non-individualistic agents ('households' are acceptable, classes are not), but the very strong assumptions required to rule out ensuing principal-agent problems are generally neither specified nor examined, and the problems merely assumed away. The usual approach is to assert that it is a characteristic of human nature to be acquisitive, but scarcity is pervasive because wants are unlimited relative to the resources available to satisfy them; hence choices must be made, and economics is the study of these choices and their consequences. Such an axiomatic procedure is valid for all times and all places, and contemporary behaviour is interpreted as just a specific instance (through some specification of

¹ For a survey, see Blanchard and Fischer (1989, ch. 5). An earlier neoclassical account which rehearses many of the conceptual difficulties with equilibrium, uniqueness and stability is Bliss (1975, ch. 2).

the constraint function). There are two major difficulties with this. First, the behavioural specificity of contemporary society is universalised, and the present is then seen as a particular realisation of the universal, rendering detailed historical analysis of economic behaviour unnecessary. Second, what is universalised might not be something true of contemporary society, but rather something that is alleged to be true, for no better reason than it conforms to a first principles axiomatic structure. ‘Rational expectations’ is a good example of this, eliciting the following comments from Blinder:

Direct empirical evidence on individual behaviour is difficult—some would say impossible—to come by. But what little we know from experiments by psychologists . . . does not suggest that *homo sapiens* behaves like *homo economicus*. . . . Inconsistent choices are common. People put too much weight on what has happened to them and their friends and too little on statistical evidence. Framing of the question matters. The von Neumann–Morgenstern axioms are routinely violated. It is remarkable how little impact this evidence has had on modern economics. Is that scientific detachment or religious zealotry? (Blinder, 1987, p. 135)¹

Here ‘modern economics’ is the study of models whose logic is investigated but whose relation to the world is not.² In such circumstances, all empirical instances, no matter how historically different, are then treated as hypostatisations of the same universal. Wage-labour becomes labour; capital becomes the instruments of production; the labour process becomes a production function; acquisitive behaviour becomes human nature, and so on. Economics then easily slides into a self-confirmatory exercise: axioms are postulated and theory is developed through a succession of models, with the empirical world interpreted as exemplar of the theory. This is a logic of hypostatisation.

Lawson (1997) has argued that where axioms and assumptions are fictitious (in the sense of having negligible empirical relevance), the conclusions of deductivist models can only have relevance to the structure of those models, for the models themselves can bear no relation to economic reality. He further argues that the methodological strategy of deductivism requires a foundation of ‘invariant empirical regularities’ (Bhaskar, 1979, p. 127). These do not obtain in the ‘open systems’ (*ibid.*) which economics (like all social science) investigates, and hence more realistic axioms and assumptions within such a methodology would not be an improvement. But Lawson does not attempt to explain *why* what he calls ‘the mainstream economics project’ developed in this manner, nor the mechanisms whereby it is reproduced. He suggests that the emphasis on surface phenomena rather than on deeper structures, and the inspirational role of mathematics in western culture, are both ‘likely contributory factors’, but he does not pursue this (Lawson, 1997, p. 284). The next sections of this paper focus on the logic of hypostatisation in order to suggest that its prevalence in modern economics might have some more general basis in the nature of the capitalist economy itself. This is approached through a consideration of Marx’s critique of German idealism.

2. Thought, reality and hypostatisation

2.1 Realism and idealism

At least since Plato’s account of the cave and its shadows, it has been recognised that the world can only be known through thought and that, since to think is to interpret, interpret-

¹ See also Tversky *et al.* (1990).

² It could be argued that calibration tests such a relation, but the extent to which calibration amounts to an investigation of the relationships between models and the real world is controversial. See, for example, Sims (1996).

tative mental activity is the only process through which anything can be known. The realist tradition asserts the existence of an objective world; that is, it makes the ontological claim that some things exist quite independently of all interpretative activity. But since all theory, including realist theory, proceeds by abstraction, so that real material relationships are theorised as relationships in the mind between formal abstract concepts, there appears to be an unbridgeable dualism between a realist ontology and any epistemology. Historically, attempts to overcome such dualism either have tried to maintain some sort of realism and create a bridge by showing that thought is a derivative of material reality, and, when true, corresponds to it in some sense, or, conversely, they have overcome dualism by abandoning realism and treating that reality as a creation of thought.

The former approach is one focus of much of the British empiricist tradition, but it is the latter approach that is of interest here. For to interpret reality as a derivative of thought has a long pedigree in the German idealist tradition. Formal abstract concepts are treated *as realising themselves in material objects*, and the relationship of material reality to thought is transformed into the relationship of thought to itself. Thought is no longer constrained by a finite empirical world, and indeed denies the reality of the latter *as anything other than the objectification of thought*. Then it becomes possible to argue that the dependence of thought upon reality is only a misleading appearance, because reality is in fact created by thought, as its manifestation. On this basis, Hegel in particular constructed a dialectical process whereby thought alienates itself from itself by objectifying itself in material objects; in so doing, it creates a barrier to its own further development which it then has to overcome. And this dialectic is teleological because it is a process whereby not only does thought eventually come to a self-knowledge of itself as absolute divinity (mind is Mind and Mind is God), but also the arrival at that self-knowledge is inherent in the process from the beginning.

The challenge for ontological realism is how to retain some content in the face of this epistemological idealism. Marx's own writings did not address these issues (at least directly). His early writings were written in the cultural context of German idealism's reaction to Kant, abolishing dualism by abandoning any sort of ontological realism. And once the independence of the object of thought (the material world) from thought itself was denied, there was little distance between philosophy and theology, and the justification of Christianity, or at least some sort of similar theism, became a dominating theme. Marx's early writings are dominated by the working out of his relation to this tradition. But while such a milieu is a considerable distance from contemporary concerns, some of the issues raised have continuing relevance.

Marx argued that Hegel's dialectical philosophy did two things. First, it reduced material reality to thought. Since reality is finite whereas thought is not, material reality can only be aligned with thought if reality is interpreted *as what it is not*, as a potentiality to transcend finitude. Marx called this 'negative' aspect of Hegel's dialectic his 'uncritical idealism'.¹ Second, at any moment of time, thought is *hypostatizing itself as material reality*, so that any reality, no matter what it is, has a reason for its existence. Marx called this 'positive' aspect of Hegel's dialectic his 'uncritical positivism'.² Thus for Marx, Hegel first reduced reality to thought, and then second, interpreted reality as the hypostatisation of thought. 'Thinking' thereby becomes a self-sufficient activity, which is manifested in 'thinkers'. Marx argued that this relation between reality and theorising about reality is

¹ *Economic and Philosophical Manuscripts of 1844*. Marx and Engels, 1974 onwards (hereafter referred to as *MECW*) 3, p. 332.

² *Ibid.*

inverted. The infinite activity of ‘thinking’ is a property of finite ‘thinkers’; the person who thinks is the subject, and the activity of thinking is the predicate. But for Hegel, the predicate becomes the subject and the subject the predicate. Thought, which is the property or predicate of material being, becomes the subject, and the subject, which is material being in a material world, becomes the object of thought.¹

However, this inversion of subject and predicate can only be recognised by a process of thinking, or theorising. The assertion that reality conditions and determines thought and that German idealism inverted subject and predicate is itself an assertion of theory and its associated abstractions. Hence what is required is a demonstration of how the unavoidable processes of abstraction and concretisation involved in a realist account are different from those characteristic of Hegelian idealism.

In one sense, this is not difficult. For Marx, Hegel’s abstractions were idealist: mental generalisations, abstract universals, whose dialectical development of estrangement and supercession is a process of increasing self-awareness of themselves as totalisations. This is a purely logical process, in which the real can only appear through the process of hypostatisation of the abstraction with which the theory began. Hegel’s derivation of the concrete from the abstract is one whereby the concrete (and finite) becomes the manifestation or appearance-form of the abstract (and universal), and the material world is thereby constructed out of thought. For Marx’s project, the issue is different: not how thought constructs reality, but rather how the theorist comes to knowledge of an independent material reality. In this, the recognition of the ‘otherness’ of material reality from theorising about it is critical, for theory becomes knowledge, in however preliminary and circumspect a form, only through its ability to confront the empirical (however theorised the latter is). Thus Marx commented in his notebooks on value theory that he would need

to correct the idealist manner of the presentation, which makes it seem as if it were merely a matter of conceptual determinations and of the dialectic of these concepts. (Marx, 1973, p. 151)

And in the 1873 Postface to the second edition of *Capital I*, he remarked that

the method of presentation must differ in form from that of inquiry. The latter has to appropriate the material in detail, to analyze its different forms of development and to track down their inner connection. Only after this work has been done can the real movement be appropriately presented. If this is done successfully, if the life of the subject-matter is now reflected back in the ideas, then it may appear as if we have before us an *a priori* construction. (*Capital I*, p. 102)

But in another sense, it is very difficult to distinguish a realist from an idealist approach. While common sense suggests that the ‘otherness’ of material reality must impinge somehow on the processes of theory and theorising, it is impossible for anything other than theory to recognise this. That is, there is no independent criterion by which either an idealism that identifies thought and being, or a radical scepticism which knows only solipsism, can be avoided. Moreover, there is an obvious sense in which reality *is* created by thought. For there is a difference between the materiality which constitutes the physical world, and that which constitutes social reality. Human history depends upon ideas in a way in which the structure of the nucleus of an atom does not. In the nexus of social relationships which constitutes human reality, notions such as justice and injustice, liberty and tyranny, equality and inequality are sufficiently fundamental that social reality could in many ways be said to be constituted by such ideas.² But to argue that ideas determine

¹ See, for example, *Contribution to the Critique of Hegel’s Philosophy of Law. MECW 3*, pp. 23–4.

² Michael Williams, in particular, has emphasised this in comments on an earlier version of this paper.

reality in this manner through practice is to focus entirely on the results of those ideas, and not on their origins, and it is the latter that require investigation.

Indeed, if consciousness depends on reality, then such ideas can only originate in that reality, in, that is, practical participation in social relationships and, in particular, practical participation in the market. Realist abstractions are not mental generalisations; they are one-sided aspects or properties of the concrete, the creation of whose commonality (which enables meaningful abstraction) are *real processes*. The process of exchange, for example, is a real process that derives the money-form out of the property that all commodities are produced for exchange. Multilateral exchange generates a representation of what different production processes have in common, and then all trace of what qualitatively differentiates them is absorbed into quantitative differences of amounts of money. Thus the process of exchange as a practical activity abstracts from qualitative heterogeneity to generate a quantitative homogeneity. From this perspective, the mental activity creating the labour theory of value arose out of Adam Smith's observations and reflections on the spread of cottage industry and the growth of markets in eighteenth-century England. The abstraction 'alienation' is a real process in a society in which the direct producers have been deprived of access to either the means of production or the products of their labour, save through the market. Similarly, the abstraction 'the labour market' is derived from a set of particular historical circumstances whose net effect was eventually to drive the peasantry off the land and into the new towns as a landless proletariat. And the abstraction 'unemployment' required that urbanisation as a pre-condition. In sum, realist abstractions are generated by real processes, and are subsequently reflected in thought as the mental generalisations of theory. In place of the idealist identity of thought and being is the realist proposal of being as activity and thought as essentially derivative of activity. While proof is impossible, realist abstractions depend on the ontological 'otherness' of the material world, and in this they are qualitatively different from the idealist abstractions of pure thought.

2.2 Science and ideology

One consequence of a procedure that reduces material reality to thought, and then interprets any instance of reality as hypostatized thought, is that it is always self-confirming. It is true that in Hegel this self-confirmation is complex: via a process of successively superseded hypostatizations of thought, the teleology of the dialectic ensures the ultimate self-confirmation of thought in the grandest possible sense. Self-confirmation does not, however, have to be wedded to such a grand system. Indeed, self-confirmation is in general one of the characteristics of an *ideological* conception of reality. For the defining characteristic of ideological thought, be it racist, religious, sexist or nationalist, is to take as its starting-point some generality, which is then materialised in some concrete particular. As such, this procedure is 'essentialist'. Individual observations (whether real or imagined) are inductively generalised into a universal proposition, or 'essence', which is then used to define the nature of the individual instances. An assertion of what things are becomes a substitute for their explanation, and definitions thereby replace the confrontation of theory with evidence. In this respect, the whole Hegelian system is an example of an ideology.

A scientific approach is different, not in degree but in principle. For while it is notoriously difficult to produce a definition of science which covers all scientific activity, nevertheless a scientific approach is the opposite of self-confirmatory. Science cannot progress unless falsifiable hypotheses can be devised whose testing in some form produces

results which are either consistent with or falsify the theory. While a scientific approach uses particular observations to formulate a general abstract law, and then treats the particular instances as exemplars of the general law, the evidence with which to confront a theory remains different from the theory itself. Without such a realist ontology and methodology of falsification, science becomes impossible.

In one respect, however, it could be argued that scientific thought is apparently similar to ideology. Universal laws (regularities in nature) are never testable without an accompanying set of auxiliary hypotheses, and so it is always problematic to interpret precisely what is being tested. One version of the Duhem–Quine hypothesis is that observations are always theory-laden, so that any hypothesis cannot be regarded as being conclusively refuted by some contrary evidence, and this imports a degree of convention into scientific procedures. Nevertheless, while science proceeds through the formulation of general laws and interprets particular empirical phenomena in terms of those laws, it is possible for empirical phenomena to contradict the general law. Such results might be ignored for a period, but their cumulation eventually leads to substantive revision of the general law. Even if science has elements of normative practice, it is still different from ideology. Whether it confirms or falsifies the general law, the empirical instance has a separate existence from and a different status to it. Because the real world is something other than the materialisation of theory, the assertions of theory, whether in the natural or social sciences, are in some sense testable, and therefore capable of refutation.¹ This is not the case with ideology.

2.3 *From philosophy to economics*

Marx had a particularly crude view of the economists of his day. In *Capital I*, he contrasted ‘classical political economy’ comprising those

who, since the time of W. Petty, have investigated the real internal framework [*Zusammenhang*] of bourgeois relations of production, as opposed to the vulgar economists who only flounder around within the apparent framework of those relations, ceaselessly ruminate on the materials long since provided by scientific political economy and seek there plausible explanations of the crudest phenomena for the domestic purposes of the bourgeoisie. Apart from this, the vulgar economists confine themselves to systematising in a pedantic way, and proclaiming for everlasting truths, the banal and complacent notions held by the bourgeois agents of production about their own world, which is to them the best possible one. (Marx, 1976, p. 174, n. 34)

In the 1873 Postface, he attributed this transition from ‘classical’ to ‘vulgar’ political economy to the conquest of political power by the bourgeoisie, symbolised in Britain by the repeal of the Corn Laws.

From that time on, the class struggle took on more and more explicit and threatening forms, both in practice and in theory. It sounded the knell of scientific bourgeois economics. It was thenceforth no longer a question whether this or that theorem was true, but whether it was useful to capital or harmful, expedient or inexpedient, in accordance with police regulations or contrary to them. In place of disinterested inquirers there stepped hired prise-fighters; in place of genuine scientific research, the bad conscience and evil intent of apologetics. (*ibid.*, p. 97)

Yet despite the crude and polemical language, there is a close relation between these assertions and Marx’s analysis, some 30 years earlier, of Hegel’s inversion of subject and predicate.

¹ An insistence on testability does not entail a commitment to naturalism. See Collier (1979, pp. 79ff. and especially pp. 92–8), and Bhaskar (1979, pp. 127ff.).

Marx's 1843–44 approach was not an analysis in which a potentially subversive dialectic was contingently attached to a glorification of the Prussian *status quo*.¹ It was rather that Hegel inverted subject and predicate first by dissolving concrete reality into abstract thought and then by hypostatising it as the empirical world. The inversion comprising these *two* processes was at the heart of Hegel's dialectic. Then almost immediately, in the middle 1840s, Marx abandoned philosophy for economics, because he had come to realise that there was a very close relation between the structure of Hegel's logic and the economic structure of capitalist reality itself.² His argument was not just that Hegel's reduction of reality to thought had to be inverted by a materialism (or realism) that sees thought as grounded in and determined by an independent material reality. For that would be to ignore the role of hypostatisation in Hegel's idealism. What Marx came to realise was that the Hegelian dialectic's peculiar combination of 'uncritical idealism' and 'uncritical positivism', its reduction of the world to thought and its treatment of the real as the hypostatisation of that thought, was a theoretical approach which exactly mirrored the money relations of generalised commodity production in contemporary capitalism. That is, the abstraction from the concrete, and then the hypostatisation of that abstract as the concrete in Hegel's dialectic, is also the logic of the real processes through which the evolution of money occurred and through which it is maintained in capitalist society.³ It was for this reason that Hegel's dialectic was a useful methodological tool for a philosopher turned economist to use in understanding the workings of a capitalist economy.

3. The theory of value and money

3.1 *The labour theory of value*

Marx began his account of value theory in terms of the commensurability of commodities. Through their different properties, commodities are useful, or have use-value, and these use-values are realised in consumption. Commodities also are bought and sold; they exchange against other commodities in determinate proportions and hence have exchange-value. Marx asserted that that this exchange-value is a form of appearance of value, and that what gives commodities value is that they are all products of labour.

In a society based on private property, the various heterogeneous labouring activities are private, separated from one another, employed in particular production processes. As such, an individual commodity is merely the objectification of the labour of its own particular production process, and is not representative of objectified labour in any general sense. If they are to be commensurated, the values of heterogeneous commodities must be expressed in something that is different from each of them, yet common to all of them. Then the value of a commodity can be expressed through its exchange with another commodity, hence in the physical form or use-value of that other commodity. This is achieved as social development singles out one commodity to act as equivalent of the values of all other commodities. The particular value objectified in any commodity is

¹ Marx's approach was not published until 1927 and 1932. By then the canonical treatment of Hegel in the Marxian tradition had been laid down by Engels in his *Anti-Dühring* (1878), in which he distinguished the revolutionary nature of Hegel's dialectic from the conservative nature of the Hegelian system, and argued for the detachment of the former from the latter. In terms of Marx's 1843/4 analysis, this was nonsensical, for Hegel's dialectic was intrinsic to his system as a whole.

² This interpretation is due to Colletti (1975A).

³ Whether this was just a coincidence is something this paper does not pursue.

thereby completely separated from that commodity and obtains an independent and homogeneous form of appearance as a sum of money.¹

Marx argued that this was not a contingent but a necessary form of appearance of value in societies in which the means of production are privately owned. For all the labour processes of society are then separate and private, and it is the market which decides which labouring activity is to count socially and for how much: profitability determines (*a posteriori*) which private labours in fact have a social validity. But the market does not, however, directly compare different labour processes; it rather commensurates heterogeneous commodities through their expression in one particular commodity that directly represents their value-equivalence to all other commodities. Money is thus the ‘universal equivalent’. Consequently, human labours are commensurated by means of the commensuration of commodity values as amounts of money, and the measure of abstract labour (in terms of its duration, i.e., ‘socially necessary labour-time’) appears as a quantitative money–value relation between commodities.

3.2 *Commodity fetishism*

Marx drew several consequences from this. In the first place, once commodity production has become generalised, and the only way in which private labour can become social is through the successful sale of its commodity output, then the social character of this private labour will be read from the product of labour as its objective characteristics *qua* commodity. The social relations between producers (comprising the relation between the private labour of a particular production process and the total labour of society) take on a form of existence that appears to be quite external to the producers themselves, and instead intrinsic to inanimate commodities. Thus Marx drew attention to ‘the definite social relation between men themselves which assumes here, for them, the fantastic form of a relation between things’, calling it ‘the fetishism which attaches itself to the products of labour as soon as they are produced as commodities’ (*Capital* I, p. 165). Elsewhere, Marx called this fetishism ‘the semblance of objectivity possessed by the social characteristics of labour’ (*ibid.*, p. 167) and talked of money as the

finished form of the world of commodities . . . which conceals the social character of private labour and the social relations between the individual workers, by making those relations appear as relations between material objects, instead of revealing them plainly. (*ibid.*, pp. 168–9)

Second, class relations appear as individual relations. The social relations which separate labour from means of production, and thereby force people into the market to sell labour-power as the only way of gaining access to means of subsistence, are class relations. They are coercive not only because people are generally not free not to enter the market; they are also coercive in the sense that only part of the labour that is actually performed in production is paid for. But because the wage appears to be the price of labour rather than the price of labour-power, all labour appears to be paid for.² Since it is the payment of a wage that allows the worker access to the market for means of livelihood, then a class relation of dependence ‘is veiled by the commodity-form of the product and the money-

¹ It might be objected that it is pure transcendental idealism to derive exchange-value from value as its money-form in terms of a process whereby the opposition between use-value and value, contained within the commodity, is externalised as an opposition between commodities and money. Part of the argument of this paper is to suggest why Marx as a realist could adopt such a procedure.

² For Marx, ‘the form of appearance’ of the wage contract renders ‘the actual relation invisible’ and is ‘the precise opposite of that relation’; yet it is this appearance which grounds notions of justice and illusions of freedom in capitalist society. This was for him of ‘decisive importance’ (*Capital* I, p. 680)

form of the commodity' (*ibid.*, p. 713). In the market, juridical equals exchange products with one another, and the class relations of dependence in production are collapsed into a world of individual relations of independence in exchange.

Accordingly, the social relations of capitalism appear as something different from what they really are. Relations between producers appear as the objective characteristics of commodities, and class relations of production between worker and capitalist take the form of individual relations of the market-place: between consumer and commodity, and between employee and employer. In this manner, generalised commodity exchange forces a disjuncture between capitalist social relations and the way in which they appear, such that theory is required, both to set against the (real) appearances and to account for why those appearances take precisely the forms that they do.¹

In his analysis, Marx drew a parallel with religion (*Value-Form*, p. 22, *Capital I*, pp. 163, 165): the artefacts created by the religious mind are worshipped as though they had an independent existence with creative powers over all animate beings and inanimate things. God becomes the subject, the creator, and human beings the object, the created. Subject and object are thereby inverted. Marx's argument however, was that the same inversion of subject and object is generated by the separation of the producers from their means of production, and hence the separation of the producers from the products of their labour.² In contrast to the case of religion, this real inversion, upon which capitalist material reality is founded, is harder to recognise. Marx's path to it was through his analysis of money.

3.3 Value and money

In June 1867, Engels wrote to Marx commenting on the page-proofs he had just read of what was to become Volume I of *Capital*, and regretting the way in which Marx had treated the relationship between value and value-form. In his reply, Marx explained that he had added an appendix

in which I set out *the same subject* again as simply and as much in the manner of a school text-book as possible . . . the issue is crucial for the whole book. *MECW* 42, p. 384)

In this appendix (Marx, 1994),³ Marx contrasted the material form of a commodity (its use-value) with its social form (its value-form). Value is expressed in the relation of one commodity to another; in such a relation there are always two forms of value: the commodity whose value is expressed (the relative form of value) and the commodity in which that value is expressed (the equivalent form of value). Neither form can exist without the other, while at the same time each form excludes the other. As regards the relative value-form, Marx argued that the value of a commodity acquires in exchange an independent form that acts as 'the mirror of its own existence as value' (*Value-Form*, p. 15), for the exchange relation reduces different kinds of labour to their common property as embodiments of abstract labour. But for the commodity in equivalent form, the situation is rather different, for its own material form is *immediately* the value-form of the other commodity and is exchangeable for it. This reflection led Marx to his discussion of what he called the

¹ This theme is emphasised by Geras (1971).

² For example, 'at the level of material production, of the life-process in the realm of the social—for that is what the process of production is—we find the *same* situation that we find in *religion* at the ideological level, namely the inversion of subject into object and *vice versa* . . .' (*Capital I*, p. 990). The quotation is from his *Results of the Immediate Process of Production*, reprinted as the appendix to the Penguin *Capital I*.

³ The appendix was dropped from the second edition of *Capital I*, its contents being absorbed by the third and fourth sections of a rewritten first chapter.

'peculiarities' of the equivalent form (*Value-Form*, pp. 17ff., *Capital I*, pp. 148ff.).

Four such peculiarities are discussed by Marx in this appendix, of which the first three are relevant here: first, that use-value appears as value; second, that concrete labour appears as abstract labour; and third, that private labour appears as social labour.¹ In each of these peculiarities, the appearance is the opposite of what is 'really' the case. Consider, for example, how concrete labour appears as abstract labour. A commodity expresses its value in another commodity, the latter being the equivalent form of value. Which commodity is in the equivalent form does not here matter, but whichever it is, it expresses the value of the commodity that is in relative form and thereby expresses the materialisation of abstract labour. However, because the equivalent is a particular commodity, its bodily form remains the product not of abstract labour but of some particular labour process. Yet that bodily form is nevertheless the form of appearance of abstract labour. Marx then remarked,

Within the value-relation and the value expression included in it, the abstractly general counts not as a property of the concrete, sensibly real; but on the contrary the sensibly-concrete counts as the mere form of appearance or definite form of realisation of the abstractly general. (*Value-Form*, p. 18)

The labour, that is, which is embodied in the equivalent, does not possess the general property of being human labour; the opposite is the case: representing human labour is the essence of the equivalent, and the specific particular labour which produced the equivalent counts only as the form of appearance of this essence.

This *inversion* (*Verkehrung*) by which the sensibly-concrete counts only as the form of appearance of the abstractly general and not, on the contrary, the abstractly general as property of the concrete, characterises the expression of value. At the same time, it makes understanding it difficult. If I say: Roman Law and German Law are both laws, that is obvious. But if I say: Law (*Das Recht*), this abstraction (*Abstraktum*) *realises itself* in Roman Law and in German Law, in these concrete laws, the interconnection becomes mystical. (*ibid.*, pp. 18–19)

Once the universal equivalent form becomes identified with the natural form of some particular commodity, then it appears that the money-commodity has the natural property of being immediately exchangeable with all other commodities. The reason why a commodity such as gold becomes money is that all other commodities express their values in it; but what appears to be the case is that all other commodities express their value in gold because it is money.² Money is then directly the form of appearance of abstract labour, of labour in general; it is abstract labour hypostatized as a concrete particular.³

Arthur has a similar interpretation:

While Marx accuses Hegel of inverting the real relationship of the abstract and the concrete in that Hegel gives his logical pattern the status (in speculative truth) of the actual ground of particulars, thus making of the latter the mere hypostasis of the abstract essence, Marx himself describes the relation between concrete labours and their abstract identity (as substance of value) in precisely this way. (Arthur, 1979, p. 107)

¹ The fourth peculiarity was that the fetishism of the commodity-form is more striking in the equivalent than in the relative form of value.

² See Marx in *Capital I*, p. 187. For an exploration of how money might be treated if it is not a produced commodity, see Foley (1983, 1998).

³ In his exploration of ideology, Rosen (1996) concludes that the Marxian account requires an ontological commitment to an Hegelian self-realising reproduction that is incompatible with Marxism's claim to be scientific; but he does not discuss issues around the hypostatisation of the abstract in the concrete, which are the concerns of this paper.

This raises the issue of why Marx's strictures against Hegelian metaphysics' explanation in terms of abstract universals (with respect to the theory of law, for example) do not apply to his own theory of value. The very similar language that Marx used both in his enigmatic remarks on Hegel's dialectic¹ and in his discussion of commodity fetishism² suggests that he was aware of this issue. And his explanation turns on the commodity form itself, arising out of historically concrete and particular relations of production. His argument was that commodity production inverts the relation between concrete particular and abstract universal as a basic ontological fact of capitalism: commodities are reduced through exchange to quanta of abstract labour, and abstract labour is materialised in that commodity which serves as the universal equivalent. Thus he can simultaneously condemn Hegelian metaphysics, on the one hand, and analyse the real social relations generating the absurdities of commodity fetishism, on the other. Rosenthal summarises the argument in the following way:

Earlier we remarked on the curiosity of Hegel's presenting the sun as the empirical universality of its satellites, and we have commented at length on the mystification wrought by his 'derivation' of the monarch as the empirical universality of the citizens of the state. Yet the proposition that money is the empirical universality of commodities, is neither curiosity nor mystification. It is correct. (Rosenthal, 1998, p. 188)

4. Concluding remarks

Economic models are not interesting unless the underlying theory to which they give expression is possibly true or possibly false, and this must be ascertainable. For scientific, even social scientific, theory should be different from fantasy. If it lays claim to truth, then scientific theory must be a theory about reality, and its value depends upon how well it represents that reality, upon whether it can make (at least potentially) falsifiable statements. Reference to the objects of theory must at some point take over from refinements of logic, in a confrontation of theoretical explanation with reality. Where that confrontation is lacking, all that is left is intuitive leaps and hermeneutic understandings. Thus, for example, while Kreps is emphatic that theory should be testable, and tested, empirically, he argues that where it is not, theory 'may still lead to better understanding, through a process that combines casual empiricism and intuition' (Kreps, 1990, p. 7). In similar vein, Hahn (after remarking that consumer theory cannot be falsified by the study of aggregate demand functions) comments,

it is neither surprising nor scandalous that a very old theory has no very firm empirical basis. Yet it would be odd to claim that it does not aid understanding. (Hahn, 1984, p. 5)

Casual empiricism and intuition are certainly an important part of the process of the formulation of any theory. But if theory has little systematic concern with evidence, then reality can become a process that generates puzzles, to be understood by a more sophisticated elaboration of existing theory, in which case theory can quickly degenerate from a scientific endeavour to a self-confirmatory exercise. Then economic science becomes economic ideology.

¹ In the Postface to the Second Edition of *Capital I*: 'the mystificatory side of the Hegelian dialectic', 'the mystification which the dialectic suffers in Hegel's hands' (Marx, 1976, pp. 102, 103).

² 'The mystical character of the commodity', 'the mysterious character of the commodity-form' (Marx, 1976, p. 164).

This paper has suggested that the logic of ideology is a logic of hypostatisation, and further that the logic of hypostatisation is one which lies at the heart of the Marxian analysis of capitalism. There is a curious intellectual paradox here. First, a Marxian approach eschews the use of idealist abstractions, or abstract universals, and indeed sees these latter as the hallmark of ideology rather than science. But second, a Marxian approach identifies the dominating characteristic of capitalist society, money, as itself an abstract universal, and this not as a theoretical category but as a real, practical thing. The logic of the market, the hypostatisation of value in money, is a real process that inverts the relation between the general and the particular, and in so doing generates the reifications of commodity fetishism wherein class dependence is dissolved into seeming individual independence. This creates the terrain in which the ideology of methodological individualism holds full sway. In this manner, the hypostatisation of the abstract and general in the concrete and particular underpins both the real process of market exchange and the ideological perceptions that its participants have of that process.

For example, according to the labour theory of value, commodities only have value because they are produced: value is an attribute of produced commodities, which is materialised on their sale. But this entails a characteristic inversion. For it does not appear to be the case that commodities have value because they are produced; rather, what appears to be the case is that commodities are produced because they have value. It is this appearance which motivates 'subjectivist' theories of value, and exchange relations and consumer sovereignty thereby substitute for production relations and class struggle. In such a world, there is no focus on the ownership and control of the means of production. Instead, capital can hire labour or labour capital indifferently; it is a matter of choice whether money is invested or spent on consumer goods, freedom and equality rule, and the thrifty are rewarded with wealth and the profligate with poverty.

Yet the inverted world that is created as a mental act by this focus on circulation is not a simple epistemological mistake, because the real world of circulation is itself characterised by ontologically real processes of hypostatisation. The hypostatisations of the theory have a material basis in the inversions produced by circulation as it actually is. And as abstract labour is hypostatised as money, so historically specific social relations appear in hypostatised form as ahistorical, universal and natural.¹ The relation of the individual to the social context is thereby obscured, as methodological individualism is substituted for relations between individuals and groups (and the relations between those relations). Against this ideological background, the individualism of the market and the labour contract 'interpellates' individuals as subjects, and this enables a representation to individuals of an imaginary relation between them and their real conditions of existence.² But not wholly imaginary, since commodity circulation is a real process.

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¹ That the writings of Locke, the philosopher of the bourgeois individualism of the 'glorious revolution', are contemporaneous with the resolution of the financing of state activities with the formation of the Bank of England perhaps therefore deserves closer attention.

² The formulations that ideology represents the imaginary relationship of individuals to their real conditions of existence, and that in this the process of interpellation is critical, are due to Althusser (1971, pp. 162ff).

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