Marx agreed that markets were important in social control, but his explanation of capitalist accounting, the book argues, amount to an ‘accounting theory’ that explains how individual capitalist and the ‘capital market’ use what is, for many, the invisible hand of accounting to control the production and distribution of surplus value.

Rob Bryer, Accounting for Value in Marx’s Capital: The Invisible Hand

Marxism has found its home, in the academic world, in a variety of disciplines: economics, philosophy, sociology, and political science. An under-appreciated area is Marxist accounting. At first, this seems like a rather strange field in which to develop the theories of Marxism, but Rob Bryer, in his book Accounting for Value in Marx’s Capital: The Invisible Hand, has brought attention to Marxist accounting and its necessity for understanding Marxist theory. This is relevant not only to those who study accounting, but to all who have an interest in Marxism’s basis for value, and, even more importantly, the labor theory of value as a whole.

Rob Bryer, the author of this text, is a professor emeritus of accounting at Warwick Business School, Warwick University. He focuses on accounting theory and specifically how it has been used throughout the history of capitalism. This book is one of two that he wrote on the subject, the former being Accounting for History in Marx’s Capital: The Missing Link. While the two books do complement one another, it is not required that you read both to understand the arguments that Bryer puts forth.

Bryer’s work, specifically the book discussed here, would appeal to a variety of readers: students of Marxism and capitalism, economists interested in value theory, accountants who study historical methods of accounting and valuation, and any reader who wishes to understand more deeply the complexities of Marx’s theory of value. While a little bit of knowledge on accounting and economics may be required to fully appreciate Bryer’s work, his overall project is quite available and—in light of the current discussion among economists and philosophers about the validity of labor theory of value—very timely. At the beginning of the text, he provides a key for the abbreviations of important accounting terms, drastically helping the process of understanding the
intricacies of his argument, especially for those who may not have much background in accounting or economics.

The real value, though, can be found in the philosophy at work—namely, his interpretation of Marx and a breakdown of the details of *Capital Volumes 1-3* to show that a close reading of Marx, according to Bryer, supplies us with all the information we need to develop Marx’s accounting method and how it saves Marx’s iteration of the labor theory of value. It is this method and the results it furnishes that constitute the strength of Bryer’s argument, even when sorting out involved and often seemingly contradictory parts of Marx’s *Capital*.

The basic argument that Bryer puts forth in his book starts with an understanding of how accountants measure economic inputs like capital and labor. It is important to note that the general criticism that Bryer is responding to is that Marx’s theory of value does not compute the proper general rate of profit when applied. Bryer clearly disagrees, and immediately says that an accounting theory can clear this issue up.

As a brief historical point that is not explicit in the text, the theory of value that Bryer is addressing (Marx’s conception of the labor theory of value) has largely been rejected by bourgeois economists who feel that Marx’s model does not fit the profit. These economists reject that labor is the basis for value, and this damages Marx’s argument. However, as Bryer will show, these bourgeois economists have ignored aspects of Marx’s work and Bryer believes he can satisfy their concerns while maintaining the richness of Marx’s theory of value. This is primarily done by shifting the context, in which we understand Marx’s theory from basic economics, to historical accounting.

Bryer mentions a handful of accounting techniques (simultaneist, dual-system, etc.) but makes it clear the Temporal Single-System Interpretation (TSSI) is the most accurate system to analyze 19th-century capitalism. Bryer explains why:

The accounting interpretation shows that Marx’s theory of value determination is ‘temporal,’ that is, it explains how capitalists account for the creation of value through time, in production, and is ‘single-system,’ explains how values and prices are determined and accounted for interdependently, and therefore the TSSI’s rejection of all simultaneist and dual-system interpretations. (9)

As Bryer makes clear, despite the plethora of interpretations available, the TSSI does the best job for evaluating the accounting of firms, like factories, who use capital and labor to generate value.

Once Bryer has identified his accounting apparatus for understanding Marx’s theory of value, he spends the rest of the book analyzing capital and labor and the role it plays in the theory of value that Marx puts forth. In his later chapters, the material becomes denser and focuses on things such as variable capital, fixed capital, and productive and unproductive labor. These are all dimensions of Marx and accounting and essential for clarifying his argument.
These dense chapters can be difficult, especially for those without training in economics and/or accounting. Still, Bryer does an excellent job of breaking things down to their most simple parts and seeing how they work in the overall system.

Once Bryer has successfully outlined all the elements and parts to his analysis, he explains that an accounting method that is “temporal” (like the TSSI), focuses on the value of commodities as they are valued at different points in the process from production to sale. This allows him to see that the value of commodities gains weight from the infusion of labor namely, but in consideration of capital as well. If they are Single-System, the interpretation allows us to see a market as a method of circulation— a significant component of Marx’s argument.

Bryer argues that Marx’s theory of value holds true because a TSSI accounting method reveals that the profit curve fits with Marx’s arguments (the central sticking point for most Marxist and bourgeois economists). This basic argument seems simple, and partially that is a consequence of the simplification of the TSSI method and Marx’s theory of value. Still, it is a significant shift in the status quo of economists who generally reject Marx’s theory of value, and an argument that sheds new light on an old complication.

While we have looked through the argument of Bryer, it is helpful to understand how he breaks apart this process in seven chapters.

In Chapter One (“The Invisible Hand”), Bryer generally describes the various accounting systems and sets up his general thesis “that Marx’s theory of ‘power’— his theory of capitalist control—is coherent and logical, and consistent with evidence of capitalist accounting principles and practices.” (3) Bryer introduces the most provocative argument that Marx’s theory of value is, in fact, an accounting theory. Once we have established this, we can see that “Marx’s theory of value provides the basis for a progressive research program by giving Marxists a ‘critical accounting theory’ that articulates capitalism’s hidden social foundation, and leaves them with the task of ‘critical accounting’…” (5)

In Chapter Two (“Marx’s Theory of Value and Accounting”), Bryer gets into the concerted effort to show “the links between Marx’s theory of value and capitalist accounting’s principles and practices…” (25) This focus on a contemporary look at Marx’s Capital is necessary groundwork for the rest of the text. Bryer begins the linking by saying that Marx used management accounting (a current practice that Bryer believes is manifest in Marx’s analysis). At the basic level, he writes, “Marx’s theory of capitalist accounting in outline is that the management (directors) of a business entity is ‘accountable’ to the capital market for the circuit of Capital, M-C-MM.”” (29) Money to a commodity to more money (M-C-MM) is a fundamental component of Marx’s Capital, and Bryer is right to think that the movement from feudal labor to capitalist labor shows a concentration of power in the capitalist, who here Bryer would call the “director.” The capitalist will work to maximize the value of his commodity because then it’s exchange can be lucrative to retrieve more money. It is Marx’s theory of circulation that attributes the management (the capitalist) to its necessary position
as responsible for engaging this circulation, even if it just due to normal responses to market events.

It is useful to understand the economics at play in this chapter. First, like Marx, Bryer thinks that the value of a commodity is given by the laborer’s labor-time. This is an important point because Marx, as Bryer argues, thinks labor is central to capitalism and this will later be part of his conception of the exploitation of capitalism. But even if we accept labor, Bryer argues that Marx also found the circulation of capital (its movement through the economy in reference to money and other commodities) as a necessary part of his theory of value. His further developments can be found in the next chapter.

Bryer spends Chapter Three (“Accounting and the Production of Capital”) discussing the historical background from which Marx came to first describe his take on capital and capitalism. Bryer rightly notes at the beginning of the chapter when he claims, “Marx was well versed in philosophy, but before he met Engels his ‘practical knowledge of capitalism was nil.’ Engels, by contrast, had ‘invaluable first hand knowledge of the machinery of capitalism’ and knew from his training and experience that accounting was a vital cog.” (59) Marx may have been uncertain about accounting, given his educational background of philosophy, Bryer argues. Still, the more Marx discussed with Engels the nature of accounting, the more his theory of value shifted to better fit into an accounting theory. While not heavily addressed in Bryer’s book, Marx’s correspondence with Engels was essential to his learning accounting theory and, as Bryer argues, this learning became essential for Marx’s theory of value.

Bryer continues that Marx named his *magnum opus* *Capital* because Marx came to understand how powerful capital was. Bryer emphasizes this when he writes:

> In other words, at any point in time, capital functions as (1) money or claims to it (e.g., debtors) waiting to be transformed into necessary use values, or to be distributed to investors, (2) the cost of necessary use values for the production of finished commodities or services (e.g., plant, buildings, stocks of raw materials, and work in progress) or (3) stocks of finished commodities and other commodities for sale. (77)

This explication of the role of the various inputs, at least for Marx and Bryer, shows that capital plays a unique role in both how value and circulation function. In addition, it employs these systems of exchange that allow capitalist development to push forward and become more totalizing.

The Fourth Chapter (“An Accounting Critique of Marxist Economics”) is, arguably, Bryer’s most difficult chapter, in which he uses the accounting theory to critique Marxist economics. Bryer takes his time to show that Marxists may need a new framework, in which to understand Marx’s theory of value, rather than an entirely new and separate theory of value. He approvingly quotes Marx when he writes: “Without capitalism and its history, there is no general rate
of profit, and therefore ‘it is quite appropriate to regard the values of commodities as not only theoretically but also historically prior to the prices of production.’” (112) This is Bryer’s response to the debate over value and price. He does not go into great detail as Marx has responded to this issue in later parts of Capital, but, importantly, Bryer is clear that value is separate from price, as we see some numerical differences between profit and surplus value. Still, they have a relationship with one another that can be parsed out in Marx’s theory of value.

Bryer says that “Marx’s accounting solution explains his value-price data, which was his answer to the question of how competition and capitalists’ calculations operationalized the transformation of values to prices, determined the values (cost prices) of inputs and equal price rates of profit, in reality.” (125) This transformation, worked out mathematically in the chapter, establishes a link between Marx’s theory of value and his accounting theory that begins Bryer’s analysis of why he thinks Marx’s theory of value is not defunct.

The transformation of value to profit talked about above becomes front and center in Bryer’s Fifth Chapter (“Marx’s Accounting Solution to the ‘Transformation Problem’”), where he focuses on Marx’s response to the critique of the “transformation” of value into the price:

An individual capitalist’s surplus value is ‘the measure of the absolute magnitude’ of individual profits, that are its ‘converted form,’ Marx says, because individual capitalists measure profit as a ‘converted form’ of total surplus value, that is, calculate their profit using principles explained by his theory of value, and therefore they sum to total surplus value. (153)

Measurement of profit is necessary because that is the motivating factor in capitalism. Bryer works out a complicated proof here, which I will not reproduce, but suffice it to say that the “transformation problem” has begun to be solved, according to Bryer, by Marx when he links, relatively so, the surplus-value and the rate of profit.

With Chapter Six (“Fixed Capital”), readers without training in economics may find a dense and not a very helpful chapter, though it includes an explication of fixed capital and the role capital plays for Marx:

The key question was measuring the transfer of the value of fixed capital, the ‘degree’ of its transfer to the products, how big the ‘bits’ were. Marx ran into this problem in 1862 and, chapter 3 suggested, his discovery that he could explain capitalist accounting, including fixed capital, precipitated decisions on the presentation of his work and its title. This chapter supports that claim by showing Marx using his theory of value to explain how capitalists account for ‘fixed assets.’ (179)
In the Seventh and final Chapter (“Productive and Unproductive Labor”), the author argues that Marx’s theory of value needs to distinguish productive and unproductive labor:

The chapter argues that the distinction is critical to Marx proving his theory of value, which he uses to explain the categories of ‘productive’ and ‘unproductive’ labor in individual capitalist’s accounts, and to construct accounts for aggregate social capital, providing a generally unrecognized precursor to modern national income accounts, to explain capitalism as a system of reproduction, accumulation, and control. (213)

Bryer shows that Adam Smith got the difference wrong and that “productive labor” is workers paid out of their own labor, whereas “unproductive” is when workers are paid out of the profit of the capitalist.

The primary strength of Bryer’s book is that he utilizes a plethora of economic and accounting apparatuses to reframe Marx’s theory of value. The argument method is compelling and uses a mixture of philosophical approaches as well as of financial and statistical data. This combination clarifies his arguments, and despite the constant use of tables and mathematics in much of the book, he also explains his ideas through prose, allowing those without intimate knowledge of economics and accounting to still appreciate the cogency of his argument.

The major weakness of the text is that it does not resolve the issues with Marx’s theory of value completely. While capital plays a pivotal role in this book, Bryer less so engages labor and how the value of commodities is enumerated by labor-time (the core of Marx’s argument in Capital Volume I). This omission means that questions involving the general rate of profit, economist’s most significant issue with Marx’s theory of value seems to be more of a response to economist now rather than addressing the history of economy and theories of value. While Bryer does not totally abandon labor, he downplays it to better fit the accounting model, and this, in my opinion, weakens his argument and does little to account for inputs outside of capital.

Bryer’s text is rich with an investigation into how value, as it is understood now, can help us realize that Marx, years ahead of his time, created a theory of value that current accounting techniques substantiate. Bryer does a great job of providing accessible prose coupled with more technical and mathematical explanations. Marxist accounting, thanks to Bryer, and those like him, provides a venue by which to reappreciate Marx’s theory of value and its validity both historically and scientifically.

Bryer does not give us the absolute solution, if it even exists; we need to verify Marx’s theory of value. Still, he has done necessary groundwork that can be taken up in future research. A proper verification
would require more than an accounting theory. Nevertheless, this ground is rich thanks to Bryer, and we would be remiss to ignore it.

Michael Broz