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Review of Capital as Power

Isabella K. Sabatino wins the 2026 CASP Essay Prize

By the RECASP editors

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The Review of Capital as Power is pleased to announce that Isabella K. Sabatino has won the 2026 CASP Essay Prize for her landmark paper ‘[Humbug Labor Values](#)’.¹

Sabatino’s paper takes aim at Anwar Shaikh’s method for ‘testing’ the labor theory of value. The back-story behind Sabatino’s work is that in 1974, Shaikh published a devastating critique of the neoclassical theory of economic growth. Shaikh demonstrated that under the condition that the labor share of income is fairly constant over time, the Cobb-Douglas production function reduced to an accounting identity, defined by the bookkeeping rules within the national accounts (Shaikh, 1974). To demonstrate this principle, Shaikh showed that the Cobb-Douglas function ‘worked’ when fed nonsense data that spelled the word ‘HUMBUG’.

Here’s where Sabatino’s work comes in. For decades, Shaikh has argued that Marx’s labor theory of value can be tested using input-output data from the national accounts (Shaikh, 1984, 1998, 2016). The idea is that through this data, one can impute the ‘labor value’ embodied in a dollar of output from each sector. One can then test whether this ‘labor value’ predicts the actual value of output in each sector. Time and again, Shaikh has demonstrated that this method confirms the labor theory of value. Across US sectors, ‘vertically integrated labor values’ strongly predict the value of gross sales.

So the case appears closed. The labor theory of value is sound and Marx was right all along.

Unfortunately, there are some slight problems. In 2009, Nitzan and Bichler outlined a small snag, which is that attempts to test the labor theory of value are entirely circular. Since Marxists cannot observe the value produced by labor, they impute this quantity from the very thing they are seeking to explain ... prices themselves:

Since [labor] values are forever unknown, we need to first convert prices into ‘values’ and then correlate the result with prices. It seems reasonable to expect the outcome to be positive and tight. After all, we are correlating prices with themselves.

(Nitzan & Bichler, 2009)

¹ Sabatino’s paper was submitted in 2024 and awarded the Capital as Power Essay Prize, contingent on major revisions that took several years to complete.

Enter Isabella Sabatino. Having studied with Shaikh at The New School, Sabatino is well versed in the nuts and bolts of Shaikh's method. When she dissects this method, she finds exactly the circularity that Nitzan and Bichler predict. Sabatino demonstrates that Shaikh's 'test' of the labor theory of value consists of an elaborate algorithm for correlating sectoral gross sales with a manipulated version of themselves.

As a fitting demonstration of this circularity, Sabatino takes a cue from Shaikh himself. She demonstrates that one can feed nonsense data into Shaikh's method, and still appear to vindicate the labor theory of value. Indeed, the operation 'works' on input-output data that spells 'HUMBUG'.

Sabatino concludes that Shaikh's method consists of an elaborate technique for sidestepping an unsolvable problem. As long as 'labor values' remain unobservable, the labor theory of value cannot be tested:

Shaikh's work amounts to an elegant interpretation of Marxist theory, restated through the lens of Sraffian analysis. Its elegance, however, cannot overcome the core flaw in the labor theory of value, which is that Marxist labor values are fundamentally unobservable.

(Sabatino, 2026)

We (the editors of RECASP) feel that Sabatino's paper is a major contribution to the field of value theory. And we hope that it will spark new debate about the merits of clinging to century-old dogma about the origin of monetary value.

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