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G. A. COHEN

## The Labor Theory of Value and the Concept of Exploitation

It is we who ploughed the prairies, built the  
cities where they trade,  
Dug the mines and built the workshops,  
endless miles of railroad laid,  
Now we stand outcast and starving, 'mid  
the wonders we have made. . . .

“Solidarity,” by Ralph Chaplin (to the  
tune of “Battle Hymn of the Republic”)

This essay shows that the relationship between the labor theory of value and the concept of exploitation is one of mutual irrelevance. The labor theory of value is not a suitable basis for the charge of exploitation laid against capitalism by Marxists, and the real foundation of that charge is something much simpler which, for reasons to be stated, is widely confused with the labor theory of value.

### I

I begin with a short exposition of the labor theory of value as we find it in Volume 1 of *Capital*. (Differences between Volume 1 and later parts of *Capital* will be adverted to later.) I shall first define the term “value,” and then state what the labor theory says about what it denotes. What follows is one way of presenting the first few pages of Volume 1 of *Capital*. Having completed the presentation, I shall describe a different way, which I do not think is right.

It is convenient to define value by reference to exchange-value, with which we therefore begin.

Exchange-value is a property of things which are desired; in Marxian language, then, it is a property of use-values.<sup>1</sup> It is, however, a property, not of all use-values, but of those use-values which are bought and sold, which undergo market transactions. Such use-values Marxism calls "commodities." Exchange-value, then, is a property of commodities.

What property is it? The exchange-value of a commodity is its power of exchanging against quantities of other commodities. It is measured by the number of commodities of any other kind for which it will exchange under equilibrium conditions. Thus the exchange-value of a coat might be eight shirts, and also three hats, and also ten pounds sterling.

Exchange-value is a relative magnitude. Underlying the exchange-value of a commodity is its value, an absolute magnitude. A commodity *a* has *n* units of commodity *b* as its exchange-value just in case the ratio between the values of *a* and *b* is *n* : 1. The exchange-values relative to one another of two commodities will remain the same when each changes in value if the changes are identical in direction and proportion.

The central claim of the labor theory of value is that magnitude of value is determined by socially necessary labor time. To be more precise: the exchange-value of a commodity varies directly and uniformly with the quantity of labor time required to produce it under standard conditions of productivity, and inversely and uniformly with the quantity of labor time standardly required to produce other commodities, and with no further circumstance. The first condition alone states the mode of determination of value *tout court*.

The labor theory of value is not true by the very definition of value, as we defined it. In alternative presentations of the opening pages of Volume 1, value is *defined* as socially necessary labor time. But a stipulative definition of a technical term is not a theory, and when value is defined as socially necessary labor time, it cannot also be a central theoretical claim of the labor theory that socially necessary labor time determines value. Still, those who favor the alternative definition

1. Fuller definitions of the technical terms used here will be found in my *Karl Marx's Theory of History* (Oxford and Princeton, 1978), Appendix II.

sometimes do advance to a theoretical thesis, namely that value determines equilibrium price: in equilibrium price equals value, the latter being defined in terms of socially necessary labor time.

The size of this dispute can be exaggerated. We have two propositions:

- (1) Socially necessary labor time determines value.
- (2) Value determines equilibrium price.

We say that (2) is true by definition. Others say that (1) is.<sup>2</sup> But whoever is right, the conjunction of (1) and (2) entails that

- (3) Socially necessary labor time determines equilibrium price,

and (3) is not true by definition, on any reckoning. As long as it is agreed that the labor theory of value, Volume 1 version, says (3), and that (3) is not true by definition, I do not wish to insist on my view that the definitional truth is (2) rather than (1). Almost all of what follows could be restated so as to accommodate the other definition. (One bad reason why the other definition finds favor will be presented later.)

We now turn to a supposed<sup>3</sup> corollary of the labor theory of value, the labor theory of surplus value.

The labor theory of surplus value is intended to explain the origin of non-wage income under capitalism. Call the energies and faculties the worker uses when laboring his *labor power*. Now note that under capitalism labor power is a commodity. It is sold in temporal packets by the worker to the capitalist. Being a commodity, it has a value, and like any commodity its value is, according to (1), determined by the amount of time required to produce it. But the amount of time required to produce it is identical with the amount of time required to produce the means of subsistence of the worker, since a man's labor power is produced if and only if he is produced. Thus "the value

3. The labor theory of surplus value is not, as I shall show elsewhere, validly derived from the labor theory of value.

2. For example, Ronald Meek, in *Smith, Ricardo and Marx* (London, 1977), p. 95. Meek treats (1) as true by definition and (2) as the substantive thesis. He acknowledges on p. 127 that the issue is contestable.

of labour power is the value of the means of subsistence necessary for the maintenance of the labourer.”<sup>4</sup> The origin of non-wage income is, then, the difference between the value of labor power and the value produced by him in whom it inheres. It is the difference between the amount of time it takes to produce what is needed to keep a producer in being for a certain period and the amount of time he spends producing during that period.

The capital paid out as wages is equal to the value of the producer’s labor power. It is known as *variable capital*. The value produced by the worker over and above that represented by variable capital is called *surplus value*. The ratio of surplus value to variable capital is called *the rate of exploitation*:

$$\begin{aligned} \text{The rate} \\ \text{of exploitation} &= \frac{\text{surplus value}}{\text{variable capital}} \\ &= \frac{\text{surplus value}}{\text{value of labor power}} \\ &= \frac{\text{time worked} - \text{time required to produce the worker}}{\text{time required to produce the worker}} \end{aligned}$$

## II

Why is the term “exploitation” used for what the rate of exploitation is a rate of? Is it because the term, as used in that phrase, denotes a kind of injustice? It is hard to think of any other good reason for using such a term.

Yet many Marxists say that the Marxian concept of exploitation is a *purely* scientific one, with no moral content. They say that to assert, in the language of Marxism, that *a* exploits *b*, is to offer no condemnation or criticism of *a*, or of the arrangements under which *a* operates. For them, (4) is false:

4. Karl Marx, *Capital*, vol. 1 (Moscow, 1961), p. 171. Strictly speaking, the value of labor power is, according to Marx, the value of the means of subsistence needed to reproduce the labor supply, and therefore includes the value of the means of raising children. This complication, which does not benefit the theory, will be ignored here.

- (4) One reason for overthrowing capitalism is that it is a regime of exploitation (and exploitation is unjust).

Two kinds of Marxist deny (4). The first kind does so because he denies that there is *any* reason for overthrowing capitalism. One just does it, as it were. Or one does it because of one's class situation, or one's morally ungrounded identification with the class situation of other people.

The second kind believes that there are good reasons for overthrowing capitalism, but that injustice is not one of them, since justice, he says, is not a Marxian value. What is wrong with capitalism is not that it is unjust, but that it crushes human potential, destroys fraternity, encourages the inhumane treatment of man by man, and has other grave defects generically different from injustice.

Now I am certain that many Marxists have held (4), among them Karl Marx. But I shall not defend the last sentence. Marxists who deny it will find this essay less challenging, but I hope they will read it anyway. For while my main topic is the relationship between (4) and the labor theory of value, in pursuing it I uncover deep and neglected ambiguities in the labor theory of value itself, and no Marxist will deny that many Marxists do affirm the theory of value.

### III

I begin with an argument which is based on the labor theory of value, and whose conclusion is that the worker is exploited, where that is taken to entail an injustice. We can call it the Traditional Marxian Argument. It may be attributed to those believers in (4) who hold that the labor theory of value supports (4):

- (5) Labor and labor alone creates value.
- (6) The laborer receives the value of his labor power.
- (7) The value of the product is greater than the value of his labor power.
- ∴ (8) The laborer receives less value than he creates.
- (9) The capitalist receives the remaining value.
- ∴ (10) The laborer is exploited by the capitalist.

Premise (5) comes from the labor theory of value, and the labor theory of surplus value supplies premises (6), (7), and (9).

This statement of the Traditional Marxian Argument is incomplete in two respects. First, an essential normative premise is not stated. Its content, in very general terms, is that, under certain conditions, it is (unjust) exploitation to obtain something from someone without giving him anything in return. To specify the conditions, and thereby make the premise more precise, is beyond the concern of this essay. A rough idea of exploitation, as a certain kind of lack of reciprocity, is all that we require.

The other incompleteness, also not to be rectified here, is the argument's failure, as stated, to characterize pertinent features of the relationship between capital and labor, such as the fact that the laborer is *forced*, by his propertylessness, to work for the capitalist. This disputed truth will not here receive the refined statement it deserves.<sup>5</sup>

Note, finally, that the Traditional Argument, like the rest of this essay, speaks of "*the* laborer" and "*the* capitalist," thereby individualizing the class relationship, in imitation of *Capital's* practice. This sidesteps the problem of identifying the working and capitalist classes, which is greater now than it was in Marx's time. I am certain that the problem has a solution which preserves the application of arguments like the Traditional one, but it, too, is not provided in this paper.

#### IV

The Traditional Argument employs the labor theory of surplus value, which yields premises (6), (7), and (9). But they can be replaced by a truism, which will contribute no less well than they to the conclusion that the laborer is exploited. The result is this simpler Marxian argument (statement (11) is the truism):

5. One who disputes this truth is Robert Nozick, in *Anarchy, State, and Utopia* (New York, 1974), pp. 262-264. The truth is defended against Nozick in my "Robert Nozick and Wilt Chamberlain," in J. Arthur and W. H. Shaw, eds., *Justice and Economic Distribution* (Englewood Cliffs, 1978), pp. 257-259. Some refinements are attempted in my "Capitalism, Freedom and the Proletariat," in a *Festschrift* for Isaiah Berlin to appear in 1979.

- (5) Labor and labor alone creates value.
- (11) The capitalist receives some of the value of the product.
- ∴ (8) The laborer receives less value than he creates, and
- (12) The capitalist receives some of the value the laborer creates.
- ∴ (10) The laborer is exploited by the capitalist.

The labor theory of *surplus* value is, then, unnecessary to the moral claim Marxists make when they say that capitalism is exploitative. It does not matter what *explains* the difference between the value the worker produces and the value he receives.<sup>6</sup> What matters is just that there is that difference. (Note that although the Simpler Marxian Argument drops the labor theory of surplus value, there is still a recognizable concept of surplus value in it, namely the difference between the value the worker produces and the value he receives; and the value he receives can still be called variable capital.)<sup>7</sup>

## V

We began with the labor theory of value, the thesis that the value of a commodity is determined by the socially necessary labor time required to produce it. We have arrived at an argument whose conclusion is that the laborer is exploited by the capitalist, and which supposedly draws one of its controversial premises from the labor theory of value. That is premise (5), that labor and labor alone creates value. But we shall now show that the labor theory does not entail (5). It entails, moreover, that (5) is false.<sup>8</sup>

6. It does not matter to the moral claim about exploitation, even if it is interesting from other points of view.

7. It is the concept of variable capital, not that of the value of labor power, which is crucial in the key theoretical applications of the labor theory of value, for example, in the reproduction schemas, in the transformation of values into prices, in the doctrine of the tendency of the rate of profit to fall. *Capital* allows at least short-term divergences between the value of labor power and variable capital per laborer; and wherever there is such a divergence, it is the second, not the first, which must be inscribed in the relevant equations.

8. In the traditional sense of (5), according to which part of what is claimed in saying that labor creates value is that quantity of value is a function of quantity of labor. Other possible senses, such as that dealt with in section X below, are irrelevant here.

Suppose a commodity has a certain value at a time  $t$ . Then that value, says the labor theory, is determined by the socially necessary labor time required to produce a commodity of that kind. Let us now ask: required to produce it *when*? The answer is: at  $t$ , the time when it has the value to be explained. The amount of time required to produce it in the past, and, *a fortiori*, the amount of time actually spent producing it are magnitudes strictly irrelevant to its value, if the labor theory is true.

Extreme cases make the point clear. (a) Suppose there is a use-value  $a$ , which was produced in the past, when things such as  $a$  could come into being only through labor, but that labor is no longer required for things such as  $a$  to appear (perhaps  $a$  is a quantity of manna, produced by men at a time before God started what we imagine is His now usual practice of dropping it). Then according to the labor theory of value,  $a$  is valueless, despite the labor “embodied” in it. (b) Contrariwise, suppose there is a commodity  $b$  now on the market, and that  $b$  was not produced by labor, but that a great deal of labor is now required for  $b$ -like things to appear. ( $B$  might be a quantity of clean air bottled before it became necessary to manufacture clean air.) Then  $b$  has a value, even though no labor is “embodied” in it.<sup>9</sup>

These statements follow from the labor theory of value. The theory entails that past labor is irrelevant to how much value a commodity now has.<sup>10</sup> But past labor would not be irrelevant if it created the value

9. It might be objected that  $b$  cannot have a value for Marx, since he defines value for products of labor only. The textual point is probably correct (see *Capital*, vol. 1, p. 38, for support), but no wise defender of Marx will want to urge in his defense the unfortunate lack of generality of the labor theory. Still, if anyone is impressed by the objection, let him imagine that *very little* labor went into  $b$ . The crucial point, which the extreme examples are only meant to dramatize, is that there is, according to the labor theory, “continuous change of value-relations,” since the amount of labor required to produce something of a certain kind is subject to variation. See *Capital*, vol. 2 (Moscow, 1957), p. 72.

10. Despite the misleading terminology in which it is cast, this is true even of Sraffa’s “dated quantities of labour” analysis. See P. Sraffa, *Production of Commodities by Means of Commodities* (Cambridge, 1960), chap. 6; and I. Steedman, *Marx After Sraffa* (London, 1977), p. 70, fn. 3.

of the commodity. It follows that *labor does not create value, if the labor theory of value is true.*

Let us call the thesis that value is determined by socially necessary labor time—that is, the labor theory of value—the *strict doctrine*, and let us say that such sentences as (5), or ones which speak of value as embodied or congealed labor, belong to *the popular doctrine*. Strict and popular doctrine are commonly confused with one another, for several reasons. The least interesting reason—more interesting ones will be mentioned later—is that Marx often set formulations from the two doctrines side by side. Examples:

The value of one commodity is to the value of any other, as the labour-time necessary for the production of the one is to the labour-time necessary for the production of the other. “As values, all commodities are only definite masses of congealed labour time.”

. . . so far as the *quantity of value* of a commodity is determined, according to my account, through the *quantity of labour-time contained in it* etc., then [it is determined] through the normal amount of labour which the production of an object costs etc. . . .<sup>11</sup>

I am not saying that Marx never showed any awareness of the difference between the strict and the popular doctrine. This sentence proves otherwise:

What determines value is not the amount of labour time incorporated in products, but rather the amount of labour time currently necessary.<sup>12</sup>

“Currently necessary”: at the time, that is, when the commodity has the given value. The relevant socially necessary labor time is that required now, not that required when it was produced:

11. For the first example, see *Capital*, vol. 1, pp. 39-40. (Marx is quoting from his earlier work, *A Contribution to the Critique of Political Economy*.) For the second, see “Notes on Adolph Wagner,” in T. Carver, ed., *Karl Marx: Texts on Method* (Oxford, 1975), p. 184.

12. Karl Marx, *Grundrisse*, trans. M. Nicolaus (Harmondsworth, 1973), p. 135. I have replaced Nicolaus’s “at a given moment” by “currently,” which gives a more literal translation.

The value of every commodity . . . is determined not by the necessary labour-time contained in it, but by the social labour-time required for its reproduction.<sup>13</sup>

So I do not say that Marx was ignorant of the difference between the two doctrines. But I do say that the difference is damaging to key Marxian theses. It has grave implications, which are widely unnoticed and which were not noticed by Marx. Our chief concern is with implications for the idea of exploitation. There are also implications for pure economic theory, some of which will occupy us in a subsequent digression. But first let us look more carefully at the differences between the two formulations.

There are two reasons why the amount of labor which was actually spent on a particular product might differ from the amount now standardly required to produce that kind of product. The first is a non-standard level of efficiency in the actual labor process, which can be more or less efficient than the social norm. The second is technological change, which alters that norm.

Consider the case of inefficient labor. Marxists have always regarded it as a particularly inept criticism of the labor theory of value to object that it entails that an inefficiently produced lamp has more value than one produced efficiently and therefore in less time. And the asserted consequence does indeed fail to follow from the strict doctrine. But why should it not follow from the popular doctrine? If labor creates value by, as it were, congealing in the product, then if more labor is spent, must not more labor congeal, and will there not then be more value in the product?

The case of inefficient labor shows the incompatibility between the strict and the popular doctrines. Marxists know about that case, but they are nevertheless reluctant to reject the popular doctrine. After all, the reason why both doctrines exist in Marxist culture, why neither one is enough, is that each has intellectual or political functions (or both) of its own to fulfill. Accordingly, faced with problems such as that of inefficient labor, many Marxists propose a mixed formula-

13. *Capital*, vol. 3 (Moscow, 1966), p. 141. (To reproduce a commodity is to produce another just like it.)

tion, the purpose of which is so to modify the popular doctrine as to bring it into line with the strict doctrine. And so it is said, in response to the case of inefficient labor, that

- (13) The worker creates value *if, and only in so far as*, his labor is socially necessary.

To the extent that actual labor time exceeds what is standardly required, labor is not value-creating. The formulation is obviously intended to preserve the popular idea of creation, without contradicting the strict doctrine. But we shall show that this cannot be done. The strict doctrine allows no such mixed formulations.

The strict doctrine certainly rules out (13), since (13) cites the wrong amount of socially necessary labor time, namely that which is required when the commodity is being created,<sup>14</sup> rather than that which is required when the commodity is on the market. To have any prospect of being faithful to the strict doctrine, a mixed formulation must say not (13) but some such thing as this:

- (14) The worker creates value *if, and only in so far as*, the amount of labor he performs *will be* socially necessary when the product is marketed.

Marxists think (14) follows from the strict doctrine because they mistakenly suppose that (14) follows from something the strict doctrine does entail, but which is of no relevant interest, namely,

- (15) Value is determined by (that is, *inferable from*) expended labor time when the amount expended is what will be socially necessary when the product is marketed.

Statement (15) does follow from the strict doctrine, just as (16) follows from the true doctrine about barometers:

- (16) The height of a mercury column on day 2 is determined by (that is, *inferable from*) the atmospheric pressure on day 1 when day 1's atmospheric pressure is what day 2's atmospheric pressure will be.

14. There may, of course, be no such unique quantity: so much the worse for (13).

Statement (16) is entailed by the truth that day 2's atmospheric pressure makes the height of the mercury column on day 2 what it is. But (16) does not entail that day 1's atmospheric pressure makes the height of the mercury column on day 2 what it is. And (15), similarly, gives no support to (14).

The general point is that if a magnitude  $m$  causally depends upon a magnitude  $m'$ , and it is given that a magnitude  $m''$  is equal to  $m'$ , then whatever  $m''$  is a magnitude of, magnitude  $m$  will be inferable from magnitude  $m''$ . There could then be an illusion that magnitude  $m''$  *explains* magnitude  $m$ . Just that illusion, I claim, seizes anyone who supposes that (14) is consistent with the strict doctrine.

An additional problem for the mixed formulation is the case of abnormally efficient labor, or of labor which used means of production superior to those now available, where in each instance *less* labor than is now socially necessary was expended. One cannot begin to claim in such a case that value is created by labor subject to the constraint that the amount expended will be socially necessary, since here not enough labor is expended. When there is *inefficiency*, there is a chance of pretending that some of the labor which occurred did not create value. Where there is special *efficiency*, there can be no similar pretense that labor which did not occur did create value.

We conclude that attempts to salvage the popular idea of creation by recourse to mixed formulations will not succeed.

## VI

What was required in the past, and still more what happened in the past—these facts are in principle irrelevant to how much value a commodity has, if the labor theory of value is true. But they are not epistemically irrelevant. For since technical conditions change relatively slowly, socially necessary labor time in the recent past is usually a good guide to socially necessary labor time now. Typical past actual labor time is, moreover, the best guide to how much labor time was necessary in the past. Thereby what did occur becomes a good index of what is now required. It does not follow that it creates the value of the commodity.

Our argument shows that if the labor theory of value is true, labor does not create value. But it would be quixotic to seek a basis *other than* the labor theory of value for the proposition that labor creates value.<sup>15</sup> We may therefore take it that labor does not create value, whether or not the labor theory of value is true.

Some will ask, If labor does not create value, what does? But it is a prejudice to suppose that value must be *created*. Something must, of course, explain value and its magnitudes, but not all explainers are creators. One putative explanation of value magnitudes is the labor theory of value, the strict doctrine. But it identifies no creator of value, unless we suppose that explaining is creating. *What would now be needed to produce a commodity of a certain kind*—that is not a creator in any literal sense.

Why is the popular doctrine popular? One reason is that it appears more appropriate than the strict doctrine as a basis for a charge of exploitation. We shall see (sections VIII and IX) that neither doctrine supports such a charge, but it is clear that the popular doctrine *seems* better suited to do so, just because it alone says that labor *creates* value. But a partly distinct reason for the popularity of the popular doctrine is that certain arguments against the strict doctrine tend to be met by an illicit shift to popular formulations. This will be explained in the next section, where the theme of exploitation is in abeyance, and where I argue that the strict doctrine is false. The discussion of exploitation is completed in sections VIII, IX, and X, which do not presuppose the next one.

## VII

An obvious argument against the labor theory of value is that magnitude of value is affected by things other than socially necessary labor time. One such different thing is the pattern of ownership of means of production, which can affect values, through the distribution of bargaining power which reflects it. Products of means of production on which there is some degree of monopoly are likely for that reason

15. In, that is, the traditional sense of “labor creates value,” which is the relevant sense here: see fn. 8.

to command a higher price in equilibrium than they otherwise would, and therefore to have a higher value, under the definition of value we have given.

But if value is something the explanation of which must literally create it, then since ownership of means of production literally creates nothing, it would follow that, despite appearances, the pattern of that ownership cannot affect value formation. And that is what a Marxist says. He says that labor alone creates *value*: the pattern of ownership can affect price, and hence how much value various owners *get*. But no part of what they get is created by ownership.

But this line of defense depends essentially on the idea that labor *creates* value. If we stay with the strict doctrine, which rightly does not require that anything *creates* value, it has no motivation whatsoever.

To make this more clear, we return to the three propositions in our initial presentation of the labor theory of value:

- (1) Socially necessary labor time determines value.
- (2) Value determines equilibrium price.
- (3) Socially necessary labor time determines equilibrium price.

Recall our view that the definitional statement is (2), and that (1) is the substantive theory. (1) and (2) entail (3). We said we would say why some prefer to see (1) as true by definition. Here is one reason why.

Counterexamples to (3) abound, such as the one we noted about pattern of ownership of means of production, or the cases of divergences in period of production and organic composition of capital. Statement (3) is false, and much of Volumes 2 and 3 of *Capital* is devoted to this fact.

Now if (3) is false, one *at least* of (1) and (2) must be false. If (2) is true by definition, then (1) is false, and the labor theory of value is sunk. What Marxists therefore do is to treat (1) as true by definition—so that counterexamples to (3) cannot touch it—and then simply drop (2). But this deprives the labor theory of all substance. That consequence, is, however, concealed by construing (1) in a popular fashion, by thinking of it as saying something like: labor *creates*

value, for that does not look like a definition. It is then said that whatever determines market ratios, and thereby who gets what amounts of value, labor alone creates the value there is to get. The popular doctrine supplies an appearance of substance when, under pressure of counterexample, (1) is treated as true by definition, (2) is dropped, and the theory is, in reality, drained of all substance. Volume 1 of *Capital*, because of its simplifying assumptions, can proceed under definition (2) of value. When the assumptions are relaxed, (1) and (2) cannot both be true. Hence, in Volumes 2 and 3, statement (2) is abandoned.

At this point it is instructive to look at a central part of Marx's critique of Ricardo. If I am right, it depends on popular formulations.

Ricardo defined value as at (2) above, and provisionally asserted something like (1), and therefore, too, (3). He then acknowledged that variations in period of production falsify (3), and therefore falsify (1) (since (2) is true by definition). So he allowed deviation of value (that is, equilibrium price) from socially necessary labor time.<sup>16</sup>

According to Marx, Ricardo was here misled by appearances. The true deviation is not of value from socially necessary labor time, but of equilibrium price from value (that is, socially necessary labor time).<sup>17</sup>

Now both Ricardo and Marx say that equilibrium price deviates from socially necessary labor time. What then is the theoretical difference between them? I believe that it can be stated only in popular discourse, to which Marx therefore resorts here. For he says that variations in period of production and organic composition do not affect how much value is *created*, but only how much is *appropriated* at the various sites of its creation. But if one asked, Exactly what is it that labor is here said to create? then, I contend, there would be no answer, once value is no longer, as now it cannot be, defined as at (2).<sup>18</sup>

16. See chap. 1 of any edition of Ricardo's *Principles of Political Economy*; and see Mark Blaug, *Economic Theory in Retrospect* (London, 1968), pp. 96 ff. for a brief accessible exposition.

17. See *Theories of Surplus Value*, vol. 2 (Moscow, 1968), pp. 106, 174-180, and *Grundrisse*, pp. 562-563.

18. Hence, if I am right, the transformation problem is a strictly incoherent problem, whether or not it has a mathematical "solution."

The labor theory of value comes in two versions, strict and popular. The two contradict one another. But the labor theorist cannot, by way of remedy, simply drop the popular version. For despite their mutual inconsistency, each version can appear true only when it is thought to receive support from the other: "Labor creates value" seems (but is not) a simple consequence of the thesis that value is determined by socially necessary labor time, and that thesis appears to survive refutation only when it is treated as interchangeable with the idea that labor creates value.

### VIII

In this section I shall identify the real basis of the Marxian imputation of exploitation to the capitalist production process, the proposition which really animates Marxists, whatever they may think and say. The real basis is not the commonly stated one, sentence (5), but a fairly obvious truth which owes nothing to the labor theory of value, and which is widely confused with (5). And since (5) is itself confused with the labor theory of value, the latter is confused with the fairly obvious truth to be stated.<sup>19</sup>

A byproduct of our discussion, then, will be an explanation why the labor theory of value, which ought to be controversial, is considered even by very intelligent Marxists to be a fairly obvious truth. When Marxists think obviously true what others think not obvious at all, one side at least is very wrong, and an explanation of the error in terms of class position or ideological standpoint is not enough, because it does not show how the error is possible, by what intellectual mechanism it can occur. What follows will help to explain how it is possible for very intelligent Marxists to be mistaken.

Recall what has been shown. We have seen that if the labor theory of value is true, then labor does not create value. For if labor creates value, past labor creates value; and if past labor creates value, then past labor determines the value of the product. But the labor theory of value says that value magnitudes are determined by currently nec-

19. "Is confused with" is not a transitive relation, but the above statement is nonetheless true.

essary labor time. It follows that past labor does not create value, if the labor theory of value is true. There is, moreover, no plausible alternative basis on which to assert that labor creates value. Hence it is false that labor creates value. And we shall show in section IX, that even if it were true, it would not be a sound basis for a charge of exploitation.

Nor does the labor theory of value itself, strictly formulated, form such a basis. Any such impression disappears once we see that it does not entail that the workers create value. In fact, the labor theory of value does not entail that the workers create anything.

Yet the workers manifestly do create something. They create the product. They do not create *value*, but they create *what has value*. The small difference of phrasing covers an enormous difference of conception. What raises a charge of exploitation is not that the capitalist gets some of the value the worker produces, but that he gets some of the value *of what* the worker produces. Whether or not workers produce value, they produce the product, that which has value.

And no one else does. Or, to speak with greater care, producers are the only persons who produce what has value: it is true by definition that no human activity other than production produces what has value. This does not answer the difficult question, Who is a producer? But whatever the answer may be, only those whom it identifies can be said to produce what has value. And we know before we have the full answer that owners of capital, considered as such, cannot be said to do so.

Note that I am not saying that whatever has value was produced by labor, for I have not said that whatever has value was produced. I also do not deny that tools and raw materials are usually needed to produce what has value. The assertion is that laborers, in the broadest possible sense, are the only persons who produce anything which has value, and that capitalists are not laborers in that sense. If they were, capital and labor would not be distinct "factors of production":<sup>20</sup> the

20. I use scare-quotes because there are good Marxian objections to the classification of capital and labor as distinct but comparable factors of production: note that in a sense all that is required for production is capital, since capital buys not only means of production but also labor. That only hints at the objec-

capitalist supplies capital, which is not a kind of labor.

Some will question the claim that owners of capital, considered as such, do not produce anything. An owner of capital can, of course, *also* do some producing, for example, by carrying out a task which would otherwise fall to someone in his hire. Then he is a producer, but not *as* an owner of capital. More pertinent is the objection that owners of capital, in their very capacity as such, fulfill significant productive functions, in risking capital, making investment decisions, and so forth. But whether or not that is true, it does not entail that they produce anything in the importantly distinct sense in issue here. It does not entail, to put it one way, that they engage in the activity of producing.

To act productively it is enough that one does something which helps to bring it about that a thing is produced, and that does not entail participating in producing it. You cannot cut without a knife, but it does not follow that, if you lack one and I lend you one, thereby making cutting possible, then I am a cutter, or any other sort of producer. The distinction is between productive activities and producing activities. Capitalists arguably engage in the former, but once the distinction is clear, it is evident that they do not (unless they are not only capitalists) engage in the latter.

To be sure, *if*—what I here neither assert nor deny—the capitalist is a *productive* nonproducer, that will have a bearing on the thesis that he is an exploiter. It will be a challenge to a charge of exploitation whose premise is that he produces nothing. But it would be wrong to direct the challenge against the *premise* of that charge, that he produces nothing. As this is generally intended, it cannot be denied.

And it is this fairly obvious truth which, I contend, lies at the heart of the Marxist charge of exploitation. The real basis of that charge is not that the workers produce value, but that they produce what has it. The real Marxian argument for (10) is not the Simpler Marxian Argument (see section IV), but this different one (the Plain Argument):

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tions, which are given in chap. 48 of vol. 3 of *Capital*, and which do not affect the point made in the text above.

- (17) The laborer is the only person who creates the product, that which has value.
- (11) The capitalist receives some of the value of the product.
- ∴ (18) The laborer receives less value than the value of what he creates, and
- (19) The capitalist receives some of the value of what the laborer creates.
- ∴ (10) The laborer is exploited by the capitalist.

The Plain Argument is constructed in analogy with the Simpler Marxian Argument, under the constraint that premise (17) replaces premise (5). The arguments are totally different, but very easy to confuse with one another.

## IX

I have said that it is labor's creation of what has value, not its (supposed) creation of value, which founds the charge that capitalism is a system of exploitation. I must now defend this position.

We have seen that labor does not create value. I now argue that even if it did, that would have no bearing on the question of exploitation.

The proposition that labor creates value is, to begin with, unnecessary to the thesis that labor is exploited. For if we suppose that something else creates value, the impression that labor is exploited, if it was there before, persists. Thus imagine that the magnitude of value of a commodity is wholly determined by the extent and intensity of desire for it, and that we can therefore say that value is created by desire and not by labor. If it remains true that labor creates all that has value, and that the capitalist appropriates some of the value, does the charge of exploitation lose force? Surely not. Then the assertion that the workers create value cannot be necessary to that charge, since here we suppose that something else creates value, and the charge persists.

But the claim that labor creates value is not only unnecessary to the charge of exploitation. It is no reason whatever for laying such a

charge. Once again, we make the point by imagining that desire creates value. If labor's creation of value would give the laborer a claim to value *because* he had created it, then so would the desirer's creation of value give him a claim on that basis. Yet would we say that desirers are exploited because they create the value of the product, and the capitalist receives part of that value? The suggestion is absurd.<sup>21</sup> It must then be equally absurd to think that laborers are exploited *because* they create value which others receive.

It is absurd, but it does not seem absurd, and the explanation of the discrepancy is that it is impossible to forget that labor creates what has value. Creating value, when we suppose that workers do that, seems to count, because we naturally think that they could create value only by creating what has it, and the relevance of the latter is mistakenly transmitted to the former. Part of the case for saying that (17) is the real basis of the charge of exploitation is that (5) cannot be yet seems to be, and the relationship between (17) and (5) explains the illusion.

But there is also more direct reason for thinking that the essential thing is labor's creation of what has value. Look at the lines from "Solidarity," with which this article began. They say nothing about value, and the labor theory is not required to appreciate their point, which is that "we" are exploited. They do say that "we" have made all these valuable things.

It is, then, neither the labor theory of value (that socially necessary labor time determines value), nor its popular surrogate (that labor

21. Note that I am not saying that a person's desire for something is no reason why he should receive it. Of course it is a reason, albeit one singularly capable of being overridden. But a man's desire for something cannot be a reason for his receiving it *on the ground* that his desire for it enhances its value, even if his desire for it does enhance its value. That ground is surely unintelligible.

One more caveat. I do not suppose in the above paragraphs or anywhere else that the correct principle of reward is according to productive contribution. One can hold that the capitalist exploits the worker by appropriating part of the value of what the worker produces without holding that all of that value should go to the worker. One can affirm a principle of distribution according to need, and add that the capitalist exploits the worker because need is not the basis on which he receives part of the value of what the worker produces.

creates value), but the fairly obvious truth (that labor creates what has value) rehearsed in the song, which is the real basis of the Marxian imputation of exploitation.

We have been discussing the exploitation of the propertyless wage worker under capitalism. But if anything is the *paridigm* of exploitation in Marxism, it is the exploitation of the feudal serf, who does not, according to Marx, produce value. His exploitation is the most manifest. The proletarian's is more covert, and it is by arguing that his position may in fact be assimilated to the serf's that Marx seeks to show that he too is exploited.

The exploitation of the serf is manifest, because nothing is more clear than that part of what he produces redounds not to him but to his feudal superior. This is not so in the same plain sense under capitalism, where the product itself is not divided between capitalist and worker, but marketed.<sup>22</sup>

Now Marxists allege that the labor theory of value is required to uncover the exploitation of the wage worker, but I disagree. What is needed is not the false and irrelevant labor theory, but the mere concept of value, as defined, independently of the labor theory, in our sentence (2). It enables us to say that, whatever may be responsible for magnitudes of value, the worker does not receive all of the value of his product.

Marxists say that

- (20) The serf produces the whole product, but the feudal lord appropriates part of the product; and
- (21) The proletarian produces all of the value of the product, but the capitalist appropriates part of the value of the product.

I accept (20), but modify the first part of (21) so that it resembles the first part of (20), with this result:

- (22) The proletarian produces the whole product, but the capitalist appropriates part of the value of the product.

22. For further discussion and textual references, see my *Karl Marx's Theory of History*, pp. 333-334.

The exploitation of the proletariat is, on my account, more similar to the exploitation of the serf than traditional Marxism says.

## X

In the last two sections I have insisted that labor creates what has value, and I have continued to deny that labor creates value itself. Yet it might be objected that the insistence contradicts the denial, that, in short, (23) is true:

(23) Since labor creates what has value, labor creates value.

But the objection is misguided. For *if* there is a sense of “labor creates value” in which (23) is true, it is not the relevant traditional sense, that intended by Marxists when they assert (5). “Labor creates what has value” could not entail “labor creates value” where the latter is a contribution to explaining the magnitude of the value of commodities, as (5) is supposed to be. How could it follow from the fact that labor creates what has value that the *amount* of value in what it creates varies directly and uniformly with the amount of labor expended?<sup>23</sup>

Is there a sense, distinct from that of (5), in which “labor creates value” does follow from “labor creates what has value”? Probably there is. If an artist creates a beautiful object out of something which was less beautiful, then we find it natural to say that he creates beauty. And it would be similarly natural to say of a worker who creates a valuable object out of something less valuable that he creates value. But that would not support the popular version of the labor theory of value, though it would help to explain why so many Marxists mistakenly adhere to it.

I have argued that if anything justifies the Marxian charge that the capitalist exploits the worker it is the true proposition (17), that workers alone create the product. It does not follow that (17) is a

23. And if it did follow, then the labor theory of value, the strict doctrine, would be false.

sound justification, and that the Plain Argument, suitably expanded,<sup>24</sup> is a good argument. Having disposed of the distracting labor theory of value, I hope to provide an evaluation of the Plain Argument elsewhere.

24. By addition of refined versions of the premises adverted to in section III above.

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