# SOME PROBLEMS WITH THE LABOUR THEORY OF EXPLOITATION

**(Theories of exploitation I)**

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This working paper consists in the introduction to and the first part of a survey of recent "theories of exploitation". Another working paper in the same series will present the second part.

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# INTRODUCTION

## 1. At the core of Marxist political philosophy

Few concepts are as essential to Marxian economic analysis as the concept of exploitation. Few concepts, if any, play such a prominent role in the most popular expressions of the Marxist critique of capitalism. And yet, few concepts are as surrounded by confusion and controversy. The aim of this paper is to shed light on the concept of exploitation and the debates it has aroused, by providing a selective but systematic survey of the very rich and interesting recent literature on the subject[*].

Before engaging in such an undertaking, it is important to spell out the kind of use the concept to be discussed is meant for. The Marxist tradition has used the concept of exploitation and its correlate, the concept of the rate of exploitation,in roughly two kinds of ways, one "descriptive" and the other "normative". Exploitation appears as a key element in its analysis of the "laws of motion" of the capitalist mode of production, and it also appears as a key element in its identification of what makes capitalism morally unacceptable. Nothing guarantees that the best definition of exploitation for one of these purposes is also the most suitable one for the other[1]. Consequently, if the conceptual discussion is not to run astray, it is of prime importance to choose between these two kinds of uses. In this paper, only the latter kind is considered. The concept of exploitation will be scrutinized <u>qua</u> core concept of Marxist <u>political philosophy</u>, not of Marxist social science. Or, to use an expression Marxist will (rightly) like even less, it will be examined as a central component of Marxist <u>welfare economics</u>.

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* This paper owes a lot - much more than what the footnotes can acknowledge - to conversations with G.A. Cohen, Jon Elster, Andrew Glyn, John Roemer, Hillel Steiner and Robert van der Veen, as well as to their published and unpublished work. Earlier versions of it were presented àt the Universities of Liège (Departement de Sociologie, December 1981) and Louvain-la-Neuve ("Economie et Société" staff seminar, May 1982), where I benefited from many stimulating comments.

1.As stressed by Elster (1982a : section 4) in his comment on Roemer (1982d).

Objections to this choice will be raised by those who attach great importance to the first ("descriptive") kind of use and/or very little importance, if any, to the second ("normative") kind. In connection with the former aspect of this stance, I shall be content to reply that a parallel (though I suspect less interesting) exercise could be performed starting from the "descriptive" uses of exploitation, and its results compared to those reached in the present inquiry. Moreover, in so far as it bears any relation to what the working class actually *feels* to be "exploitative" and, for that reason, illegitimate, the "normative" concept of exploitation may well turn out to be descriptively useful. Its clarification would then be an indispensable task for the purpose of understanding class struggle, and hence the "laws of motion" of the capitalist (indeed, of any class-based) mode of production.

Those who hold the view that the "normative" use of the concept is of little intrinsic interest, on the other hand, fall into two categories. The first category denies the relevance of any kind of normative considerations within a Marxist framework. Marxism is about what *must* be in the sense of what is bound to happen, not in the sense of what ought to occur. Moral norms - for example about what is just or unjust - and moral feelings - for example indignation about the exploitative nature of capitalism - are mere reflections of historically situated modes of production and class interests. As a thorough discussion of the issue would be out of place, I shall here simply assume that such a view does not make sense either in itself or as a consistent interpretation of Marx's work[2]. Indeed, the very fact that Marx (1867 : 232) chose to speak of a degree of *exploitation* rather than, more "neutrally", of a rate of surplus labour, is (admittedly inconclusive) evidence against that view. The second way of belittling the interest of a normative concept of exploitation is by denying its centrality among Marxist normative concepts. Capitalism, some would claim, is fundamentally wrong, not because it is exploitative, but rather because of its irrationality as a mode of production, or because it perpetuates alienation, or because it inhibits the self-actualization of man. And exploitation is either just one aspect of this more comprehensive fundamental defect, or an additional and comparatively minor shortcoming.

2. For a comprehensive treatment, see for example Fisk (1981), Buchanan (1982), Lukes (forthcoming).

Here again, a thorough discussion would be out of place. Suffice it to say that the relative importance of the concept of exploitation and its subordination or otherwise to other normative concepts are not independent from the way in which it is being clarified and cannot, consequently, be settled at the outset of our inquiry. To justify the latter's focus on exploitation, I only need to refer to the following belief, widely held (though seldom articulated) in Marxist circles : one may be able to put up with capitalism's inefficiency, with its tendency to generate crises and many other ills, but its exploitative nature makes its maintenance a permanent scandal and its overthrow a compelling moral duty.

Thus conceived as a central normative - or, if one prefers, critical - notion, exploitation lies squarely at the intersection of Marxist theory and political philosophy. As it happens, the seventies have witnessed a remarkable upsurge of interest in both these fields and an even more remarkable increase in the level of rigour and sophistication at which discussions are carried on within them[3]. This twofold development has provided powerful tools for sorting out the intricate network of definitional, analytical and empirical matters which has misled so much argument about exploitation into question-begging or plain confusion. Consequently, the state of the discussion on exploitation has recently undergone deep modifications, culminating with John Roemer's (1982) recent book. This is what has prompted the present survey of "theories of exploitation"[4], and also what makes for its potential usefulness.

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3. Most influential, in this respect, were the pioneering books by Morishima (1973) and Rawls (1971), respectively.
4. "Theories", rather than just "concepts", because, as we shall see, the positions to be discussed do not reduce to proposals as to how to define exploitation, but include substantive (descriptive) statements about necessary and sufficient conditions for exploitation (duly defined) to occur, as well as substantive (normative) statements about what is wrong with particular types of societies.

## 2. Rich definition and thin definitions

As a point of departure, let us take the simplest and most typical situation in which all Marxists will agree to talk of exploitation. There are two categories of economic agents : the capitalists, who own means of production, and the workers, who do not and are therefore forced, in order to earn a living, to let their labour power out to the capitalists in exchange for a wage. In the resulting situation, workers work for the capitalists, and this is exactly - as will be unanimously agreed - what enables us to say in this case that the workers are exploited by the capitalists. However, this "working for" contains an important ambiguity, which must be exposed straight away.

Take the following two situations, hardly likely but conceivable. In situation A, the capitalist (by definition) owns the means of production and, on this ground, decides what will be produced and how. But he does not earn any return on his investment : after wages and other costs (including the replacement cost of machinery) have been paid, nothing is left for him to appropriate. Situation B is the opposite one. The firm is managed by the workers, who decide what to produce and how. But they pay the capitalist a profit in exchange for the use of the means of production he owns. Now, "working for" a capitalist may mean taking part in a production process which he controls, as in A but not B. And the exploitation of workers by capitalists would then consist in the latter deciding how the former's labour is allocated and organized[5]. But "working for" a capitalist may also mean producing a (net) product which is appropriated by him, as in B but not A, whether or not he also controls the production process. The exploitation of workers by capitalists would then consist in such an "expropriation" of the former by the latter[6]. Even if in the overwhelming majority of cases someone exploited in one sense is also exploited in the other, the importance of the distinction is by no means diminished. If one adopts the "control" interpretation, it is obvious that the notion of exploitation will be closely connected to those of servitude, domination and

5. This interpretation seems to me close to that adopted by Wood (1972) or Lindsey (1981).
6. More accurate formulations are supplied and discussed below.

even alienation, and that the grounds on which Marxist find exploitation unacceptable will have to do with freedom rather than, say, justice or material welfare. I believe, however, that the "expropriation" interpretation is to be preferred, partly because it keeps the notion of exploitation clearly distinct from the other central Marxian notions just mentioned, and partly because, unlike the "control" interpretation, it enables us to make sense of Marx's concept of "degree of exploitation".

This second interpretation has three main components, which will be discussed in detail below : (1) workers perform surplus labour, (2) whose product is appropriated (3) by another class[7]. I shall call this the rich definition of exploitation (or, when restricted to capitalism, the standard definition). Corresponding roughly to its three components, there are three major theses about what is wrong with exploitation in this sense : (1) workers perform labour which is unnecessary as far as their current standard of living is concerned, (2) they are the victims of a theft or at least of an unfair exchange, and (3) they suffer as a result of an unequal distribution of the means of production. Starting form these three theses about what is wrong with exploitation, it is possible to formulate what I shall call three thin definitions, each focusing on one of the components of the rich definition. The point of these thin definitions is not to capture better than the rich one the use Marxists make of the term "exploitation". Each of them, when construed in this way, faces decisive counter-examples. The point of the thin definitions is rather to (hypothetically) embody the criterion on whose basis exploitation (in the rich sense) is judged ethically unacceptable from a Marxist standpoint, and to show how standard instances of exploitation are just special cases in a wider class of equally unacceptable situations. Before turning to one discussion of these thin definitions, however, let us look closely at the major difficulties which arise from giving the standard definition a precise formulation.

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7. Close variants of this definition can be found, for example, in Bettelheim (1969 : 301,325-326), Glyn (1979 : 336), Hodgson (1980 :268),etc.

# I. SOME PROBLEMS WITH THE LABOUR THEORY OF EXPLOITATION

## A. IN A SELF-CONTAINED UNIVERSE

### 3. Surplus labour, economic surplus and profits

Marx comes closest to an explicit definition of exploitation in an important chapter of Capital I, where he clearly implies that the ratio of surplus labour time to necessary labour time constitutes a direct and exact "expression of the degree of exploitation of labour by capital or of the worker by the capitalist" (Marx 1867 : 232). As surplus labour time is but the difference between total labour time and necessary labour time, it obviously follows that exploitation is present if and only if the difference is strictly positive. And, as the notion of total labour time is sufficiently clear, the conceptual issue boils down to finding an adequate definition of necessary labour time (or of necessary labour, i.e. the labour performed during this time). In Marx's own words, this is the time during which a worker "produce(s) the value of his labour power and thereby earn(s) the means of subsistence required for his own maintenance and continued reproduction" (ibid.230).

Let us first have a closer look at these notions in the context in which they are simplest to define : where all the means of subsistence (and the means of production required, directly or indirectly, for their production) consumed by the workers whose exploitation we are concerned with, are produced by these workers themselves, rather that bought from the outside world. It does not matter, for our purposes, whether the unit of analysis which needs to be chosen for this condition to be fulfilled is a particular capitalist firm, (the capitalist sector of) a region, a country, a set of countries or the whole world. All that matters is that the universe considered is self-contained in the relevant sense. Necessary labour time can then simply be identified as the amount of time the workers work to produce their own means of subsistence (and whatever else is required to produce the latter), while the remainder, whose product goes to the capitalists, constitutes surplus labour time. This formulation, however, remains ambiguous in a number of ways, each of which corresponds to a choice between a narrow and a broad sense of necessary labour (and, correspondingly, between a broad and a narrow sense of exploitation).

First of all, is the performance of surplus labour coextensive with the production of an economic surplus, i.e. production in excess of what is required for labour power to be reproduced ? An economic surplus, in this sense, is no doubt a necessary condition for any proportion of the workers'time to be (durably) spent on producing anything apart from their own means of subsistence[8]. But is it a sufficient condition for surplus labour to be performed ? If Marx's definition of necessary and surplus labour is to be taken literally, it certainly is[9]. However, Marx (1867 : 556) mentions elsewhere that surplus labour can be called unpaid labour, and that the ratio of unpaid to paid labour can be viewed as a "popular expression" of the ratio of surplus to necessary labour. He prefers the latter expression to the former because it does not suggest, as the former does, that what capitalists pay for is labour, and not the use of the workers'labour power. Nonetheless, what this close association between surplus labour and unpaid labour clearly reveals is that, in case of discrepancy between what a worker needs for his reproduction (his "subsistence bundle") and what he actually gets (his real wage), only the latter is relevant to the assessment of surplus labour and exploitation. Of course, if the (notoriously problematic) Marxist theory of wages were correct, such discrepancies would be rare and ephemeral. Still, unless the subsistence bundle (and hence necessary labour) is defined by reference to the real wage which happens to prevail - an unpromising strategy which drives Marxist wage theory straight into circularity[10]. - the time spent producing the economic surplus will often be longer than the surplus labour time. It is perfectly conceivable, at the limit, for an economic surplus to be produced without any surplus labour. What matters to the latter is only whether any part of the product is diverted form the workers'consumption.

8. For the purpose of such a statement, any produced means of production could be used instead of labour power in the definition of the economic surplus. See Roemer 1982, ch. 10 : 32.
9. One way of elaborating this position is in terms of a distinction between profits d'exploitation (exploitation gains), i.e. what the capitalists would get if the real wage were equal to the subsistence bundle, and profits de circulation inter-classe (inter-class transfer gains),i.e. any deviation from this "equilibrium" distribution between classes. See e.g. De Vroey 1982 : 48-49.
10. And has been widely stigmatized. See e.g. Robinson (1942:30). Even in Capital I, Marx repeatedly refers to situations in which the wage level deviates from the value of labour power, i.e. the amount of work (directly or indirectly) required to reproduce labour power.

In our self-contained capitalist universe, the latter statement may seem to imply that the performance of surplus labour (and the existence of exploitation) is coextensive with the existence of profits. But whether profits are a necessary condition for exploitation depends on whether we want to assimilate to the workers'consumption the replacement of the means of production used up in the production of what they consume. And whether profits are a sufficient condition depends on whether we refuse to assimilate to the workers'consumption the production of means of production which will serve to expand the latter at a later stage. Let us look more closely into each of these two issues. However obvious the answer may seem, neither of them is trivial.

Firstly, should necessary labour time only include the time directly spent producing the workers'means of subsistence (in a sense not restricted to the "subsistence bundle"), or also the means of production used up in the latter's production ? In other words, should both replacement investment for expansion necessarily be ascribed to the surplus product (i.e. the product of surplus labour), or only the latter ? At times, Marx does take the former (broader) view of exploitation[11]. But in most cases, as in the explicit definition of surplus labour quoted above[12], there is no doubt whatsoever that he endorses the latter (narrower) view, which does not conceive of workers as exploited when all they leave to the capitalist goes into replacing the means of production used up. Only this narrower view is consistent with the choice made earlier for the "appropriation" (as opposed to the "control") interpretation of exploitation.

Secondly, one can go further and question the ascription of the whole of net investment to the surplus product. Some or even all of the means of production produced in addition to those replacing the means of production used up may have been produced in order to increase the flow of means of subsistence in the next period, whether to match population growth or to improve the workers'standard of living or both. According

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11. See for example Marx (1867:236-237):"Capital has not invented surplus labour. Wherever a part of society possesses the monopoly of the means of production, the labourer, free or not free, must add to the working time necessary for his own maintenance an extra working time in order to produce the means of production (...)".
12. Any reference to the value of labour power or to the value of the means of subsistence implies that both directly socially necessary labour and indirectly socially necessary labour are involved.

to some, this does not matter in the least : what is essential to exploitation is the fact that workers spend part of their time on a product matching the capitalists' and not their own (direct or indirect) current demand, whatever the capitalists use it for[13]. According to others, however, lack of power over investment decisions, however central to capitalism, has nothing to do with exploitation, and surplus labour time (in the sense relevant for exploitation) should only comprise the time spent producing consumer goods for the capitalists and the means required for the production of such goods, whether on the current or on an increased scale[14]. As it seems difficult to adopt the former (and broader) view without also adopting the broader view rejected in the previous paragraph (if exploitation is a matter of control over investment decisions, replacement investement should be enough for it to be present), the latter (and narrower) view will in principle be adopted here : if there can be no exploitation without profits (previous paragraph), we are forced also to assert that there can be profits without exploitation. As the use which is going to be made in the future of currently produced means of production (and of the means of production produced with their help, etc.) is often uncertain, this last choice evidently turns the assessment of the extent of exploitation into a particularly perilous exercise. For our present purposes, however, empirical convenience is a poor guide in conceptual choice. (Nonetheless, for implicity's sake the subsequent definition will often refer to profits tout court when it should only speak of profits-for-capitalist-consumption).

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13. See,for example, Kolakowski (1978:333) : "Exploitation consists in the fact that society has no control over the use made of surplus product, and that its distribution is in the hands of those who have an exclusive power of decision as to the use of means of production". See also Elster (1978:12) for a discussion of a similar position.
14. See, for example, Elster's (1982:14) reply to Cohen (1982) and Roemer's (1982e:25) reply to Elster (1982c). This position is radically different from Buchanan's (1979:135-136), for example, who proposes to use the rate of accumulation as an approximation of the rate of exploitation. And it is also clearly inconsistent with the conceptual choice which underlies Morishima's "fundamental Marxian theorem" (Exploitation is a necessary and sufficient condition for the existence of profits). See Morishima 1973:ch.5 : Morishima & Catephores 1978:ch.2.

## 4. Savings, transfers and the State

The above discussion assumes that each part of the social product can be unambiguously ascribed, whether directly or indirectly, to the workers' or to the capitalists'consumption. Even in a purely capitalist economy which only has these two kinds of economic agents, some parts of the product might be ascribed to both or to neither[15].

Consider, first of all, situations in which the workers are able to save. Part of their income is not spent on their consumption, but is borrowed by the capitalists to purchase (typically) capital goods. One problem arises from the fact that workers may conceivably earn a real interest (i.e. an interest net of taxation and inflation) on these savings. But it is easily solved by allowing the categories of worker and capitalist to overlap : just as a (small) capitalist who works on the shop floor is to some extent a worker, a (rich) worker who earns an interest on his investment is to some extent a capitalist[16]. But the problem which concerns us here turns on whether the time spent producing the goods purchased by the capitalists with the workers'savings should be assimilated to surplus or to necessary labour time. Assimilating it to surplus labour time would have the following unpalatable consequence. A worker's free decision to save part of his income (in his own interest) would increase the extent of exploitation. If instead the production of the goods bought with the workers'savings is assimilated to necessary labour, the connection between the latter and workers'consumption is loosened and the goods corresponding to the savings may often be impossible to identify. But unless one wants to hold the heroic view that there is no significant difference, from the angle of exploitation, between appropriating part of the product and borrowing from the workers to buy it, one is forced to adopt the latter position[17].

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15. A neat discussion of various difficulties affecting the assessment of the rate of exploitation under contemporary capitalism is provided by Glyn (1979).
16. Assuming control is irrelevant to exploitation (see above), there is no significant difference between a savings account and shares. Note, incidentally, that although significant overlaps between classes present no conceptual difficulties, they may significantly affect the explanatory value of the class struggle.
17. See Glyn 1979:342-343 for further discussion of this point.

The problem about savings is that the corresponding part of the social product might be ascribed to both the workers and the capitalists. The problem about transfers - to the young and the old, the sick, the handicaped, the unemployed - is that it seems difficult to ascribe the corresponding product to either. Of course, one could argue that the children, the pensioners, the sick, etc. are former or future workers (or capitalists) and that they therefore present no special problem. But what about the permanently handicaped or even the permanently unemployed ? Strictly speaking, to assimilate them either to the workers or to the capitalists is bound to be arbitrary. If there are much more workers than capitalists, however, it makes more sense to regard them as (failed) workers. As under the "rich" definition exploitation consists in appropriation by the capitalists, it seems therefore more consistent to assimilate the consumption of non-workers non-capitalists to the production of necessary labour, at the cost of further loosening the connection between the latter and workers'consumption.

A related problem arises in connection with state activities. There is no problem about counting what the state workers consume as part of the necessary product[18]. But what about what they produce ? Obviously, the only way to answer this question is to sort out which activities (defence, administration, education, road building,etc.), whose products are usually not bought by anyone, contribute, whether directly or not, to the workers' or to the capitalists'consumption. In the former case, the state workers'labour adds to necessary labour. In the latter, it adds to surplus labour. Further, the net impact of state activities on the extent of exploitation, obviously also depends on the way in which they are financed. If they are financed out of wages while their output goes entirely (albeit very indirectly) into workers'consumption, for example, the extent of exploitation may remain unchanged. In many cases, it will be very hard to tell what the net impact is : if profits are taxed, for example, one must take account of the fact that, were they not taxed, the rate of (pre-tax) profit might have been lower than it is, taxation being simply passed on to the consumer. But this is only a secondary issue. The main problem is to partition the various aspects of state activities into those contributing to the workers'and those contributing to the capitalists'consumption[19].

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18. This may be challenged, however, on the ground that state workers are "unproductive". See below (section 10) for a discussion of the relevance of this notion.
19. For a more detailed (and different) treatment, see Glyn (1979:340-342).

## 5. Where the surplus labour framework breaks down

Though derived from a definition of the degree of exploitation (as the ratio of surplus labour to necessary labour) which was meant to apply to the sole case of capitalism, the framework developed so far can also be used in the case of the other modes of production in which Marx claims exploitation occurs[20]. All we need is a distinction (possibly with some overlap) between those who work and those who own the means of production. As soon as part of the product of the former's work is consumed (directly or indirectly) by the latter, exploitation exists. The size of exploitation is given by the time spent producing that part of the product (i.e. the surplus labour time), and its degree by the ratio of this time to the time spent producing whatever enters (directly or indirectly) the workers'consumption (i.e. the necessary labour time)[21]. No matter whether the workers are slaves, serfs or proletarians, these notions apply in a straightforward way. As no reference has been made to value concepts, no restriction to modes of production based on exchange is involved.

However, besides numerous practical difficulties hinted at earlier, two conceptual difficulties impose limits on the use of this framework, whatever the mode of production it is being applied to. Firstly, it has been assumed throughout that a strict correspondence can be established between the parts of the social product consumed by workers and capitalists and fractions of the total labour time. But such correspondence is upset as soon as there is (necessary) joint production of some kind of good consumed by the workers and another kind of good consumed by the capitalists - a situation which is bound to arise in the case of public goods, but is by no means restricted to the latter. As there is no non-circular way of telling how much time has been spent on each of the joint products, it is then by principle (not just in practice) impossible to tell exactly how much surplus labour has been performed and how extensive exploitation has been.

20. See e.g. Marx (1867 : 231,743) for unambiguous statements about the existence of non-capitalist exploitation.
21. See Marx's (1867 : 232,fn 30a) distinction between Grösse der Exploitation and Exploitationsgrad.

Secondly, it has also been assumed throughout that labour is homogeneous in the relevant respect, i.e. that the times worked by different workers could simply be added to one another. But should one not make a difference between one part of the social product which only requires unskilled work and another which requires a high level of skill ? Arguably, just as the work involved in the production of the means of production (and of the means of production for the production of the latter, etc.) must be added to the work involved in the production of the means ofconsumption when assessing both necessary and surplus labour , so must the work involved in the production of the required skills (and of the skills involved in teaching the latter, etc.). But this gives rise to a wealth of difficulties. Not only is joint production ubiquitous here (for example, learning to read and write at primary school is much more than producing an input for production processes). Serious difficulties also arise in connection with training "on the job" (i.e. while already producing) and the acquisition of skills outside the sphere of "work". One need not discuss such difficulties in detail to be persuaded that, in a universe of heterogeneous labour, only a rough assessment of surplus and necessary labour will ever be achieved.

## B. IN A TRADING UNIVERSE

### 6. From surplus labour to surplus value

Within the framework of the previous sections the workers produce everything they consume (directly or indirectly). They can then be said to be exploited as soon as part of what they produce is appropriated (and consumed, directly or indirectly) by the owners of the means of production. At least in the absence of joint production and abstracting from the heterogeneity of labour, the extent of exploitation is given by the amount of time the workers spend producing what is thus appropriated. Suppose now that we want to know whether a particular worker is exploited or to assess the degree of exploitation of the working class of a country involved in foreign trade. In such cases, the worker(s) considered do not produce all their means of subsistence (and whatever is required to produce the latter). The universe is not self-contained in the sense required in the previous sections, and the framework developed there fails to apply. This framework, however, can be extended as follows. Let us define the value of a commodity (i.e. of a good produced for exchange) as the average amount of labour wich enters its production, whether directly or indirectly, at a given time and within a given universe of reference[22]. Obviously, this concept is affected by both kinds of limitation discussed in the previous section (in connection with joint production and heterogeneous labour, and the range of cases in which it yields definite results is accordingly reduced[23]. What matters, however, is that with its help the framework of the previous sections can in principle be extended to define exploitation in a trading universe, i.e. a universe which is not self-contained.

As a first step, we can characterize exploitation by using the link Marx (1867 : 232) pointed out between the degree of exploitation and the rate of surplus value. We can characterize it as the appropriation of surplus value by the capitalist, surplus value being defined as what is left when one substracts from the value of the product the constant capital (i.e. the value of the means of production) and the variable capital (i.e. the value of the workers'means of subsistence) used up in its production. Bearing in mind the definition of value given above, it is obvious that, in a self-contained universe, this characterization of exploitation in terms of surplus value is equivalent to the characterization in terms of surplus labour presented in the previous sections, at least providing the choices made concerning the exact scope of variable capital are exactly analogous to those made concerning the

22. Value is sometimes defined as the minimum amount of time required to produce the commodity (e.g. Morishima 1973) and as the amount of time entering the production of commodities validated by exchange (e.g. De Vroey 1982). In both respects (average/optimum and production/realization), the choice made here rests on considerations of convenience for the sake of discussing exploitation.
23. In addition to the difficulties arising, for the concept of value, from the existence of joint production, difficulties are often also said to arise from the so-called "choice of techniques" (i.e. the availability of equally profitable but unequally labour-expensive techniques). However, such difficulties only affect a "minimum", not an "average" notion of value. For a clear presentation of both set of difficulties (joint production and choice of techniques) and a discussion of possible solutions, see Armstrong & al.1978 :3-13. As far as the difficulties connected with heterogeneous labour are concerned, a procedure can in principle be deviced for reducing skilled to unskilled labour (both with average talent) by means of a set of coefficients : see Morishima's (1973:190-193) neat formalization of Hilferding's (1904) original proposal. However, its application immediately raises the kinds of difficulties mentioned in the previous section.

exact scope of variable capital are exactly analogous to those made above (section 3-4) about the scope of necessary labour[24]. In an trading universe, on the other hand, part of the work involved in the production of the workers'means of subsistence (and hence relevant to the definition of surplus labour) is performed outside the universe considered - in such a way that the simple surplus labour approach used above is no longer usable. However, once a reference universe is selected for the sake of defining value, we can still use the surplus value approach.

It is immediately obvious that this universe V whose average labour times define the relevant values must be larger than the universe E whose degree of exploitation we are concerned with assessing.E is a trading universe precisely because some at least of the means of subsistence of the workers in E - whose value we need to know in order to estimate surplus value - are not produced within E. Consequently, there is no way of determining within E the values of these means of subsistence, i.e. the labour time required in the average for their production. V must be larger than E, for example a region when E is a firm,or the world when E is a country. The definition used in the case of a self-contained universe can then be extended in a straightforward way. There is exploitation when there is a difference (appropriated by the capitalists) between the total value produced and the value of the workers'means of subsistence (all values being defined in V). And the extent of exploitation is given by the size of this difference.

This definition has disturbing implications, which emerge as soon as commodities cease to be exchanged at their values, for example

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24. Moreover, strictly speaking, the concepts of value and surplus value make no sense in modes of production which do not rely on exchange.

25. Notice that, on this definition, some workers may work for a length of time which is shorter than the value of their means of subsistence and still be exploited, even when all commodities exchange at their values. If the level of productivity is higher in E than in the whole of V (as far as the products of E are concerned), the value produced by E's workers will be larger than their working time, possibly to such an extent that the value of the goods they can buy with their wages will be allowed to exceed their working time (while still being smaller than the value produced). This may seem odd, but need not bother us here.

because of the existence of scarce primary factors other than simple labour, because of differences in capital-intensities, in wage levels, in rates of profit, etc. Suppose, for example, that V is a perfectly competitive economy at equilibrium (equal wages for identically skilled jobs, equal rates of profit) with simple labour as the only scarce primary factor but with different capital-intensities in different branches. In order to earn the same rate of profit (on capital advanced), more capital-intensive firms will have to sell their products at relative prices which are higher than their relative values. Suppose now that the branches catering (directly or indirectly) for the capitalists'consumption are in the average more capital-intensive than those catering for the workers'consumption. Consequently, the relative equilibrium prices of the workers'means of subsistence will be lower, in the average, than their relative values. And it may then happen that the value produced by workers in E is no higher than the value of the means of subsistence they can afford with their wages - i.e., on our definitions, there is no surplus value and no exploitation -, whereas the price of their net product is higher than the price of their means of production, - i.e. capitalists make profits out of the labour of E's workers. Other examples can easily be constructed, using the other sources of discrepancy between values and prices. For instance, E could be an advanced industrial country, whose means of subsistence are produced in the Third World. Due to wage inequalities, the relative prices of these means of subsistence are far lower than their relative values (in our "average" definition, and V consisting here in the advanced country + the Third World countries from which it imports, or could import, its means of subsistence). And it may then easily happen that workers, in E produce less value than they consume - however huge the profits capitalists draw from their labour[26]. To claim that there is no exploitation in this case is plainly unsatisfactory, if only because if would make the presence of exploitation (and even more obviously its extent) depend on what the workers choose to consume - e.g. means of subsistence produced at home or abroad.

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26. This is the kind of situation discussed by Emmanuel (1975:412-413), who overlooks the fact that such a problem does not only arise when national values are considered, but also when calculations are based - as Emmanuel believes they must - on world values : the imported means of subsistence may not be produced anywhere else in the world but in the exporting country.

The general nature of this difficulty is best brought out with the help of John Roemer's Class Exploitation Correspondence Principle (CECP). In a competitive economy with a labour market, it can be shown that any optimizing economic agent belongs to one of the following five classes : (C1) the pure capitalists, who only hire labour, (C2) the semi-capitalists, who hire labour and work in their own shop, (C3) the self-employed, (C4) the semi-proletarians, who sell labour and work in their own shop, and (C5) the pure proletarians, who sell all their labour. As long as prices are proportional to values, it is obvious enough that (with a positive rate of profit) all capitalists are exploiters (they appropriate surplus value), all proletarians are exploited (they produce surplus value which is taken from them) and the self-employed are neither exploiters nor exploited. In a perfectly competitive economy where labour is still the only scarce primary factor but where prices are allowed to deviate from values due to differences in capital-intensities, this correspondence ceases to be trivial but can still be proved to hold in a slightly weakened form : all capitalists are exploiters (no matter how they spend their revenues, the socially necessary labour they command in this way exceeds the socially necessary labour they perform), all proletarians are exploited (there is no bundle of goods they can afford which embodies as much socially necessary labour as they perform), and the self-employed are in a grey area inbetween (they may be exploiters, exploited or neither)[27]. When the assumption that labour is the sole primary factor is abandoned in turn, the correspondence is further weakened : all that can be said is that pure capitalists are exploiters and that pure proletarians are exploited, while semi-capitalists and semi-proletarians (the bulk of the economically active population in an advanced capitalist country) now join the self-employed in the grey area[28]. Finally, when perfect competition is no longer assumed (e.g. when wage rates are allowed to diverge because of monopolies), even pure capitalists and pure proletarians find themselves in the grey area. It is this lack of correspondence (under real-life conditions) between class status and exploitation status which makes it easy to construct the kind of situation adduced in the previous paragraph and which thereby renders the surplus value definition of exploitation counterintuitive.

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27. See Roemer 1982d : 14-19,25-28

28. See Roemer 1982g : 29-30.

## 7. The modified-value and the price formulation

There are two ways of avoiding such counterintuitive implications. Firstly, surplus value could be defined in such a way that its level is determined by subtracting from the value produced not the value of the workers'means of subsistence but only the value of the means of subsistence produced at home (within E) plus the value of the goods exchanged for the means of subsistence produced abroad (outside E)[29]. Clearly, this modified definition of surplus value enables us to avoid the difficulty pointed out above. As soon as capitalists make profits out of E's workers'labour, there is surplus value, and hence exploitation, according to the modified definition. One problem with this solution is that we shall in general not know which of the home-produced goods are being exchanged for the imported means of subsistence. The best we can do, in most cases, will be to assess the value of a proportion of the average bundle of exports[30]. But the main problem with this solution is that it needs to rely on prices, more precisely on the terms of trade between E and those parts of the outside world where its workers'means of subsistence come from. If this is so, why not dispense altogether with value concepts and thus get rid of the untractable difficulties they unavoidably raise (joint production, heterogeneous labour) ? If prices have to come in somewhere, why not use them straight away ?

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29. This is essentially Glyn's (1979:338-340) solution, with the following two qualifications. Firstly, he restricts the scope of his solution to trade with the non-capitalist sector of a country and to foreign trade, thus ruling out interpretations of E as a firm or a branch. I cannot see, however, why one should draw such a boundary : if E can be a country, it can also be a region, and it is perfectly conceivable that the capitalist sector of a region might reduce to a single branch or even a firm. Secondly, he takes E and not V as the reference for determining values (thus avoiding "to juggle with the notoriously slippery notion of international value"). Given this choice, surplus value is also what is left of the total labour time (not just of the total value produced) after substraction of the labour time required to produce or acquire through exchange the workers'means of subsistence - which makes for a more intuitive analogy with the case of a self-contained universe.(When V-values are taken, total labour time in E may be larger or smaller than total value produced.) But there is no fundamental difference here.
30. See Glyn 1979:339.

This leads us to the second way in which the unacceptable implications mentioned above can be avoided. One could simply define exploitation by the existence of profits, and its rate by the ratio of profits to wages[31]. When prices are proportional to values, obviously enough, this twofold definition coincides with the corresponding definition in value terms, whether in its standard formulation or in the modified formulation just given. When prices are not proportional to values, one must distinguish the "self-contained" and the "trading" case. In a self-contained universe, the existence of exploitation can be adequately characterized in purely physical terms as the appropriation of a surplus : some of the goods produced do not go, whether directly or indirectly, into the workers'consumption but into the capitalists'[32]. This generally heterogeneous surplus can be aggregated and measured in terms of prices and in terms of labour values, but also in terms of socially necessary amounts of oil, corn, energy, etc. embodied in them (i.e. in terms of oil values, corn values, energy values, etc.) Whichever of these measuring rods is chosen, the existence of exploitation will be diagnosed in exactly the same situations[33]. Assessments of the extent of exploitation, however, which cannot be conducted in physical terms as soon as the surplus contains more than one type of good, can vary widely depending on which of the measuring rods is chosen. For the relative price of the surplus and its relative costs in terms of labour, oil, corn, energy, etc.(compared to the rest of the social product) may diverge considerably.

In a trading universe, on the other hand, the various characterizations of both the existence and the extent of exploitation cease to be equivalent. This is so because the value (in terms of labour, oil, etc.) of the imported means of subsistence may be short of or exceed that of the goods which are being exchanged for them. It is precisely because profits in price terms could coexist with the absence of exploitation according to the standard labour-value definition, that we felt compelled to look for an alternative formulation. It is worth noticing, at this point,

31. See for example Hodgson 1980:270-271. Of course, depending on the choices made on the various issues discussed earlier (section 3), various other items will have to be assimilated to profits or to wages
32. See Steedman (1977:8,111) and Hodgson (1980:268) for variants of this physical definition.
33. Except in the unlikely case in which no component of the surplus embodies, however indirectly (including via whatever is necessary to reproduce labour power), any quantum of the relevant "substance" (labour, oil, etc.)

that both alternative formulations considered - Glyn's modified value definition and Hodgson's price definition - yield a characterization of the existence of exploitation which is equivalent to what would be the physical definition in the trading case : some of the goods do not go into the workers' consumption or into buying goods for the workers, but instead into the capitalists' consumption or into buying goods for the capitalists. The extent of exploitation, on the other hand, will generally be different according to which of the two formulations is chosen[34]. Why, then, should the (modified) value formulation be preferred to the simpler price formulation, even though those who defend the former recognize that the latter, i.e. the ratio of profits to wages, can be used as a sufficiently good measure of the extent of exploitation in most empirical enquiries[35].

## 8. Why a value definition of exploitation

One very strong (though conditional) argument in favour of adopting the modified value formulation instead of the price formulation is that, unlike the latter, it coincides with the surplus labour formulation - whose intuitive adequacy has been taken for granted all along - in the case of a self-contained universe[36]. The ratio of surplus labour to necessary labour will there be equal to the ratio of surplus value to variable capital (as defined in the modified value formulation), but will in general diverge from the ratio of profits to wages. It does not make much sense to adopt the latter as an adequate definition of the rate of exploitation when the unit of analysis is chosen in such a way that the universe is trading with the outside world, while adopting another definition when the unit of analysis is broader. Consequently, whoever wants to vindicate the price definition as a way out of the difficulties arising in a trading universe must also demonstrate its superiority in a self-contained one.

34. It will be the same, though, if (1) all means of subsistence are imported and (2) the value/price ratio of an average bundle of exports is the same as that of an average fraction of the social product.
35. See Glyn (1979:344). Using the price formulation would have the advantage of exempting from lengthy justifications and terminological qualms the many authors who decide to conduct research on the rate of exploitation by using the ratio of profits to wages. See e.g. Weisskopf (1979:343), Reati (1980:517).
36. Providing we are talking of an exchange economy, in which the concept of value makes sense.

In order to do so, one can argue as follows. Suppose first that labour is the only scarce primary factor. In an economy where the social product is distributed through the market, what determines each agent's share is his purchasing power (in price terms of course). How much socially necessary labour (i.e. how much of the scarce factor) will be allotted to him is only determined subsequently, as a result of his (more or less discretionary) choice. It does not seem very plausible to make the rate of exploitation dependent on such very unpredictible (under advanced capitalism) consumption choices : with an unchanged purchasing power, the rate of exploitation would decrease, for example, if the workers happened to shift their consumption from less labour-expensive to more labour-expensive though equally costly (because more capital-intensive) products. Moreover, in an economy in which there is more than one scarce primary factor, should no weight be given to the appropriation of these factors ? Should the rate of exploitation be considered the same in two economies in which the ratio of the labour entering the workers'consumption is the same, but where the ratio of the other primary factors appropriated by the capitalists (as embodied in their consumption) to the other primary factors entering the workers'consumption is very different ? Should the rate of exploitation not rather reflect the proportion of society's total scarce resources appropriated by the capitalists ? And the best way of assessing that proportion, clearly, is to look at what the goods consumed by capitalists and workers (directly or indirectly) are worth on the market[37].

This leads on to a second argument in favour of the (modified) value formulation. Does not a measure of the social product in price terms "presume that the value of this output is produced by both labour power and the advance of capital" and hence imply "that profit measures the contribution of capital advanced to the value of the product" (Armstrong & al. 1978:23) ? Are we not then "reduced to regarding exploitation as occuring only when factor prices do not reflect true contributions",

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37. Or perhaps at what they would be worth under perfect competition ? Should monopoly rents affect the estimate of how precious the various kinds of product are ?

i.e. when the rate of profit exceeds the "marginal product of capital" (Glyn 1979:335) ? By no means. First of all, it is perfectly consistent to admit that the advance of capital (along with labour, land and other primary factors) helps determine the value of product, i. e. what it is worth on the market[38], while denying that it contributes to the product itself[39]. And only the latter can conceivably provide a basis for a claim to part of that product. Secondly, even if one were willing to admit that the advance of capital made a productive contribution, it would still be possible to assert that the workers are entitled to the whole social product, and that they are exploited whenever any part of it is appropriated by the capitalists. Obviously, this would only be inconsistent if we were committed to the principle that the various factors ought to be rewarded according to their productive contribution. And why should we be committed to such a principle ?

The amount of symmetry between factors involved in a price conceptualization of exploitation may not be such as to imply that each should be rewarded according to its productive contribution. But it may be sufficient to loose "the fundamental notion that exploitation derives from the compulsion on workers to perform surplus labour"(Glyn 1979:335), rather than from an ill-distribution of the proceeds of production. In other words, what is exploitative about the capitalists earning profits is not that they unduly appropriate part of the social product or of society's scarce resources, but that they appropriate the labour of workers who have no option but to work for the capitalists.

This (third) kind of argument does indeed vindicate a labour definition of exploitation against other commodity definitions. For example one could say (in the case of a self-contained universe) that a producer is oil-exploited if the oil-value he commands through the purchase

38. This is the only plausible interpretation of the term "value" in the above statements. If "value" were "socially necessary labour", the position incriminated there would become self-contradictory. Cohen (1979:section 2) forcefully points out the importance, in this context, of distinguishing a "labour definition of value" from a "labour theory of value".

39. See Cohen's (1979:section 9) distinction between "what creates value" and "what creates what has value".

of produced goods with his revenues from production is less than the oil he contributed to production, just as a producer is labour-exploited when he contributes more labour than the labour value he can purchase with his revenues[40]. Why is the latter definition more plausible than the former ? Surely in part because labour power, unlike other commodities, is distributed in a (roughly) egalitarian way - which warrants a correspondence between exploitation and wealth : the rich will tend to be exploiters and the poor exploited. When (as is the case with oil) the relevant distribution is unequal, this correspondence is upset and the wealthiest may well turn out to be exploited while the poorest (being oil-less) are bound to be exploiters[41]. But this remains a superficial answer. Even if oil were evenly distributed, it would not be chosen as a value numeraire. The (roughly) egalitarian distribution of labour power is itself the by-product of a more fundamental distinctive feature of labour power : the fact that it "sticks" so tightly to human beings that its alienation has been prohibited, i.e. that slavery has been abolished. It is this close association - the fact that the possessors of labour power, unlike the possessors of other productive assets, need to be personally involved in the production process - which ultimately accounts for the fact that exploiting consists in appropriating labour, rather than oil or land[42].

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40. See Roemer 1982, ch.10:28-29.
41. See Roemer ibid. 31-33;1982f:25-26.
42. Related points are made by Hodgson (1980:264-266) in terms of the "inappropriatability" of labour (as opposed to labour power), i.e. the impossibility of abolishing the worker's free will; and by Roemer (1982g:18-19), who points out that labour power is "that unique productive asset which comes as a joint product with the self". Roemer (ibid. 19-21) indicates how this feature underlies various prima facie reasons for choosing labour as the value numeraire. This is true, in particular, for the connection with class struggle (labour exploitation corresponds, under some conditions, with labour classes, and the struggle between labour classes is a key factor in history) - which he had proposed (1982d: 33-34) and then withdrawn (1982e:17) as the main reason for selecting labour. Labour classes tend to fight each other because labour-exploitation status tends to follow the divide between haves and have-nots (due to the egalitarian distribution of labour power), but also, more directly, because they are involved in a protracted relation with each other which land classes (etc.) can avoid. (See Roemer 1982g:20-21).

By no means, however, does this justify ipso facto the choice of a value formulation over a price formulation of the extent of (labour) exploitation in an exchange economy. True, in this perspective, a value formulation has the advantage of characterizing directly the extent of exploitation in terms of a quantity of (socially necessary) labour appropriated by non-workers. However, quite apart from the difficulties connected with joint production and heterogeneous labour, it has the disadvantage (mentioned in the first paragraph of this section) of making the extent of exploitation sensitive to shifts in the capitalists', the workers' and (in the modified value definition) the "foreign" sector's demand (without change in their purchasing powers), and hence to changes in subjective preferences[43]. Which of these considerations should weigh more - and hence whether a value formulation or a price formulation should be preferred - will depend on the kind of use the notion is to be put to[44] : the value notion expresses better the extent to which one class "works for" the other the price notion reflects better the state of the power relations between the two classes.

There is, however, a fourth argument, which may seem to give a decisive advantage to a value formulation. A price formulation, it is often argued, would obscure the central Marxist insight that surplus value is the source of profits. The choice of labour as the value numeraire derives from the fact that labour power has the "magical property" of producing more value than it embodies. And it is this extra production which makes it possible for the capitalists to make profits. Hence, by severing the connection between exploitation and labour value, one gives up the theory of exploitation as an explanation of profits. This argument, however, is mistaken. What really accounts for the possibility of profits is the existence of a (physical) surplus, i.e. the fact that something is left when care has been taken of the reproduction of all means of production

43. A compromise solution would consist in taking as a measure of exploitation what is left of total labour time when the workers' purchasing power is spent on the least labour-expensive goods available (or, with the modified value formulation on imported goods exchanged for the least labour-expensive home goods). This would give us a (rather far-fetched) formulation in terms of labour, but independent from demand and tastes (with a given purchasing power).
44. Providing joint production and the heterogeneity of labour are not so significant as to make value magnitudes unassessable.

(including labour power). For such a surplus to exist, one unit of any commodity (corn, oil, labour power, etc.) must require, whether directly or indireclty, less than one unit of the same commodity (together with a certain amount of some other commodities) in order to be produced. Consequently, the production of surplus oil-value,for example, constitutes as good an explanation of the possibility of profits as the production of surplus labour-value[45]. Whether this possibility is actualized - i.e. given our terminological choice (section 3 above), whether there actually is exploitation - then depends on who appropriates the surplus. If the capitalists do, there is exploitation and there are profits. Nothing in this scenario, however, commits us to estimating the extent of this exploitation in terms of labour values rather than prices.

45. See Roemer (1982,ch.10:28; 1982d:32).

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