

Marx and Cohen on Exploitation and the Labor Theory of Value

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Gerald A. Cohen, in 'The Labor Theory of Value and the Concept of Exploitation', argues that, contrary to the traditional assumption, Marx's charge of exploitation against capitalism does not require the labor theory of value. However, there is a related but simpler basis for the charge. Hence Marx's criticism can stand even if the labor theory of value falls. Furthermore, he argues that the labor theory of value is false. It is argued here that Cohen is mistaken; the charge Marx makes against capitalism does require the labor theory of value. Cohen's conception of exploitation is weaker than Marx's both theoretically and morally. It is also argued that Cohen's criticisms of the labor theory of value rest on misunderstandings of the theory and Marx's methodology.

Most of the philosophical discussion of Marx's theory of exploitation has focussed on the reasons why Marx condemned exploitation, specifically on whether or not he held it to be unjust; little attention has been given to the foundations of his charge of exploitation.¹ In his article, 'The Labor Theory of Value and the Concept of Exploitation',² Gerald A. Cohen reverses this focus. He assumes, he says, that one of the reasons that Marx condemned capitalism is that capitalism is exploitative and exploitation is unjust. Joining a number of contemporary economists,³ his concern is to show that, contrary to the traditional assumption, the charge of exploitation does not require the labor theory of value nor is it even supported by it. However, there is another much simpler basis for the charge which is often confused with the labor theory of value. Hence Marx's charge of exploitation can stand even if the labor theory of value falls. And, indeed, although his main point is independent of this, Cohen joins most contemporary economists in arguing that the labor theory of value is false.

Despite many true and important points in the article I think Cohen's main thesis is incorrect. Marx was not confused in presenting his charge of exploitation in capitalism as dependent on the labor theory of value. I will attempt to show that the argument Cohen offers as a simpler basis for the charge of exploitation is deficient in several respects. Although Cohen never explains exactly what he takes Marx's concept of exploitation to be,

the conception implicit in his argument is different from Marx's. The ambiguity he claims to uncover in the labor theory of value is not crucial to the charge of exploitation. And even if Cohen's argument saves Marx from objections to the labor theory of value it opens him to others. Marx's argument provides an economic explanation of exploitation which is the basis for his moral critique. Cohen's argument provides no such explanation (nor is it intended to), but furthermore, it is weaker morally. Whether Marx's charge of exploitation against capitalism can be sustained depends, therefore, if I am right, on whether the labor theory of value can be sustained. Although my main argument is independent of this point, I will also argue that Cohen's criticism of the labor theory of value is mistaken and rests on a misunderstanding of Marx's theory and his methodology.

I

We begin with Cohen's brief exposition of Marx's labor theory of value and surplus value.⁴ The exchange value of a commodity is the ratios in which it exchanges for commodities of other kinds. The labor theory of value's explanation of what underlies the exchange ratios of commodities says that (1) the exchange value of a commodity is the form in which the value of that commodity – an absolute magnitude – manifests itself, (2) magnitude of value is determined by what Marx calls 'socially necessary labor time', and (3) under equilibrium conditions, the value of a commodity determines its price. Marx's theory of surplus value is an explanation of the source of profits under capitalism. Given that workers do not have direct access to any means of production/subsistence except their labor power, they are compelled to sell their labor power to the capitalists in exchange for a wage. Labor power, then, is a commodity in capitalism with a value which is determined just like that of other commodities, i.e. by its cost of reproduction. The capitalist is able to make a profit because during the time labor power is used it produces commodities whose value is greater than the value of the labor power itself. This makes labor power a unique commodity. The difference between the value workers produce and the value they receive for their labor power is surplus value, the source of profit. The ratio between the two is the rate of surplus value. Marx calls this 'an exact expression of the degree of exploitation of . . . the laborer by the capitalist'.

What we need to determine is what it is about this situation that makes it exploitative for Marx. And do we need the labor theory of value to

understand this? As Cohen asks, 'Is ["exploitation" used] because the term as used in that phrase, denotes a kind of injustice?'. He answers, 'It is hard to think of any other good reason for using such a term'.⁵ I disagree – but not because the term 'exploitation' has no moral content or one different from injustice. Rather, I will argue that the conditions surrounding the production of surplus value which fit Marx's concept of exploitation can only be ascertained in capitalism using the labor theory of surplus value, which in turn depends on the labor theory of value. But before I present my argument, let us look at Cohen's in more detail.

Cohen presents a series of arguments with increasingly simple premises the conclusion of which is that the worker is exploited under capitalism. The first, which he calls the Traditional Marxist Argument, goes as follows:

- (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.⁶

Premise 5 depends on the labor theory of value; premises 6, 7, and 9 depend on the labor theory of surplus value.

Cohen's first simplification of the argument is to eliminate its dependence on the labor theory of surplus value since, he says, the source of the difference between the value workers produce and the value they receive is irrelevant to the moral charge. Thus the Simpler Marxian Argument:

- (5) Labor and labor alone creates value.
- (11) The capitalist receives some of the value of the product. [This is taken to be a truism.]
- ∴ (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.⁷

To eliminate the argument's dependence on the labor theory of value, Cohen must clarify the theory. The explanation given earlier said that value is determined by socially necessary labor time. But at what time is this measured? Strictly speaking, Cohen argues, the labor theory of value says that the value of a commodity is determined by the labor socially necessary to produce it *at the time when it has that value*. The amounts of labor actually embodied in the commodity are irrelevant to this. However, if labor and labor alone creates value (premise 5) this would not be so. Hence a more precise formulation of the labor theory of value, which he calls the strict doctrine, shows that it does not support premise 5 (which he calls the popular doctrine); in fact it entails that it is false. There is,

however, yet a simpler argument (the Plain Argument) which does not use premise 5:

- (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 he creates, and
- ∴ (10) The laborer is exploited by the capitalist.⁸

If we distinguish actually producing the product from engaging in activities necessary to its production, then premise (17) should be fairly unproblematic. Although (17) is easily mistaken for (5), they are significantly different, Cohen argues. Even if (5) were true it would not support the conclusion because the source of value is irrelevant to exploitation. This can be seen if we suppose that desire is the source of the value of a thing. If capitalists received some of the value, we would not hold that the desirers were exploited so long as it was still workers who create *that which has value*. So (17), which is independent of the labor theory of value, is 'what really animates Marxists whatever they may think and say'. The crucial point for Marxists is that workers create that which has value not that they create value.

Now all of the Marxian arguments Cohen presents are incomplete, as he acknowledges at the outset. For one thing, he never gives a clear statement of what he takes Marx to mean by 'exploitation'; 'a rough idea of exploitation as a certain kind of lack of reciprocity' is sufficient, he says, for the purposes of the article.⁹ Nevertheless, if we look at the arguments Cohen presents, we can see what he considers (in)essential and extract a somewhat fuller concept. To Cohen, whether workers are exploited or not does not depend on just what it is they produce, i.e. whether they fail to get back all the *value* they produce or all the value of the *product* they produce. The explanation of why they do not get it back is also irrelevant. Hence the key condition of exploitation for Cohen must be that workers do not get back all the value of what they produce. Without some kind of amplification of the lack of reciprocity between capitalists and workers, it is not clear why what is described in the premises is exploitation.

This is a fairly widespread understanding of Marx's concept of exploitation. Robert Nozick, for example, seems to take the Marxist argument for the charge of exploitation to be either Cohen's Traditional or Simpler Marxian argument. Although Cohen's Plain Marxian Argument eliminates the dependence on the labor theory of value, the definition of 'exploitation' Nozick ascribes to Marx is what I have said is the key to Cohen's arguments. Nozick claims, 'according to the definition there will be exploitation in *any*

society in which investment takes place for a greater future society . . . and in *any* society in which those unable to work . . . are *subsidized* by the labor of others'.¹⁰ In other words, workers are exploited when they do not get back all the value of what they produce.

Whether it is all the value they produce or, as Cohen puts it, all the value of the product they produce does not seem crucial here. If this is Marx's definition then Nozick's point against Marx is a very powerful one because it entails that workers would be exploited even in a socialist society as Marx envisaged it. For Marx explicitly says in *The Critique of the Gotha Program* and elsewhere that workers will receive only part of the total social product. Most of what workers produce will go to the maintenance and expansion of production and to the satisfaction of common needs, including the needs of those unable to work.¹¹ If workers would even be exploited in socialism as Marx described it, the Marxist charge of exploitation against capitalism loses all its force.¹²

The Plain Argument does not, however, simply say that workers do not get back all the value of what they produce but that a certain class of non-producers – capitalists – get some of that value. This would not be true in a socialist society. On the other hand, since some of the social product would go to future generations and to non-producers such as those unable to work, if Marx's definition of 'exploitation' is that workers do not receive all the value of what they produce and that non-producers receive some of it, then exploitation would occur in a socialist society too.¹³

Those basing their charge of exploitation in capitalism on Cohen's Plain Argument (Plain Thinkers) could point out in response that in a socialist society as Marx conceived it, production and distribution are under the conscious collective control of the working class. Hence, although it is put in terms of social 'necessity', those unable to work receive part of the value of the products workers create ultimately because workers decide they should. In a capitalist society, of course, capitalists do not receive profits because the producers have decided they should. By having control over the disposition of their product, workers in a socialist society could be said to get back all the value of the product they create. After all, the wealth of stockholders in a corporation is not disposable income but their command over resources. Moreover, it could be argued, since workers would direct production in socially useful directions it comes back to them indirectly. Hence workers in a socialist society still get back all the value of the product they create and therefore workers would not be exploited in socialism in the Plain sense of exploitation.

That workers in a socialist society control the distribution of their surplus product whereas they don't in a capitalist society, begins to get at what I take to be the critical basis of the Marxist charge of exploitation against

capitalism. However, I think that instead of supporting a conception of 'exploitation' as workers not receiving all the value of the products they alone create, this points us toward a more satisfactory definition.

I will argue that coercion in production is critical to exploitation and is missing from the Plain Argument. I will argue further that the labor theory of value is necessary to bring out the coercion involved in capitalist production and, secondly, to provide an explanation of how capitalists are able to appropriate some of the value of the product workers produce. Recall that according to Marx's theory profits come from the difference between the value workers produce and the value they receive. The labor in which workers produce the equivalent of what they receive counts as necessary labor for Marx; anything beyond it is surplus labor. The rate of surplus value, which is the rate of exploitation, is therefore also equivalent to the ratio between surplus and necessary labor. In a society in which the purpose of production is the satisfaction of the needs of the producers, in a socialist society in other words, there would be no surplus labor required.¹⁴ A fund for reserve and accumulation would still be required but this would be necessary labor in a socialist society.¹⁵

In class societies, on the other hand, surplus labor is inevitable. 'Wherever a part of society possesses the monopoly of the means of production, the laborer, 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 subsistence for the owners of the means of production . . .'.¹⁶ Additional surplus labor is required for the means to secure those class relations, such as a police or military establishment. Despite the appearance of freedom in capitalism workers are 'compelled by social conditions' to do this surplus labor as a condition of their securing, through necessary labor, their means of subsistence. Surplus labor, then, is forced, in a way in which necessary labor, being for the workers themselves and independent of class relations, is not forced. Thus the ratio between surplus and necessary labor is equivalent to the ratio between forced and unforced labor.¹⁷ Surplus labor is also unpaid labor, since the wage is only for necessary labor time (assuming labor power is sold at its value). The product of surplus labor goes to the capitalist, since it is he who owns the means of production, including labor power (for the duration of the workday).¹⁸

That serfs were forced to work for feudal lords was apparent; their labor for the lord was separated in time and place from labor they did for themselves. However, that workers in capitalism are forced to do surplus unpaid labor is by no means apparent. Marx first used the term 'exploitation' in explaining the theory of surplus value because he contended that the theory was necessary to reveal the division of the workday into necessary

and surplus, paid and unpaid, unforced and forced labor. Exploitation for Marx is forced, unpaid surplus labor whose product the producers do not control.¹⁹ Hence Marx's argument for the claim that workers are exploited in capitalism rests on the theory of surplus value and the labor theory of value. They provide the basis for saying that workers under capitalism do forced surplus labor.

Now Cohen might protest that he stated at the outset that his arguments were incomplete. Perhaps some of what I have said would be part of the expansion of the Plain Argument which he agrees is necessary. After all, one of the pertinent features of the relation between capital and labor that Cohen said he was omitting was the fact that the worker is forced to work for the capitalist given capitalists' monopoly of the means of production. No such force exists in a socialist society as Marx envisaged it. Another incompleteness in the argument, Cohen said, was an explicit normative premise specifying the conditions under which it is exploitative to get something from someone without giving him anything in return. Perhaps what I have done is simply to spell out that normative premise. The social relations of a capitalist society are coercive to workers; those of a socialist society are not. The normative premise would be: It is (unjust) exploitation to coercively obtain something from someone without giving him anything in return. This provides a basis for the Marxist charge that workers are exploited in a capitalist society and not in a socialist society. In capitalism workers are forced to be in a situation where they do not get back all the value of what they produce. The reply, then, I am imagining Cohen to make is that the Plain Argument can be filled out to say everything I claim needs to be said.

I contend that this filled-out Plain account is still not adequate, because the charge of forced labor cannot be sustained against capitalism without the theory of surplus value and the labor theory of value. It might seem that this would be easy to do. In other articles Cohen defends something like this conclusion without the labor theory of value.²⁰ Nozick claims that even the poorest workers in a capitalist society cannot be said to be forced to work for capitalists because a person cannot be forced to do something unless his/her lack of alternatives was the result of illegitimate human actions. In refutation Cohen presents two examples:

Suppose farmer F owns a tract of land across which villager V has a right of way . . . Then if F erects an insurmountable fence around the land, V is forced to use another route, as Nozick will now agree, since F, in erecting the fence, acted illegitimately. Now consider farmer G, whose similar tract is regularly traversed by villager W, not as of right, but by dint of G's tolerant nature. But then G erects an insurmountable fence around his land for reasons which, all men of good will would agree, justify him doing so. According to Nozick, W may not truly say that, like V, he is

forced to use another route. But the examples, though different, do not so contrast as to make that statement false. W is no less forced to change his route than V is . . . the thesis that A [a lowly proletarian] is forced to place his labor power at the disposal of some or other member of the capitalist class is resoundingly sustained.²¹

What Cohen proves in this argument is that, short of 'abusing the language of freedom', capitalists' monopoly of the means of production means that workers are forced to work for capitalists. However, this structural coercion rooted in capitalist relations of production is merely the precondition of what Marx takes the theory of surplus value to reveal. The coercion essential to exploitation does not consist simply in being forced to work. It consists in doing forced labor. On Cohen's account it is possible that all the labor workers do is labor that is really for the workers themselves, that they would have to do anyway, even if it were not under capitalist control. Thus the argument does not show that workers are forced to do any surplus labor. If workers are paid for their labor, rather than their labor power, which appears to be the case without the theory of surplus value, then there is no unpaid labor they are forced to do. The difference between workers being forced to work for capitalists and their labor itself being forced is particularly clear in Marx's discussion of slavery. Given that slaves are owned by slave owners, it appears that all the slave's labor is for the slave owners. But Marx points out that if all of the slaves' labor was for the slave owners, and the slaves never got back the equivalent of at least some of what they produced, they would have died very quickly. So despite the coercive conditions of all the labor that slaves did, and the fact that slaves were forced to work for slave owners, some of their labor is not forced labor because it is not unnecessary. They would have to do it even if the slave owners did not exist.²² Thus even if Cohen added to the Plain Marxian Argument the fact that workers are forced to work for capitalists, this would not show that workers in capitalist society do forced unpaid surplus labor.

It might be thought that this is shown by the Plain Marxian premise that capitalists receive some of the value of the product that workers (alone) create.²³ However, this does not suffice to show that workers do surplus labor, because the argument provides no explanation of the source of the product's value. Marx's claim is that positive net profits are due to the forced surplus labor of the working class, that is, to their exploitation. But without the labor theory of value and surplus value, there is nothing to connect the value capitalists receive with workers' labor. For example, suppose the value came from exchange rather than production; that is, suppose capitalists simply added 20 percent onto their costs and this was the source of their profits.²⁴ Would workers be exploited in the Plain sense?

Given that value has only an intuitive meaning for Plain thinkers, it is not clear whether this 20 percent would be part of this product's value (i.e. whether value equals price). If so, capitalists could be said to receive some of the value of the product that workers create and hence workers would be exploited according to Plain thinkers. If not, workers would not be exploited. However, whether or not workers would be exploited in the Plain sense, they would still not be exploited in Marx's sense. For this explanation of the source of profit would not show that workers do any surplus labor. Thus Marx stresses again and again that it is the theory of surplus value that reveals what would otherwise be concealed: that workers in capitalist society are exploited just as are serfs and slaves. 'The essential difference between the various economic forms of society, between for instance a society based on slave labor and one based on wage labor, lies only in the mode in which this *surplus labor* is in each case *extracted* from the actual producer, the laborer.'²⁵ The labor theory of surplus value explains the way this occurs in capitalism while the Plain Argument does not show there is any additional labor that workers do for capitalists.

Now Cohen could drop all mention of 'value' and say simply that capitalists' survival entails that they get some of the *products* that workers alone create. The labor to produce these products would be surplus labor which workers have no choice but to do. Since none of this requires the labor theory of value, it is possible to prove exploitation in capitalism without the labor theory of value. I agree, but would stress how weak this conclusion is. Resting entirely on common sense or analytic premises, even a bourgeois economist would have to agree that capitalists exploit workers. Since the argument only establishes the existence of surplus labor required for capitalists' personal consumption, there are definite limits to this surplus labor – no matter how sumptuously capitalists live. But capitalism is a system of expanding reproduction. Thus the surplus labor required in capitalism is not limited to a given quantity of useful goods, but in fact has no limits. Capitalism is the first mode of production where this is generally the case. So although an even more commonsensical argument than the Plain Argument suffices to show some exploitation in capitalism, it can only prove what is fairly inconsequential compared to the kind of exploitation distinctive of capitalism.²⁶ The labor theory of surplus value is required to demonstrate the latter.

Though Marx and Marxists usually assume the labor theory of value, Cohen thinks the Plain Argument is 'what really animates Marxists, whatever they think and say'.²⁷ This is because he thinks what is essential to the moral charge of exploitation is intact. Nevertheless, he would have to grant that this interpretation also deviates considerably from Marx by

separating the moral criticism from a factual/theoretical description. Marx inveighs against moralism yet his work is replete with implicit and explicit moral judgments. What Marx rejected was abstract morality and moral judgments separated from an analysis of the conditions being criticized and how to change them. Marx was concerned to show that all class societies rested on exploitation, which he took to be an evil which would be absent from a socialist society. Nevertheless, exploitation was inevitable in his view throughout most of history. It was even at times historically progressive – but only because it establishes the preconditions for a form of society Marx considered higher. Its inevitability does not exclude this kind of evaluative judgment nor even a prescriptive imperative; a struggle against oppression helps prepare the way for a better society even if it is unrealizable at the time.²⁸ Rather than trying to justify his moral convictions Marx concentrated on developing an analysis of economic and historical conditions which would reveal when and how the conditions could be changed. He assumed that if he could justify his political/economic theories, everyone who did not gain from exploitation would draw the same moral conclusions. Interpreting Marxists' charge of exploitation as resting entirely on moral and 'commonsense' premises eviscerates the charge.²⁹

Despite its un-Marxist character, the Plain interpretation would have certain advantages for Marxists if it had the same moral implications. However, it does not – even when supplemented. It is considerably weaker, first of all, because everything true on the Plain account is true on my interpretation as well. My view says that capitalism needs profits (without limit), which have their source in workers' forced, unpaid surplus labor. Few people would justify capitalism if they believed this.³⁰ The Plain Argument is considerably less compelling against capitalism. It says that workers are the only persons who create the product, that which has value, yet capitalists get some of this value. Nothing is said about what creates the value and nothing is said about what capitalists do or what their relationship is to workers. As Cohen acknowledges, nothing in his argument excludes capitalists from engaging in significant productive activities even if they do not themselves produce anything. Most non-Marxists hold that capitalists play just such a role: according to the neo-classical approach, workers and capitalists both contribute factors of production. If either receives less than the 'marginal product' of their factor they are exploited, but if they receive their 'fair share' neither is exploited.³¹ The Plain Marxian charge of exploitation against capitalism might, then, come down to the difference between actually producing something and only helping to bring about its production. If capitalists do not do any productive activity, then the value they receive would seem quite undeserved. But it still does not seem to follow that they are exploiting workers. Couldn't it be just capi-

talists' good fortune to receive some of the value of the product that workers have created?

The absence of any account of where the value itself comes from also weakens the moral import of the argument. If, for example, desire or the workings of the market create value it seems less objectionable that capitalists get some of it than if workers (alone) create value. Cohen disputes this, claiming that, in addition to not being necessary, the labor theory is not sufficient to sustain the charge of exploitation. If desire is the source of value, it would be absurd to say that the desirers were exploited just because capitalists received some of that value. Perhaps. But imagine this example: Farmers are the only persons who produce the crops, although capitalists engage in related productive activities. However, it is the medicine man's incantation that gives the crops the nutritive value they have. The more incantations the medicine man says the more nutritive value the crops have. Let's suppose that the farmers, the capitalists and the medicine man all get some of the crops' nutritive value. Would it be clear that the capitalists were exploiting the farmers? Perhaps it might not even seem absurd to suggest that they were exploiting the medicine man. Or perhaps it would seem that each group plays a role and hence each deserves a share (*à la* the neo-classical view). In any case, the difference between actually creating the product and engaging in productive activities seems less significant if it is imagined that the source of the product's value lies elsewhere.

My conclusions in this section are: the meaning of 'exploitation' in the Plain Argument is considerably different from Marx's concept of exploitation. The distinction Cohen draws between workers creating the value of the product and their creating the product which has value is irrelevant to Marx's argument. The labor theory of value is essential to Marx's specific charge of exploitation against capitalism and although not essential to the Plain Marxian Argument, neither is it irrelevant to it. Aside from differing from Marx's conception, the Plain Argument is not a very powerful one. So while the Plain case has the advantage of simplicity and independence from a possibly problematic theory, it also has serious drawbacks for anyone concerned to present a systematic critique of capitalism.

II

The chief point at issue in Cohen's article and mine is the connection between Marxists' charge of exploitation and the labor theory of value, and strictly speaking this is independent of the validity of Cohen's criticisms of the labor theory of value. Cohen could be right on one and I on the other. However, there is a political connection in both cases. If Cohen's

criticism of the labor theory of value is correct, Marx is better off if Cohen is also right that this is irrelevant to Marx's charge of exploitation in capitalism. If I am right that there is a connection between the two, then Marx is in trouble if Cohen is right about the labor theory of value. Though serious discussion of the issues involved is quite beyond the scope of this paper,³² I hope to show that Cohen's criticism is far from decisive.

An important basis of Cohen's criticisms is the ambiguity he claims to find in the theory of value. What he calls the popular doctrine is that labor creates value in a fairly concrete sense, value being understood as embodied or congealed labor. The strict doctrine is that value is determined by the socially necessary labor time currently required to produce a commodity of that kind. These two doctrines are clearly different, indeed incompatible, since the amount of labor embodied in a commodity is not necessarily the amount required to produce it at another time. Cohen says that, although Marx was aware of the difference between the two doctrines, he sometimes resorted to the popular doctrine because (1) it seems a more plausible basis for the charge of exploitation, and (2) (even more important), it can be called in to defend the labor theory against counterexamples. Having already discussed the first issue, we will now consider the second part of Cohen's charge.

Marx's theory, as Cohen presents it, says that socially necessary labor time determines value and that under equilibrium conditions value equals price. The problem, Cohen says, is that many factors can determine equilibrium price other than socially necessary labor time, for example, the degree of monopoly in an industry. Marx, according to Cohen, holds that while such examples show that equilibrium price sometimes deviates from value they do not show that value is created (or determined) by something other than socially necessary labor time. Cohen charges that this reply rests on the popular version of the labor theory of value. Marxists fail to realize that the labor theory of value is false, he claims, because they are operating with two inconsistent versions of the theory.

I will argue that Marx's account of such alleged counterexamples to his theory does not depend on the popular doctrine; rather, Cohen's criticism misconstrues Marx's theory of value and his general method in *Capital*. Let us begin with the methodological issue. Cohen's exposition of the labor theory of value is based on Volume I of *Capital*, in which it is stated that the equilibrium price of an individual commodity equals its value, which in turn is determined by socially necessary labor time. Marx does not assume this equivalence in Volume III of *Capital*. Cohen claims that to preserve the labor theory of value Marx then resorts to the popular version and construes it as true by definition, thereby depriving the theory of all substance.

In my view, Cohen's criticism that Marx starts with one concept of value and then switches to another³³ misunderstands Marx's methodology. A basic flaw is the assumption that Marx started with the *concept* of value at all. In his investigations, 'not the idea, but the material phenomenon alone can serve as its starting point'.³⁴ Seeking to determine and explain the real nature of value, his claim that value is determined by labor is never definitional, but rather based on what he takes to be the fact that in capitalism labor exists in an abstract or social as well as concrete form and is the only common property of commodities that can explain how they exchange. His rejection of alternative explanations, e.g. utility, is due to their different natures, specifically, that utility only exists in particular concrete forms and hence cannot play a general explanatory role.³⁵

Moreover, the account of value found in Volume I of *Capital* is not Marx's theory which is presented only in the three volumes of *Capital* taken as a whole. Explaining that 'the method of presentation must differ in form from that of inquiry',³⁶ it is not until the third volume of *Capital* that Marx gets to the 'Process of Capitalist Production as a Whole'. He begins his presentation of the theory with the fundamental unit of capitalist society, the commodity.³⁷ The progression from simple commodity production in the first volume to capitalism in the third volume is not historical, but, in Marxist terminology, dialectical. Marx begins with the basic and most abstract level of reality and then attempts to show how that is manifested in increasingly complex and concrete social terms.³⁸

In the course of his presentation Marx makes numerous simplifying assumptions. One such assumption, found in Volumes I and II, is that the value of an individual commodity is determined by socially necessary labor time and is equal to its equilibrium price. He starts with this assumption partly for simplicity, but also as a means of demonstrating the superiority of his account of profits over rival accounts. His task was to show how, despite a 'free' market and 'free' labor, capitalism, like previous societies, involves an appropriation of a surplus from the producers by the owners of the means of production. Ricardian socialists believed the explanation to lie in the deviation of prices from values and advocated reforms to ensure equivalent exchange. Therefore Marx assumed a one-to-one correlation of prices and values to show that profits through exploitation would still exist. Marx is quite clear as to what he is doing and why. He says in Volume I 'If prices actually differ from values, we must, first of all, reduce the former to the latter, in other words, treat the difference as accidental in order that the phenomena be observed in their purity . . .'.³⁹ Although this method of explaining his theory and introducing his concepts can be confusing, Marx protested that to do otherwise would be to 'present the science before science'.⁴⁰ In Volume III of *Capital*, Marx gives a rather

more complicated explanation of the relation between prices and values than the simple equation assumed in the first volume.⁴¹

This brings me to what I claim is Cohen's substantive misunderstanding of Marx's theory. Marx's labor theory of value is not primarily a theory explaining the relative prices of individual commodities, as Cohen presents it – and certainly not at the level of abstraction found in Chapter 1, Volume I. Hence examples of individual commodities where equilibrium price is not determined by socially necessary labor time are not counterexamples to the theory. It is a theory about the value of the total social product and about the process by which the surplus portion of that product, surplus value, is distributed, through the means of price formation, among the non-producing classes of capitalist society.⁴² The equivalence of prices and values holds, not on the level of individual commodities, as assumed in Volume I, but between the price and value of the total social product. There is a more complicated relation between individual prices and values.

In every society there must be products of a kind and in sufficient quantities to satisfy people's needs and desires (at least roughly), and this in turn requires that certain amounts and kinds of labor be done. Now, in a system where the purpose of production is the satisfaction of needs, this balance of needs, products and labor would be brought about directly, i.e. through planning. However, in systems of commodity production where production is for exchange and where there is no direct social regulation of production, what brings about this approximate, but nonetheless remarkable coincidence of labor, products and needs is the market. The labor theory of value is the basis of an explanation of the workings of the market.⁴³

Since individual capitalists strive to maximize their own profits, they would shift to producing something else if the rate of return were not more or less equivalent to the rate that other capitalists enjoyed. In order, then, that there be a (fairly) stable distribution of society's labor in ways that ensure social reproduction, there must be an equalization of the rate of profit across industries. This average rate of profit is worked out through competition. As Marx explains, in somewhat facetious terms,

What competition between the various amounts of capital – which are invested in different spheres of production and have a different composition – is striving to produce is *capitalist communism*, namely that the *mass of capital belonging to each sphere of production* receives an aliquot part of the total surplus value proportionate to the part of the total social capital which it constitutes.⁴⁴

If the return to capitalists is according to the capital they have advanced, then the equilibrium price of individual commodities cannot be determined

by socially necessary labor time.⁴⁵ If, on the contrary, the return to capitalists were proportionate to the labor required for the production of their commodities it would follow that industries with a low organic composition of capital or a short period of turnover for variable capital would be the most profitable. Clearly this is not so. But if it were, all capitalists would try to be in such industries. Such a theory could hardly explain the distribution of society's labor into the socially necessary areas, as Marx is attempting to do.

Thus, far from being refuted by such cases, Marx's theory actually requires that equilibrium prices of individual commodities not be equal to their values. Only if an individual commodity happens to fit the average perfectly will its price be determined by the socially necessary labor time required to produce it.⁴⁶ Instead, commodities exchange according to what Marx calls their 'production price' – the costs of their production plus the average profit.⁴⁷ Since Marx attempts to show that production prices must be explained in terms of the labor theory of value, his analysis in Volume III is simply a more complex account than that of Volume I, because it is at a more concrete level of analysis.⁴⁸ Whether Marx is right that prices of production can be reduced to values⁴⁹ is, of course, crucial, but he is not inconsistent in holding this view.

This reply to Cohen's criticism does not rely on the idea of value as embodied labor (the 'popular doctrine'), as Cohen charges. Cohen's criticisms of this view are quite correct, but they are not criticisms of Marx's view. In Volume I when Marx explains the concept of socially necessary labor which determines value, he states that 'each individual commodity, in this connection, is to be considered as an average sample of its kind'.⁵⁰ But obviously this is another simplifying assumption since commodities will differ in the efficiency of their production. Therefore the labor that determines a commodity's value cannot be the actual labor embodied in that commodity. In fact, not only is Marx's labor theory of value not identical to the embodied labor doctrine, but it is the difference between the labor actually embodied in a commodity and the labor currently required to produce it – its value – that creates the possibility of crisis. For reproduction of capital requires that the *value* of the capital be replaced along with the usual rate of profit. While Marx said he assumed in Volume I of *Capital* that commodities appearing on the market would find buyers at prices which would yield the expected profit, in reality this is far from guaranteed. In Volume III and in *Theories of Surplus Value* Marx investigated the danger inherent in the separation of purchase and sale. He says,

... since the circulation process of capital . . . extends over a fairly long period until the capital returns to its original form, . . . since great upheavals and changes take place in the market in the course of this period, since great changes take place in the

productivity of labor and therefore also *in the real value of commodities*, it is quite clear that between the starting point, and the time of its return, great catastrophes must occur . . . ⁵¹

What Cohen calls the popular doctrine can be interpreted in more than one way. This ambiguity, combined with Cohen's individualized presentation of the theory, helps his criticism of Marx to appear more telling than it really is. If 'create', in 'labor alone creates value', is (inappropriately) interpreted to mean 'physically create', so that it means much the same as 'enter as an ingredient into' or 'build', then value would be concrete embodied labor. But 'labor alone creates value' can simply mean that nothing other than labor determines the value of commodities. Since Marx does believe *this*, Cohen interprets him as falling back on the 'popular doctrine'. However, it is not the value-as-embodied-labor view which both Cohen and Marx reject. Value is a measure of real social cost. Patterns of ownership, periods of production, etc., are not part of the cost that must be borne by society to produce a commodity; on the other hand, Marx says, 'society pays for [each] commodity by devoting a portion of the available labor-time to its production'.⁵² All other resources depend on labor for their usefulness. Marxists use the possibly misleading word 'create', because they want to distinguish labor from other factors which appear to determine the value of commodities because they can affect the price of commodities.

Since Cohen takes 'value determines equilibrium price' to be true by definition,⁵³ it follows that anything that determines the equilibrium price of a commodity determines its value. On his view this would include patterns of ownership, periods of production, organic composition of capital as well as socially necessary labor time. He has then no general theoretical explanation of what determines value.

Marx's method of developing and presenting his theory is in certain fundamental ways no different from that of a physicist who presents his theory in terms of a vacuum. Nevertheless, Marx's way of explaining his concepts can be confusing – especially to those of us trained in analytic philosophy. We keep expecting the concepts to be introduced and explained at the outset with clear definitions that do not change. Or if the definitions do change, we would like them to be labelled D1, D2 and D3. From Engels's response to some discussions of Marx's theory, we can see that Marx's form of presentation confused many before Cohen:

These remarks rest upon the false assumption that Marx wishes to define where he only investigates, and that in general one might expect fixed, cut-to-measure, once and for all applicable definitions in Marx's works. It is self-evident that where things and their interrelations are conceived, not as fixed, but as changing, their mental

images, the ideas, are likewise subject to change and transformation; and they are not encapsulated in rigid definitions, but are developed in their historical or logical process of formation. This makes clear, of course, why in the beginning of his first book Marx proceeds from the simple production of commodities as the historical premise, ultimately to arrive from this basis to capital . . .⁵⁴

If my arguments in this paper are correct, we are in the position Marxists and non-Marxists have traditionally thought we were – an assumption recently challenged by Cohen and others. Marx's specific charge of exploitation against capitalism rests on the labor theory of value and surplus value. The charge fails if the theory is false. A different, if related, moral criticism of capitalism can probably be made which does not depend on the labor theory of value, (such as the Plain Argument), but this was not my concern in this paper. Whether the labor theory of value is true is also beyond the scope of this paper. However, I hope I have raised considerable doubts that Cohen's critique of the theory is sound.⁵⁵

NOTES

- 1 A. Wood, 'The Marxian Critique of Justice', *Philosophy and Public Affairs*, Vol. 1, No. 3; D. Allen, 'The Utilitarianism of Marx and Engels', *American Philosophical Quarterly*, Vol. 10; G. Brenkert, 'Marx and Utilitarianism', *Canadian Journal of Philosophy*, Vol. 5; W. M. McBride, 'The Concept of Justice in Marx, Engels and Others', *Ethics*, Vol. 85, No. 3; L. Husami, 'Marx on Distributive Justice', *Philosophy and Public Affairs*, Vol. 8, No. 1; D. Van De Veer, 'Marx's View of Justice', *Philosophy and Phenomenological Research*, Vol. 33; R. Tucker, 'Marx and Distributive Justice', in *The Marxian Revolutionary Idea*, Norton, New York 1969; G. Young, 'Justice and Capitalist Production: Marx and Bourgeois Ideology', *Canadian Journal of Philosophy*, Vol. viii, No. 3; R. Arneson, 'What's Wrong With Exploitation?' *Ethics*, Vol. 91.
- 2 *Philosophy and Public Affairs*, Vol. 8, No. 4. Reprinted in Steedman, Sweezy et al., *The Value Controversy*, New Left Books, London 1981.
- 3 Among the economists sympathetic to Marx but critical of his labor theory of value are: M. Morishima, *Marx's Economics*, Cambridge University Press, Cambridge 1973; I. Steedman, *Marx After Sraffa*, New Left Books, London 1977; M. Lippi, *Value and Naturalism in Marx*, New Left Books, London 1980; G. Hodgson, 'A Theory of Exploitation Without the Labor Theory of Value', *Science and Society*, Vol. XLIV, No. 3. This unorthodox view is fast becoming the new orthodoxy.
- 4 Some differences I have with this account will emerge in the latter part of the paper.
- 5 *Ibid.*, p. 341.
- 6 *Ibid.*, p. 341.
- 7 *Ibid.*, p. 344.
- 8 *Ibid.*, p. 356, my emphasis.
- 9 Cohen points out two other incompletenesses in the argument: it does not specify the conditions under which 'it is (unjust) exploitation to obtain something from someone without giving them something in return' and it omits some important features of the relation between capital and labor. I will argue that some of these are necessary to sustain the charge of exploitation against capitalism. However, they are not essential to the arguments Cohen presents whereas some statement about the meaning of 'exploitation' is essential.
- 10 *Anarchy, the State and Utopia*, Basic Books, New York 1974, p. 253.
- 11 *The Marx-Engels Reader*, ed. by Robert Tucker, Norton & Co., New York 1972, pp. 385-6.

- 12 Not all Marxists agree with this. Cf. M. Morishima, who distinguishes exploitation under socialism from that under capitalism as (1) less, (2) mostly different in type, and (3) not inevitable. *Value, Growth and Exploitation*, McGraw-Hill, London 1978, Ch. 3. My differences with his conceptions of exploitation and socialism will emerge shortly.
- 13 I assume that Plain Thinkers would not want to distinguish socialism from capitalism merely on the grounds that there would be less exploitation in socialism, since the portion received by those unable to work would presumably be less than capitalist profits. Aside from not establishing the qualitative difference most Marxists perceive between capitalism and socialism, Plain Marxians could not sustain this reply because their argument provides no way of measuring the gap between what workers produce and what they receive. (A corollary of this point is that the Plain argument provides no way of speaking about the rate of exploitation which is very important in Marxist theory.)
- 14 Though no labor beyond what is individually and socially necessary would be required in a socialist society, Marx believed that there would be some surplus labor done by individuals, but only because it is a human need. Work that is not necessary can be 'self-realization, objectification of the subject, hence real freedom . . .' when it stems from that need and not from the relations of production. *Grundrisse*, Penguin Books, Harmondsworth 1973, p. 611.
- 15 Necessary labor would, on the one hand, expand under socialism because workers would demand a higher standard of living in many senses. On the other hand, it would shrink because choice of technology would be made with the reduction of labor rather than the increase of profits as the criterion. Cf. *Capital I*, p. 530, *Capital III*, p. 876.
- 16 *Capital I*, p. 235. Marx goes on to explain that it is only in capitalism, where exchange value instead of use value predominates, that surplus labor has no limit.
- 17 Though it is unforced, necessary labor can never be totally free in Marx's view. Cf. *Capital III*, p. 820.
- 18 Under socialist relations of production, where workers control the means of production and surplus, the surplus that goes to non-workers is not forced labor. Hence workers are not exploited in a socialist society. Here lies my difference with Morishima (Note 12), who allows for exploitation under socialism. He omits the element of force from the definition of exploitation and democratic planning from the definition of socialism.
- 19 Cf. my 'Exploitation', *Canadian Journal of Philosophy*, Vol. viii, No. 2, June 1977, 353-369.
- 20 'Robert Nozick and Wilt Chamberlain: How Patterns Preserve Liberty', in *Justice and Economic Distribution*, ed. by J. Arthur and W. H. Shaw, Prentice-Hall, Englewood Cliffs, N.J. 1978; and 'Capitalism, Freedom and the Proletariat', in *The Idea of Freedom: Essays in Honor of Isaiah Berlin*, ed. by Alan Ryan, Oxford University Press, New York 1979. Cohen expands on this thesis in 'The Structure of Proletarian Unfreedom', *Philosophy and Public Affairs*, Vol. 12, No. 1.
- 21 Op. cit., p. 259.
- 22 'The wage form thus extinguishes every trace of the division of paid and unpaid labor. All labor appears as paid labor. . . . In slave-labor, even that part of the working day in which the slave is only replacing the value of his own means of existence, in which, therefore, in fact, he works for himself alone, appears as labor for his master. All the slave's labor appears as unpaid labor. In wage-labor, on the contrary, even surplus labor, or unpaid labor, appears as paid. There the property-relation conceals the labor of the slave for himself; here the money-relation conceals the unrequited labor of the wage-laborer', *Capital I*, pp. 539-40.
- 23 A technical argument along these lines is offered by Morishima, who claims to prove without the labor theory of value that capitalist profits come from surplus labor. Consideration of this argument would involve us in mathematics as well as further issues regarding the concept of exploitation and just what the labor theory of value is. Cf. M. Morishima and F. Seton, 'Aggregation in Leontief Matrices and the Labor Theory of Value', *Econometrica*, 1961; M. Morishima, *Marx's Economics*, op. cit., and 'Marx in the Light of Modern Economic Theory', *Econometrica*, 1974.
- 24 This explanation of the source of profits suffers from the drawback that for every gain

- there must be a loss and hence according to this theory there is no net profit. However, that is another story. If one added that workers are the only commodity-sellers who cannot charge more than their costs, this would come down to a paraphrase of Marx's theory, since it would explain profit as resulting from workers' unpaid labor, Cf. *Capital III*, pp. 9-10.
- 25 *Capital I*, p. 217, my emphasis.
- 26 See *Capital I*, pp. 235-6.
- 27 P. 353. Given the variety of views among those who call themselves Marxists, I am not sure how this would be determined or what importance it would have, but I will not pursue this point.
- 28 See *Capital I*, p. 592, or these remarks in the *Grundrisse*: 'The recognition of the products as its own, and the judgment that its separation from the conditions of its realization is improper – forcibly imposed – is an enormous (*advance in*) awareness, itself the product of the mode of production resting on capital, and as much the knell to its doom as, with the slave's awareness that he cannot be the property of another, with his consciousness of himself as a person, the existence of slavery becomes a merely artificial vegetative existence, and ceases to be able to prevail as the basis of production', p. 463 (my emphasis).
- 29 My argument here is rejected by Richard Arneson, who distinguishes what he calls a technical sense of exploitation and wrongful exploitation on the grounds that it is logically possible for the former to be present: forced unpaid surplus labor whose product is not under the control of the producers, yet this not be wrong. Two additional conditions are required for wrongful exploitation: (1) that the technical exploitation results from vastly unequal social power relations and (2) that it results in undeserved and very unequal distribution of economic goods (p. 212). Arneson's approach here is quite alien to Marx's – even if (and who knows?) Marx would share Arneson's judgments on the hypothetical examples he constructs. Marx was interested in showing that all class societies rested on exploitation. Although Marx was not interested in developing an account of 'deservingness' he would have assumed that Arneson's two conditions would be present (as cause and effect) whenever exploitation existed. If they were not, it is not clear whether it would be exploitation as he understood it. But to press strict fact/value and logically necessary/empirical distinctions here, as Arneson does, is even more inappropriate than it usually is. Even if there were logically possible cases of exploitation which were not morally wrong, this does not mean that 'exploitation' is not a (partially) moral term. Compare 'murder'. To say it has moral implications is not to say that murder could never (even logically) be justified. Arneson's purpose is similar to Cohen's. He explains that he is developing Marx's moral critique of capitalism because it is germane and may be sound even though his economic analysis is untenable (pp. 208-9). However, since on Arneson's account, wrongful exploitation entails technical exploitation, whether this is so depends on whether technical exploitation can be proved without Marx's economic analysis. I am arguing here that it cannot.
- 30 One could believe this and not be anti-capitalist if one also believes that nothing better is possible. A person with these beliefs, would, however, be unlikely to morally support capitalism, but rather would merely be depressed, since it would hardly follow from the lack of better alternatives that the capitalist means of acquiring profits was morally good.
- 31 Another moral justification offered for capitalist profits (although it is not an explanation of them) is that they are a fair return for capitalists' risks and/or sacrifices. Marx's denial of this does not commit him to the claim that if profits were the result of risk or sacrifice, then capitalists would deserve their profits. This invalid inference is drawn by Arneson.
- 32 This is a large issue and the subject of an intense debate currently going on among Marxists and theorists sympathetic to Marx. See Note 2.
- 33 Eugen Bohm-Bawerk, Marx's nineteenth century critic, made this criticism in *Karl Marx and the Close of His System*, Merlin Press, London 1975. In private communication, Cohen says this is a misunderstanding, that he was simply claiming that Marx's account in Volume III is incoherent. I leave it to the reader to judge my interpretation.
- 34 Quoted approvingly by Marx in 'Afterword to the second German edition', *Capital I*, p. 18.

- 35 In a review of Bohm-Bawerk, Geoffrey Kay describes this as the crucial difference between what he calls Marx's dialectical method and that of Bohm-Bawerk. 'The methodology of *Capital* . . . particularly its opening section, is inseparably linked to its content, since Marx, like Hegel, did not make the separation between logic and category that is characteristic of the model-real world separation that we find in the positivism of the social sciences.' 'Why Labour is the Starting Point of *Capital*', *Critique*, No. 7, p. 58.
- 36 Afterword to second German edition of *Capital I*, p. 19. Cf. Marx's discussion of 'the method of political economy' in the Introduction to the *Grundrisse*, pp. 100 f.
- 37 Saying in the opening paragraph of *Capital*, 'Our investigation must . . . begin with the analysis of the commodity', op. cit., p. 35. He explains that this is what makes the beginning of *Capital* so difficult, just as the cells of a body are so much more difficult to understand than the body as an organic whole. Preface to first German edition. *Ibid.*, p. 8.
- 38 For the best account I know of Marx's theory of value as a unified whole, cf. I. I. Rubin, *Essays on Marx's Theory of Value*, Black & Red, Detroit 1972.
- 39 Continuing, he poses the problem as follows: 'How can we account for the origin of capital on the supposition that prices are regulated by the average price, i.e. ultimately by the value of the commodities? I say, "ultimately," because average prices do not directly coincide with the values of commodities, as Adam Smith, Ricardo, and others believe.' *Capital I*, p. 166 n. Cf. *Value, Price and Profit*, "To explain the general nature of profits, you must start from the theorem that on an average commodities are sold at their real values, and that profits are derived from selling them at their values . . . If you cannot explain profit upon this supposition, you cannot explain it at all". Cf. Maurice Dobb, *Theories of Value and Distribution Since Adam Smith*, Cambridge University Press, Cambridge 1973.
- 40 'Science consists precisely in demonstrating how the law of value asserts itself. So that if one wanted at the very beginning to "explain" all the phenomena that seemingly contradict the law, one would have to present the science before science.' Letter to Kugelmann, July 11, 1868 in *Marx-Engels Selected Correspondence*, Progress Publishers, Moscow 1975, p. 196.
- 41 Although price and value are logically independent, there must, as Julius Sensat puts it, 'be some determinate relation between prices and values if distribution is to be a theoretically comprehensible process. The reason is simply that value provides the appropriate measure of distributive shares, and distribution takes place via the price-guided exchange process'. 'Sraffa and Ricardo on Value and Distribution', *Philosophical Forum*, V. XIV, Nos. 3 and 4.
- 42 Though less relevant to our concerns here, it is also a theory of fetishism, alienation, forms of social being, class formation, consciousness, and the state.
- 43 In a famous letter Marx says 'Every child knows . . . that the volume of products corresponding to the different needs requires different and quantitatively determined amounts of the total labor of society . . . this necessity of the distribution of social labor in definite proportions cannot possibly be done away with by a particular form of social production . . . What can change in historically different circumstances is only the form in which these laws assert themselves. And the form in which this proportional distribution of labor asserts itself, in a social system where the interconnexion of social labor manifests itself through the private exchange of individual products of labor, is precisely the exchange value of these products'. Letter to Kugelmann, op. cit. Cf. *Capital III*, p. 187, for a similar statement. See John Harrison's, *Economics for Socialists*, Pluto Press, London 1978, and I. I. Rubin, op. cit., for admirably clear expositions of this point.
- 44 Letter to Engels, April 30, 1868. Cf. *Capital III*, p. 158.
- 45 As I. I. Rubin puts it, 'The equality of capitals means the inequality of labor', op. cit., p. 231.
- 46 'The rational and naturally necessary asserts itself only as a blindly working average.' Letter to Kugelmann, op. cit., p. 197.
- 47 *Capital III*, Ch. IX.
- 48 *Capital III*, Chs. XI, XII. Cf. Rubin, op cit., Ch. 18.

49 This explanation of the relation of value and price is irrelevant to Cohen since he takes 'value determines equilibrium price' to be true by definition. 'Hence, if I am right, the transformation problem [how values are transformed into prices] is a strictly incoherent problem . . .' Cf. fn. 18, p. 352.

50 Op. cit., p. 39.

51 *Theories of Surplus Value II*, p. 495, my emphasis.

52 *Capital III*, p. 187.

53 Op. cit., pp. 339–40.

54 Preface to *Capital III*, p. 13.

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