

ECON 4270 Distributive Justice

Lecture 9: Marxist exploitation. Deserts and responsibilities

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Karl Marx has no positive theory of justice in distribution
In the communist society, there would be abundance, and the
problem of just distribution would not arise
From each according to ability, to each according to need.

Exploitation of the working class

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Under capitalism, workers produce all value, but receive only part of it in return.

Capitalists earn profit without contributing to production.

Therefore: workers are exploited by the capitalist class and the landowners.

the injustice of exploitation seems to go without saying

Marx and the classical economists

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Marx based his analysis on concepts taken from the classical economists:

- ▶ Three classes: landowners, capitalists, workers (proletariat) defined by their place in production
- ▶ Three corresponding kinds of income: land rent, profit, earnings (wage income)
- ▶ Labour theory of value
- ▶ Productive and unproductive labour

Labour theory of value

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Marx's theory of exploitation is based on the labour theory of value, which he shared with Adam Smith and David Ricardo.

Well explained verbally in Kymlicka.

More formal analysis:

Valid for any number of products and inputs

Assume a corn economy: corn is produced using labour and corn (seed)

To produce 1 kg corn we need a kg seed corn and ℓ units of labour.

Clearly, $a < 1$ (Why?)

Labour theory of value

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Original formulation: the value of the corn consists of direct labour plus indirect labour:

the labour needed to produce the seed corn

The seed corn is produced by labour and seed corn

etc etc

The technology, a kg and ℓ will have changed over the years

therefore the value of the corn also changes

the beginning is lost in time

and it is impossible to compute the present labour value of the corn

Marx's solution: the value of the seed corn equals the value of the corn produced

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Let the labour value of 1 kg corn = V .

The (labour) value of 1 kg corn equals the number of work hours needed to produce it (ℓ) plus the value of the seed corn (aV)

Labour theory of value

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Formally:

$$V = l + aV$$

solution

$$V = \frac{l}{1 - a}$$

The labour value of corn depends on the productivity of labour and the productivity of seed corn

Exploitation

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The economy produces X kg corn using
 aX kilo seed corn

and

$\ell X = L$ hours of labour

The net product is $X - aX = (1 - a)X$

The value of the net product is:

$$V(1 - a)X = \frac{\ell}{1 - a}(1 - a)X = \ell X = L$$

Exploitation

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The total value of the net product equals the number of hours worked

The net product is divided between the workers and the capitalists

The workers produce value L

Of this, the capitalists keep back profits of value m (German, Norwegian), s (English)

($m = \text{mehrwert}$, merverdi , $s = \text{surplus value}$)

the workers receive $L - s < L$

They produce more value than they receive.

This is the Marxian theory of exploitation.

Exploitation

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What does the theory imply?

prove?

One possible conclusion:

no exploitation in the just society

the workers receive the whole product

But Marx protests strongly against this conclusion

in Critique of the Gotha programme

Part of the product must go to the non-working

the old, children etc

and to investment

So what is the just distribution?

??

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In Capital vol 3, Marx himself proved that prices in a competitive economy could not be proportional to labour values.

By that time, however, the labour theory of value had been discarded by economists for other reasons, to be replaced by the neoclassical theory of value.

Productive labour

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An outdated concept in academic economics
at least as understood by the classical economists

Rent seeking

Still alive as folklore and slogan

Goes back to the French physiocrats (18th century)
(who founded economic analysis before Smith)

Quesnay: Tableau economique (1758)

The only productive activity was agriculture

Other sectors (manufacture, services) were in a sense parasitic on
agriculture

Productive labour

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The classical economists Smith (and Ricardo) inherited the distinction between productive and unproductive labour

Smith: Only the production of physical objects produces value

Services are unproductive

Marx: Several different definitions

Productive labour

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One definition: the same as Smith

Another definition:

productive labour is labour producing value for capitalists
(private sector)

Only productive labour produces value

hence: all value is produced in the private sector

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Non-productive labour:

public services

housework

child care

Marx and his followers concede that non-productive labour can be useful

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Still alive

as the concept that all value is produced by private firms
the public sector is parasitic on the private (and should be as small
as possible?)

Talent and deserts

Talents are not deserved.

Result of genes and social background
cf Rawls

More commonly: we own our talent and deserve rewards for them
Self-ownership

But what is a talent?

An endowment that is recognised by the society you live in.

└ Talents and deserts

Example: talent for music

Bach died poor

Talent for art

Talents of women?

Do not confuse
Reward due to merit
and reward as incentive
(cf again Rawls)

Choice and responsibility

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We should be take responsibility for our choices

Dworkin: endowment insensitive, ambition sensitive

Roemer: aim should be equality of circumstances for which we are not responsible

but differentiation when we are responsible

Argument for affirmative action

Problem: can we separate choice from circumstance?

The choices you make may (will) depend on circumstances

The result of choice for which you should be held responsible may depend on external circumstances

Choice and responsibility

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Name to remember: Marc Fleurbaey

Example: Motorcyclist without helmet crashes

Is he entitled to free health care?

MF says yes

Example: Life style and health care

Some doctors demand that e.g. smokers should pay more for treatment than non-smokers

Healthy life style strongly related to class and education

Healthy people live longer and hence cost society more

Life style influences risk, not certain outcome

Choice and responsibility

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Example: having children

Some claim that child benefit is unfair, because having children in contemporary society is a free choice

Children have made no choice!

Child benefit relieves parents of only parts of their responsibility

Societal arrangements determine the outcome of choices:

in traditional societies, having children is an investment in the future, securing your old age

In modern societies, having children is an expense.