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Lectures on the History
of Political Philosophy

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MARX I

His View of Capitalism as a Social System

§1. Preliminary Remarks

Karl Marx's dates, 1818–1883, make him a near contemporary of J. S. Mill, who was 12 years older (1806–1873). He was born into a century that was already becoming seriously interested in Socialism, including the work of the Saint-Simonians, with whom Mill associated in his early years.

One of the most remarkable achievements of Marx is that starting with an academic background in jurisprudence and philosophy, which he studied at the University of Berlin in the late 1830s, he turned to economics to clarify and to deepen his ideas only after he was about 28 years old. It is testimony to his marvelous gifts that he succeeded in becoming one of the great 19th-century figures of that subject, to be ranked along with Ricardo and Mill, Walras and Marshall. He was a self-taught, isolated scholar. While Ricardo and Mill knew other economists of the classical school, who formed a kind of working group, Marx had no such colleagues. Friedrich Engels, who was a close associate and collaborator after the early 1840s, and who was in some ways indispensable to Marx, was not an original thinker of Marx's caliber, and could not really give him the kind of intellectual help he could have used. Engels himself says, "What I contributed . . . Marx could have very well done without me. What Marx accomplished, I would have not have achieved. . . . Marx was a genius; we others were at best talented."¹ Given the circumstances of Marx's life, his achievement as an economic theorist and political sociologist of capitalism is extraordinary, indeed heroic.

1. Friedrich Engels, *Ludwig Feuerbach and the End of Classical German Philosophy*, p. 386. Tucker (see note 2) gives Engels more credit than he gives himself, saying, "His gifts and Marx's were in large measure complementary. Classical Marxism is an amalgam in which Engel's work constitutes an inalienable part." Introduction to the *Marx-Engels Reader*, §4.

1. The works of Marx that we will read can be divided as follows: First, the early and more philosophical writings of the 1840s: *On the Jewish Question* (1843) and *The German Ideology* (1845–1846).² Important but not assigned are: *Economic and Philosophic Manuscripts* (1844) and *Theses on Feuerbach* (1845).

Second, parts of the economic writings: *Capital*, Vol. I (1867) (first draft, 1861–63); Vol. II (1885) (worked on: 1868–70, 75–78); Vol. III (1894) (first draft, 1864–65). Important but not assigned is *Grundrisse* (1857–58).³

Third: one of Marx's political writings: *Critique of the Gotha Program* (1875).⁴

2. The objectives of our discussion of Marx are extremely modest, even more so than with our discussion of Mill. I will consider Marx solely as a critic of liberalism. With that in mind, I focus on his ideas about right and justice, particularly as they apply to the question of the justice of capitalism as a social system based on private property in the means of production. Marx's thought is enormous in scope, and it presents tremendous difficulties. To understand, much less to master, the ideas of *Capital*—all three volumes—is itself a forbidding task. Still, it is much better to discuss Marx, if only briefly, than not to discuss him at all. I hope you will be encouraged to come back to his thought and to pursue it more deeply at a later time.

When I say that we focus on Marx's critique of liberalism, I mean that we examine his criticisms of capitalism as a social system, criticisms that might seem offhand to apply as well to property-owning democracy, or equally to liberal socialism. We try to meet those of his criticisms that most clearly require an answer. For example:

(a) To Marx's objection that some of the basic rights and liberties—those he connects with the rights of man (and which we have labeled the

liberties of the moderns)—express and protect the mutual egoisms of citizens in the civil society of a capitalist world, we reply that in a well-ordered property-owning democracy those rights and liberties, properly specified, suitably express and protect free and equal citizens' higher-order interests. While property in productive assets is permitted, that right is not a basic right, but subject to the requirement that, in existing conditions, it is the most effective way to meet the principles of justice.

(b) To the objection that the political rights and liberties of a constitutional regime are merely formal, we reply that by the fair value of the political liberties (together with the operation of the other principles of justice) all citizens, whatever their social position, may be assured a fair opportunity to exert political influence. This is one of the essential egalitarian features of justice as fairness.

(c) To Marx's objection that a constitutional regime with private property secures only the so-called negative liberties (those involving freedom to act unobstructed by others), we reply that the background institutions of a property-owning democracy, together with fair equality of opportunity and the difference principle, or some other analogous principle, give adequate protection to the so-called positive liberties (those involving the absence of obstacles to possible choices and activities, leading to self-realization).⁵

(d) To the objection against the division of labor under capitalism, we reply that the narrowing and demeaning features of the division should be largely overcome once the institutions of a property-owning democracy are realized.⁶

But while the idea of property-owning democracy tries to meet legitimate objections of the socialist tradition, the idea of the well-ordered society of justice as fairness is quite distinct from Marx's idea of a full communist society. This society seems to be one beyond justice in the sense that the circumstances that give rise to the problem of distributive justice are surpassed, and citizens need not, and are not, concerned with it in everyday life. Whereas justice as fairness assumes that, given the general facts of the political sociology of democratic regimes (e.g. the fact of reasonable pluralism), the principles and political virtues falling under justice of vari-

5. See Isaiah Berlin, *Four Essays on Liberty* (Oxford: Oxford University Press, 1969), Introduction, §2; and the Essay "Two Concepts of Liberty."

6. John Rawls, *A Theory of Justice* (Cambridge, Mass.: Harvard University Press, 1971), p. 529; revised edition (1999), p. 463f.

2. All the assigned works are in Robert C. Tucker, ed., *The Marx-Engels Reader*, 2nd ed. (New York: W. W. Norton, 1978). In Tucker these two essays are on pp. 26–52, 147–200. This latter selection is only the first part of the *German Ideology*, which is in the *Collected Works of Marx and Engels*, Vol. 5 (London: Lawrence and Wishart, 1976), and is over 500 pages.

3. From *Capital*, Vol. I, we will read the following: Ch. 1, Commodities, Secs. 1, 2, 4; Ch. 4, General Formula for Capital, entire; Ch. 6, The Buying and Selling of Labor Power, entire; Ch. 7, The Labor Process and the Process of Producing Surplus Value, Sec. 2, pp. 357–361; Ch. 10, The Working Day, Secs. 1, 2. All these selections are in Tucker, *Marx-Engels Reader*. From *Capital*, Vol. III, the selection in Tucker, pp. 439–441.

4. In this we will read only Sec. 1, in Tucker, *Marx-Engels Reader*; pp. 525–534.

ous kinds will always play a role in public political life. The evanescence of justice, even of distributive justice, is not possible, nor, it seems, is it desirable. This is an intriguing question, and though tempted, I shan't discuss it further.

3. Today I review the aims of Marx's economic theory and his account of capitalism as a social system. We can, of course, treat these matters only in an elementary and simplified way. If we keep in mind that our objectives are modest, perhaps no harm is done. Giving special attention to Marx's economics is justified not only because he assigned it a central place, but because his economics is central to his account of capitalism as a system of domination and exploitation, and hence to capitalism an unjust social system. To understand Marx as a critic of liberalism, we must try to see why he views capitalism as unjust. For while most liberalisms are not, as libertarianism is,⁷ committed to the right of private property in the means of production, many liberals, as Mill did, have defended private property in those means, not in general, but as justified under certain conditions.

Guided by these considerations, in the three lectures on Marx I shall try to cover these topics:

In the first, I consider how Marx viewed capitalism as a social system, and I note all too briefly what I take to be the point of his labor theory of value and what was its underlying intention.

In the second, I consider how Marx viewed the ideas of rights and justice and survey briefly the question—much discussed in recent years—whether he thought capitalism as a social system was unjust, or to be condemned only in the light of values other than, and not tied to, justice. It is clear that Marx condemns capitalism. The basic values he appeals to in doing so have seemed less clear.

In the third lecture, I discuss briefly Marx's conception of a full communist society as a society of freely associated producers in which ideological (or false) consciousness, as well as alienation and exploitation, have been overcome. I shall raise the question whether, for Marx, a full communist society is a society beyond justice, and whether the idea of rights has an essential role any longer.

It is evident that, as with Mill, we can cover but a fragment of Marx's thought. This perhaps is a reason for viewing his work from but one per-

spective: namely, as a criticism of liberalism. Doing this provides an instructive way to glimpse the great force of his doctrine.

4. Let me make a brief comment about the importance of Marx before proceeding. It may be thought that with the recent collapse of the Soviet Union, Marx's socialist philosophy and economics are of no significance today. I believe this would be a serious mistake for two reasons at least.

The first reason is that while central command socialism, such as reigned in the Soviet Union, is discredited—indeed, it was never a plausible doctrine—the same is not true of liberal socialism. This illuminating and worthwhile view has four elements:

- (a) A constitutional democratic political regime, with the fair value of the political liberties.
- (b) A system of free competitive markets, ensured by law as necessary.
- (c) A scheme of worker-owned business, or, in part, also public-owned through stock shares, and managed by elected or firm-chosen managers.
- (d) A property system establishing a widespread and a more or less even distribution of the means of production and natural resources.⁸

Of course, all this requires much more complicated elaboration. I simply remind you of the few essentials here.

The other reason for viewing Marx's socialist thought as significant is that laissez-faire capitalism has grave drawbacks, and these should be noted and reformed in fundamental ways. Liberal socialism, as well as other views, can help clear our minds as to how these changes are best done.

§2. Features of Capitalism as a Social System

1. The societies Marx studied were ones he called class societies. These are societies in which the social surplus—the total product of surplus labor, or unpaid labor⁹—is appropriated by one class of persons in virtue of their position in the social system. For example, in slave societies such as the an-

8. On these features, see John Roemer, *Liberal Socialism* (Cambridge, Mass.: Harvard University Press, 1994).

9. Surplus or unpaid labor is labor that the laborer is required to do beyond what is needed to produce the commodities necessary to support himself and his family. It does

7. For a libertarian view, see Robert Nozick, *Anarchy, State and Utopia* (New York: Basic Books, 1974).

tebellum South, the labor of the slave is at the disposal of the master as owner; and the slave's surplus or unpaid labor—I shall come back to this definition and other details later—and the product it produces is the property of the master. In feudal society the surplus labor of the serf was appropriated by the lord to whom the serf was bound and on whose fields the serf was required to work a certain number of days each year. This was forced labor: what the serf produced on the lord's fields was the lord's.

These are two examples clearly illustrating institutional setups that enable a certain class of people—slave-owners and lords—to appropriate as their own property the surplus labor of others. This they can do in virtue of their position in the social system. For Marx, among the fundamental basic units of analysis are classes, defined with respect to the whole social system as a mode of production in which they have a well-defined position and play an economic role.

2. Marx studies capitalism as a class society in the sense defined. This means that for him there is some class of persons in capitalist society who in virtue of their position in the institutional setup are able to appropriate the surplus labor of others. For him, like slavery and feudalism, capitalism is a system of domination and exploitation.

What makes capitalism distinctive is that to those who make their decisions and guide their actions according to its norms, it does not appear to be a system of domination and exploitation. How can this be? How can exploitation and domination go unrecognized? This question poses a difficulty: Marx thinks we need a theory to explain why these features of the system go unrecognized and how they are hidden from view. But I am getting ahead.

3. Now for the details of capitalism as a social system as Marx sees it:

First, capitalism is a social system divided into two mutually exclusive and exhaustive classes, the capitalists and the workers. This, of course, is a simplified conception. It can be suitably complicated by adding other classes—landlords, petty bourgeoisie—as the inquiry shifts. Here let's go with the simple conception.

(a) The capitalists own and have control over all the means (instruments) of production, as well as all natural resources (land, minerals, etc.).

But in capitalism there is no slavery. The one factor of production the capitalists do not own is other people's labor-power, the capacity of people to labor. This factor of production is owned by the workers themselves, individually.

(b) In order to exercise and apply their labor-power, which is the only factor of production the workers own, the workers must have access to and be able to use the means of production owned by the capitalists. Without those means, their labor is not productive.

4. The second feature of capitalism is that a system of free competitive markets exists. The output of the production of consumption-good industries is sold to households on markets for consumption goods. There are also markets for the factors of production on which these factors can be bought from other capitalists, or landowners if we add a landowning class. There is finally a labor market where capitalists can hire labor-power from the workers. Factors of production and capital funds move freely within these markets. In particular, capital funds flow into industries with the highest rate of profit and this tends to establish a uniform rate of profit in all industries.

(a) In the *Grundrisse* Marx refers to capitalism as a system of personal independence, as opposed to feudalism which was a system of personal dependence.¹⁰ The institutions of serfdom and slavery illustrate what is meant by a system of personal dependence. As we saw above, serfs and slaves are in various ways the property of the lord or the slave-owner. For example, serfs are not free to move but are tied to the lord's land, and they must work so many days a year on the lord's behalf, the product of their work being owned by the lord. In this case, Marx says the fact and rate of unpaid (surplus) labor is visible and open to view.

What he means is that both lord and serf know how many days the serf is required to work in the lord's fields, and both know the rate of exploitation, as given by the ratio of the days serfs work for the lord to the days serfs work for themselves. If serfs can count they know the rate of exploitation: it is open to view.

Call this ratio s/v . It equals surplus labor/necessary labor. It also equals the hours the serf works for the lord/the hours the serf works for himself

not add to his own consumption and sustenance; it is others—feudal lords, slave-owners, or capitalists—who gain instead.

10. *Grundrisse*: Pelican ed., pp. 156-165, cf. 158. See also *Capital*, Vol. 1, Ch. 1: §4. (Tucker, *Marx-Engels Reader*, p. 325; also p. 365.)

and his family. It also turns out often to equal the rate of exploitation. More on this later.

(b) By contrast, capitalism is a system of personal independence since the workers are free to assume other employment, and the wage agreement struck on the market is ostensibly a contract between free and independent economic agents. All such agents are viewed as protected by a legal system that guarantees freedom of contract and regulates the conditions of binding agreements.

For Marx, the striking feature of capitalism was that despite the fact that it is a social system with personal independence and free competitive markets with freedom of contract, it is still a system in which there is surplus or unpaid labor (or surplus value, the value of what is produced by surplus labor). The problem for him was: how was this possible? And how does it take place somehow hidden beneath the surface of the day to day transactions of the economic system?

A simple example illustrates what Marx means. In capitalism workers are paid, say, a standard (twelve-hour) day's wage. The capitalist hires (or rents) the worker's labor-power (*Arbeitskraft*), which then may be used more or less intensively, or longer if the standard day is lengthened. Now a unique feature, Marx thought, of labor-power, was that it was the only factor of production that, in the time it could work, it produced more value than it took to sustain itself over time. Other factors simply added the same value it took to fashion them in the first place. We might say: human labor alone is creative, and plainly there must be at least one such factor. Otherwise the economic system cannot grow over time.

All this is made obvious under feudalism, with its days of forced work on the lord's land, and it is obvious also in slavery. But workers in capitalism have no way of telling how many of their hours worked are necessary to sustain them, and how many are surplus labor for the benefit of the capitalist. Institutional arrangements conceal this fact. Thus, the distinctive feature of capitalism is that in it, as opposed to slavery and feudalism, the extraction of surplus or unpaid labor of workers is not open to view. People are unaware of its taking place and have no idea of its rate.¹¹

Thus, one of the aims of Marx's *labor theory of value* is to try to explain

how surplus labor can exist in a system of personal independence, and how this surplus labor and its rate is hidden from view.

5. A third feature of capitalism is that the two kinds of economic agents—the capitalists and the workers—have different roles and aims in the social system as a mode of production:

(a) The capitalists' role and aim is represented by the cycle $M-C-M^*$ (with $M < M^*$ and where $M =$ money and $C =$ commodities). This represents the fact that the capitalists invest liquid capital funds valued at M in machines and materials and in advances to labor (in the form of food, supplies, and equipment and the like) in order to produce a stock of commodities (output) to be sold at a profit. ($M < M^*$, normally.)

(b) The workers' role and aim is represented by the cycle $C-M-C^*$ where the value of C normally equals the value of C^* . This represents the fact that the workers agree to work, and so produce, for use. That is, workers labor in order to purchase with their wages the commodities required to sustain themselves—to maintain their labor-power—and to reproduce themselves by supporting their families and children.

6. A fourth feature of capitalism is a consequence of the preceding differences in the social roles and aims of capitalists and workers. This feature is that the social role of the capitalists is to save: that is, to accumulate real capital and to build up society's productive forces—its plant, machinery, etc.—over time.

(a) $M < M^*$ in the capitalists' cycle expresses the fact that the capitalists are in a position to accumulate and to build up their real capital. It is the capitalists who save. The aggregate real net saving owned by all capitalists is society's accumulated means of production: machinery, plant, improved land (again allowing for landowners), etc. Thus, in a capitalist social system, it is the capitalists who, individually and in competition with one another, make society's decisions regarding both the amount of real saving (investment) in each period of time and its direction. All this determines which industries and which ways of production will be expanded, and which ones will be allowed to decline.

(b) The subjective aim of capitalists—that is, what they aim for and have in mind—in investing their capital funds is not simply profit, but the maximum profit. While the level of consumption of the capitalists is considerably higher than that of the workers, the capitalists do not—in the high period of capitalism when it is fulfilling its historical role—strive toward a higher and higher level of consumption.

11. On this see the passage from *Capital*, Vol. I, Ch. 10, §2; in Tucker, *Marx-Engels Reader*, p. 365.

(c) The reason they do not is that the competitive situation of the capitalists versus other capitalists (firms versus firms) forces the capitalists to save and to innovate. Otherwise their firms will fail and they will cease to be capitalists. So capitalists as individuals are not in general idle: often they manage and superintend their firms and help run them. For this they receive the wages of management, which does not count as profit. Marx is concerned with the origin and source of pure profit as what the capitalists receive merely for being owners of the means of production.

(d) The capitalists can perform the social role of building up real capital because of their position as owners of the means of production and natural resources, etc., other than labor-power. Their social position enables them to control the direction of investment, the organization of production, and the labor process generally, and to own the produced output, which they can then sell at a profit, and so on continually, as accumulation proceeds.

The exercise of all these prerogatives of ownership of the means of production is an essential part of the capitalists' dominant role, not only in the firm, but in society as a whole (e.g. in determining the direction of investment).

(e) Finally, it remains to add that workers do not save over their life as a whole; their saving is deferred consumption (saving, e.g., for their old age). Summing over the workers as a whole, net saving is zero: what the younger workers save the older workers spend. (This supposes the working population is constant.)

5. A fifth feature of capitalism, which is obvious from the preceding features, is that the two classes (in the simple model) have opposed interests, as well as distinctive roles in the social system. In the last phases of capitalism when its high period is past, these classes become increasingly antagonistic and social conflict becomes more visible and chronic. This leads to Marx's breakdown theory.

§3. The Labor Theory of Value

1. So far I have said hardly anything about the labor theory of value. This no doubt strikes you as rather strange, since that theory is associated with Marx's name. However, I think it is best, or at least instructive, first to review the main features of capitalism as a social order as Marx saw them,

and to give some idea of why it might have seemed to him a system of domination and exploitation. It is in that context, I believe, that the point of his labor theory of value is most easily understood.

We can think of the labor theory of value as saying several things. It says first, the total value added in a commodity-producing society is the total social labor time expended. Second, it says that total surplus value corresponds to the total unpaid labor time. Here unpaid labor is unnecessary labor,¹² the proceeds of which are not received by the laborer.

Marx's thought is that from the point of view of society as a whole, the potential human labor of all of its members is a factor of production of special social significance. It is special in that it is not to be regarded in the same way as other non-human factors of production, such as land and natural resources, the powers of nature, and tools and machinery and the rest. These last are the result of past labor. Human labor is special also in that it is a factor of production peculiarly characteristic of society. From the most basic point of view, a human society is organized so that human beings can produce and reproduce themselves over time by means of their collective human labor, all the while making use of the resources and forces of nature under society's control.

Now, it is a fact about class societies that the total value added is not shared solely by those who produce it, but large shares are also received by people who either perform no labor at all, or else their shares are far in excess of what their labor time would warrant. How this happens in a slave or feudal society is open to view. But, as we have said, Marx thinks it is hidden from view under capitalism; and so we need a theory, he thinks, of how this happens in a system of personal independence in which contracts are agreed to between ostensibly free and equal economic agents.

2. The point of the labor theory of value is to penetrate beneath the surface appearances of the capitalist order and to enable us to keep track of the expenditure of labor time and to discern the various institutional devices by which surplus or unpaid labor is extracted from the working class, and in what amounts. Marx's concern is not only with how non-wage incomes originate and how they get redistributed and hidden from view. He

12. [Unpaid labor is "unnecessary" insofar as workers do not need to be (and therefore are not) paid wages for it in order to purchase, as Rawls says above, "the commodities required to sustain themselves—to maintain their labor-power—and to reproduce themselves by supporting their families and children." —Ed.]

also wants to know the details of these hidden processes and whether the flows of labor-time may be quantified.

Marx's answer to how non-wage incomes originate is found in *Capital*, Vol. I. He thinks that since capitalists, as a class, own the means of production as their private property, they can extract a certain total of surplus or unpaid labor. Workers must, as it were, pay a fee—their surplus labor—for their use of those productive instruments. In *Capital*, Vol. III, he explains how the total surplus extracted is then redistributed as profit, interest, and rent among various claimants: to landowners in the form of rent and to money-lenders in the form of interest. In this case also, property-ownership is crucial. Those who own fertile pieces of land or natural resources, or who have liquid funds, may be able to get capitalists to give up part of their profit in the form of rent for the use of land, or in the form of interest payments for a loan. The capitalists extract unpaid labor from the workers, while landowners and money-lenders extract from the capitalists part of their profits. The exploiters are exploited in their turn. Cannibals! All! as Fitzhugh's title proclaims.¹³

3. If this is right (here I follow Baumol),¹⁴ Marx's concern is not with price theory. He knows perfectly well that prices can be explained in terms of supply and demand on a system of competitive markets and without the use of labor values.

Nor is Marx's labor theory of value a theory of just price like the price theory of the late scholastics, who were concerned with the idea of a just (or fair) price. They concluded that the just (or fair) price was the competitive price under certain suitable market conditions, for example, the absence of monopoly, or of a famine or drought.

Marx says that "the utility of a thing makes it a use-value." But, "Use-values become a reality only by use or consumption: they also constitute the substance of all wealth" (Tucker, *Marx-Engels Reader*, p. 303). Now Marx does not hold that labor is the source of all material wealth—of the use-values produced by labor. He rejects this idea explicitly, saying: "The use-values . . . are combinations of two elements—matter and labor. If we take away the useful labor expended on them, a material substratum is always

left, which is furnished by Nature without the help of man." Man works "as Nature does, that is by changing the form of matter" (Tucker, p. 309).

Finally, Marx does not see exploitation as arising from market imperfections or from the presence of oligopolistic elements.¹⁵ His labor theory of value is meant to show, among other things, that even under a system of perfect competition, exploitation exists in a capitalist society. He wants to bring to light—to make clear for all to see—the way in which the capitalist order, even when it is fully competitive, and even when it fully satisfies the conception of justice most adequate to it, is still an unjust social system of domination and exploitation. This last is crucial. Marx wants to say that even a perfectly just capitalist system, one just by its own lights and the conception of justice most adequate to it, is a system of exploitation. It replaces feudal exploitation with capitalist exploitation.¹⁶ At bottom, both are the same. That is what the labor theory of value is supposed to show.

4. I should now say that I do not think the labor theory of value is successful. Indeed, I think that Marx's views can better be stated without using this theory at all. In saying this I accept the view of Marglin, and of many other present day Marxist economists, who do not regard the labor theory of value either as sound or as essential. Sometimes it is insufficient; at other times, even when sufficient, it is superfluous.¹⁷

The real point of the labor theory of value concerns the fundamental controversy about the nature of capitalist product. Contrary to the dominant neo-orthodox view, which stresses the parity of the claims of land, capital, and labor, and therefore the parity of the claims of landlords, capitalists, and laborers, Marx puts forward the central and basic role of the working class under the capitalist mode of production as under previous such modes. The aim of the theory is to highlight the main features of capitalism as a mode of production that are hidden from view by the parity of the capitalists in market relations of exchange. All this is by way of providing what Marx thought was a truly scientific basis for condemning capitalism as a system of domination and exploitation.¹⁸ We come back to this in the next lecture in discussing Marx and justice.

15. Such a view is found in A. C. Pigou, *The Economics of Welfare* (London: Macmillan, 1920).

16. *Capital*, I, Ch. XXVI: ¶¶5-7, in Tucker, *Marx-Engels Reader*, p. 433.

17. See Stephen A. Marglin, *Growth, Distribution, and Prices* (Cambridge, Mass.: Harvard University Press, 1984), pp. 462f.

18. See Marglin, *Growth, Distribution, and Prices*, pp. 463, 468.

13. This is the title of George Fitzhugh's famous pro-slavery tract of 1856, in which he argues that the black slaves of the South are the freest people in the world.

14. W. J. Baumol, "The Transformation of Values: What Marx 'Really' Meant (An Interpretation)," *Journal of Economic Literature* (1974).

5. With this said, I conclude with a comment about labor-power: Marx was proud of the distinction he drew between labor-power and labor, or the use of labor-power. He thought this distinction helped him to explain how profit could arise in a free market system of non-coercive exchanges in which, in every market, equal values exchange for equal values.

He holds that (under the assumptions of Vol. I) the capitalist, in hiring the worker, pays the worker the full value of the worker's labor-power. This means, as we have seen, that a worker is paid wages that equal the socially necessary labor time required for the production of his labor-power. During a day, this is the amount to cover the worker's maintenance and to make good wear and tear, and other losses. In short, a worker's wages cover what is socially necessary to enable workers to produce, and to reproduce themselves over time.

The distinction between labor-power and the use of labor-power is analogous to the distinction between a machine (as a piece of capital equipment) and the use of the machine (for a certain purpose for a certain period of time). Capitalists, in hiring workers, are renting human machines. Walras called the human being viewed as a machine, "personal capital." Education and training are often called investment in "human capital." How much a capitalist can use the human machine, what a capitalist can get the worker to do in the work process during a working day, may vary. In any case, the capitalist has paid a full day's value for the machine. Hiring the worker is worthwhile because labor-power has the capacity to produce more value than it takes to produce the labor-power itself. This is the crucial point.¹⁹

Appendix: Marx Lecture I

1. Now for a few definitions and remarks to clarify the labor theory of value. From *Capital*, Vol. I, we read the following. (All these selections are in Tucker, *Marx-Engels Reader*.)

Ch. 1: Commodities, Secs. 1, 2, 4;

Ch. 4: General Formula for Capital, entire;

19. There is a difficulty here: if labor alone is creative, why don't the capitalists bid up the price of labor until there are only zero profits? On this see Joseph A. Schumpeter, *History of Economic Analysis* (Oxford: Oxford University Press, 1954), pp. 650f. There are other answers.

Ch. 6: The Buying and Selling of Labor-Power, entire;

Ch. 7: The Labor Process and the Process of Producing Surplus Value, Sec. 2, pp. 357-361;

Ch. 10: The Working Day, Secs. 1, 2.

From *Capital*, Vol. III, the selection in Tucker, pp. 439-441.

2. References: (in Tucker) to definitions involved in the labor theory of value: commodity defined: 306f.

the value of a commodity is equal to the total socially necessary labor time required for its production: 305-307.

socially necessary labor time: 306.

abstract vs. concrete labor: 310.

simple labor: 310.

simple labor as unskilled labor: 311.

skilled labor as simple labor multiplied: 310.

labor-power defined: 336.

value of labor-power defined: 339.

3. A schema: in connection with Ch. 10, Sec. 1, pp. 361-364 (see Figure 7).

Necessary vs. surplus labor: 361-364.

Surplus value: 351.

Absolute and relative surplus value: 418.

4. A Definition:

The value of a mass of commodities = the value added by: $C + V + S$,

where C = constant capital (machinery, raw materials, etc.).

V = variable capital (wages or paid labor).

S = surplus labor (unpaid labor).

Since machinery and raw materials add no value, and wages are paid

| | |
|--------------------|-------------------|
| Paid Labor Time | Unpaid Labor Time |
| Wages | Profits |
| (Variable Capital) | (Surplus Value) |
| Necessary Labor | Surplus Labor |
| The Working Day | |

Figure 7. Schema, Marx's *Capital*, Vol. I, Ch. 10, Sec. 1.

out for necessary labor, total surplus value is the product of total surplus labor.

This means that Marx's labor theory of value attributes the whole social surplus in any period time to surplus (unpaid) labor.

5. Some Ratios:

The ratio s/v = ratio of surplus labor / necessary labor.

= the rate of exploitation (the rate of surplus value).

The ratio $s/c + v$ = rate of profit.

The ratio $c/c + v$ = the organic composition of capital.

6. A Remark

The rate of profit depends only on s/v and $c/c + v$; that is, only on the rate of surplus value (exploitation) and the organic composition of capital.

This relation holds because:

$$s/c + v = (s/v) (1 - (c/c + v)),$$

which says that the rate of profit equals the rate of exploitation multiplied by one minus the organic composition of capital (= $c/c + v$).

Thus, the greater the rate of exploitation, the higher the rate of profit; and the greater the organic composition of capital, the lower the rate of profit.

MARX II

His Conception of Right and Justice

§1. A Paradox in Marx's Views of Justice

1. Let me begin with some discussion about Marx's ideas about exploitation: Marx's definition of exploitation in his labor theory of value is a purely descriptive definition: it is given by the ratio of surplus (or unpaid) labor over necessary labor, or s/v . But this cannot be all there is to the concept of exploitation. The reason is that a just socialist society, like any other society, needs a social surplus, let's assume, to provide for public goods such as public health, education and welfare, environmental protection, and much else. This means that people must work for more time than it takes to produce the goods they receive as wages. This is true in any society one cares to live in. Thus, while the ratio s/v is defined as the rate of exploitation, and while this is a purely descriptive definition, there must be more to exploitation than this. For certainly, exploitation is a moral concept, and implicitly appeals to principles of justice of some kind. Otherwise, it would not have the interest for us that it does.

For Marx it is the institutional background within which the ratio s/v occurs that makes this ratio a measure of exploitation. Whether s/v is exploitation depends on the nature of the basic structure that gives rise to it, and on who has the institutional control of s . Marx must have a way of judging that structure as just or unjust. In the next lecture, I remark that he views exploitation as arising once the basic structure rests on a basic inequality in alienable productive assets owned by the two main classes of capitalist society. In the capitalist case, surplus labor is in no way controlled by workers collectively, say through their democratic votes, nor is it in general to their good; whereas in socialist society the total of non-consumption goods (which replaces s in the socialist case) is both. We must look at the basic structure of society to see how what is produced by s is used. If it is