

# Reappraisal of Karl Marx's anti-neoclassical perspective on labour exchange: for the 200th anniversary of his birth

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## Presentation Summary

This presentation reappraises Karl Marx's views on labour exchange. In doing so, it elucidates the present-day significance of Marx's perspective that could lead to a potent counterargument to neoclassical economic thought, in memory of the 200th anniversary of his birth.

The labour theory of value and the exploitation theory based on it constitute the nucleus of the economic thought of Karl Marx. These theories were formed through his inheritance and criticism of classical economics. On the other hand, Marx died knowing little about neoclassical economics. We speculate that even if Marx had known about neoclassical economics, he would have rejected it flatly as 'vulgar economics'. However, the neoclassical school dominates today's economic academe. Thus, to distinguish Marx as an economic thinker of significance today, it seems necessary to find in his works arguments that could afford a forceful anti-neoclassical perspective.

In *Economic and Philosophic Manuscripts* (1844), the young Marx stated that wages are determined through the antagonistic struggle between capitalist and worker. In *Capital* and many other writings, Marx also underscored that the working day is an outcome of this strife over a long period and state intervention is necessary for the regulation of the working day. In *Value, Price and Profit*, an 1865 lecture, Marx argued that wages and the working day can vary infinitely within their limits, depending on the capital-labour struggle.

However, it cannot be said that Marx presented elaborate arguments that substantiated the inevitable intervention of capitalist-worker power struggles, the state and other 'extra-economic' or socio-political forces in the determination of wages and the working day. His abstract human labour-founded theory of value and exploitation *per se* did not give substance to this inevitability. It requires an enquiry into labour

exchange, the worker's provision of labour service and the employer's returns for it, which is factually made in terms of concrete useful labour. However, Marx's discussions on this were inadequate and contained ambiguities and inconsistencies.

Meanwhile, Marx's work since the *Grundrisse* (1857–8) and before *Capital* (Volume 1, 1867) abounded in arguments, although fragmented, that could lead to the corroboration of the inevitable intervention of socio-political forces in labour exchange. As is well known, in the late 1850s, Marx established a foundation for his economic doctrine that was matured in *Capital*. Here, Marx's perception of the distinction between labour power—Marx mostly referred to it as 'labour capacity (Arbeitsfähigkeit or Arbeitsvermögen)' in those days—and labour played a crucial role. Needless to say, this distinction provided a basis for his exploitation theory. In this regard, *Capital* focused on capitalists' pursuit of the prolongation of the working day, assuming their overwhelming predominance over workers, which Michael A. Lebowitz criticised as 'one-sided'.

In the *Grundrisse*, on the other hand, Marx stated:

What the free worker sells is always only a particular, specific measure of the application of his energy. Above every specific application of energy stands labour capacity as a totality. He sells the specific application of energy to a specific capitalist, whom he confronts independently as a *single individual*. Clearly, this is not his relationship to the existence of capital as capital, i.e., to the class of capitalists. Nevertheless, as far as the individual, real person is concerned, a wide field of choice, arbitrariness and therefore of formal freedom is left to him. In the relation of slavery, he belongs to the *individual, specific* owner, and is his labouring machine. ... In the relation of serfdom, he appears as an element of landed property itself: he is an appurtenance of the soil, just like draught-cattle. ... Labour capacity in its totality appears to the free worker as his own property, one of his own moments, over which he as subject exercises control, and which he maintains by selling it'. (*Marx/Engels Gesamtausgabe*, II 1.2, Dietz Verlag, 1981, SS. 372–3, emphasis in original)

What is highlighted here is the capitalistic worker's subjectivity towards labour performance in sharp contrast to slave and serf labour. Indeed, Marx remarked:

Labour is . . . the expression of the worker's own life, the operation (*Bethätigung*) of his own personal skill and capacity—an operation which depends on his will

and is simultaneously an expression of his will. (*Marx/Engels Gesamtausgabe*, II 3.1, Dietz Verlag, 1976, S. 83)

These and other passages in Marx's work since the *Grundrisse* and before *Capital* indicated that the capitalistic worker's subjectivity primarily concerns the quality of concrete useful labour. Thus, Marx's labour power–labour distinction in this context refers to the variability of that quality performed in certain working day of a worker, depending on her/his will. Marx observed that the worker's consciousness of self-determination renders her/his labour much better than slave labour.

On the other hand, Marx characterised the capitalistic labour process as a local where the operation of labour power comes under the control of capital. He explained that this 'formal subsumption of labour under capital (*formelle Subsumtion des Arbeit unter das Kapital*)' developed into the 'real subsumption of labour under capital (*reale Subsumtion der Arbeit unter das Kapital*)', i.e., the capitalist's full command over labour actualised by machinery and large-scale industry. *Capital* described that even in the latter stage, workers never lost the resistance to capital and instead started to have true class consciousness. In *Capital*, however, Marx's reference to the capitalistic worker's subjectivity towards concrete useful labour receded, and this has received scant attention under the vast influence of *Capital*.

Marx's above-mentioned arguments that appeared in his pre-*Capital* work since the *Grundrisse* amounted to observing that capitalistic labour exchange is contingent on worker subjectivity towards labour performance and capitalist countermeasures. This conception affords a potent ground for the inevitable intervention of socio-political forces in capitalistic labour exchange. Here, the content of a worker's certain time of labour is not given but is endogenously determined. Accordingly, labour time cannot be an adequate metric of labour service; therefore, it is disqualified for use as a trading unit of a labour market. Marx argued that it is impossible to immediately measure labour as a bare activity, and labour can only be quantitatively perceived through the exchange value of the product. Meanwhile, it is improper to posit a labour product as a trading unit of a labour market. In this circular measure, labour demand is infinitely large if the product price exceeds the wage rate and zero if the former is less than the latter. Hence, market equilibrium is precluded. Thus, there is generally no such unit required for the formation of a market to determine the amount of labour and the wage rate. Furthermore, there is no reason to deny that collective worker–employer power struggles, government interference and other socio-political forces inevitably enter into their determinants.

This consequence supports Marx's fundamental conception that labour as such is not marketed, but it also implies that there is no intrinsic tendency for wages to converge to the value of certain requirements for the reproduction of labour power such as Marx often argued for.

The perception of the nature of capitalistic labour exchange that Marx's arguments could lead to also illuminates an inherent defect of the neoclassical theory of labour exchange. Classical economists devoted only scant discussions to workers' subjective aspects, whereas economists since the "Marginalist Revolution" focused on individual decision making and theorised the worker's choice of labour time based on the maximisation principle. However, they disregarded another principal element that affects a worker's welfare: her/his preference for the content of labour performance.

In fact, leading early neoclassical economists, such as William S. Jevons, Léon Walras, Francis Y. Edgeworth and Eugen v. Böhm-Bawerk, observed that workers were not actually in a position to choose the working day of their own will. Thus, Jevons and Walras argued in favour of state intervention in the determination of the working day. Böhm-Bawerk remarked that the working day hinged upon social power relationships and indicated that labour movements were effective for reducing the former. Vilfredo Pareto in the 1890s argued that it was indispensable that workers had the unlimited right to strike for free competition to exist in the sale of labour. Friedrich v. Wieser's observations on contemporary industrial relations had much in common with those of Marx.

In this manner, many early neoclassical economists *de facto* recognised socio-political effects on actual industrial relations. However, they did not pay close attention to the discrepancy between their theories of labour exchange and their views on its realities. Consequently, by laying disproportionate emphasis on the former, their efforts resulted in contributing to the moulding of the neoclassical principle that the market determines labour exchange, as well as the exchange of non-human objects, without socio-political intervention. Thus, they made assumptions such as a unique correspondence between labour input and output, which formed a basis for the application of marginal productivity theory to labour. This end was rooted in early neoclassical economists' shared bias that, despite their stress on agent autonomy, they disregarded the variability in labour quality resulting from worker subjectivity towards labour performance and employer countermeasures. Here, a vital difference between the neoclassical perspective on capitalistic labour exchange and that of Marx was revealed.

Present-day neoclassical labour economics is founded on the competitive market

model constituted by the employer's demand for labour along its marginal productivity and labour supply based on the worker's choice between wage earnings and leisure. Insofar as this theory too assumes the above bias, it also possesses a fatal flaw in the analysis of capitalistic labour exchange.

Furthermore, in today's 'post-industrial' capitalist society, where the tertiary industry gains dominance, and the type and intensity of a worker's labour performance (concrete useful labour) can vary infinitely depending on her/his interaction with customers and co-workers, the neoclassical theory of labour exchange, despite its prosperity, has increasingly lost its validity. In this sense, it was a product of the industrialised age. Marx's thoughts were not free from this historical constraint, either. However, Marx's anti-neoclassical perspective on labour exchange shown in his fragmented descriptions affords an important clue to the understanding of the present-day labour situation.