

## *Justice and Capitalist Production: Marx and Bourgeois Ideology*

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Is capitalist production unjust? It is easy to think, upon first reading Marx, that he answers this question in the affirmative. And I shall argue that this naive reading is correct. This needs to be argued, however, for a more careful scrutiny of Marx's writings reveals passages in which he seems to call capitalist production just or fair. Relying upon these passages, Robert Tucker and Allen W. Wood have urged that, in Wood's words,

it is simply not the case that Marx's condemnation of capitalism rests on some conception of justice (whether explicit or implicit), and those who attempt to reconstruct a "Marxian idea of justice" from Marx's manifold charges against capitalism are at best only translating Marx's critique of capitalism, or some aspect of it, into what Marx himself would have consistently regarded as a false, ideological, or "mystified" form.<sup>1</sup>

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1 "The Marxian Critique of Justice", *Philosophy & Public Affairs* 1 (1972) 244-82, at p. 272. See also Robert C. Tucker, *The Marxian Revolutionary Idea* (New York, 1969), pp. 33-53, and *Philosophy and Myth in Karl Marx* (New York, 1961), pp. 18-20, 222f.

What Marx regarded as false and mystified, however, is not the practice of assessing social institutions as just or unjust, but rather the picture of those institutions, and especially of capitalist production, to be found in bourgeois ideology.

In what follows I shall examine these two related themes in Marx's theory: his critique of capitalist production as unjust, and his critique of the bourgeois pictures of capitalist production as false. As we shall see, underlying both of these critiques is Marx's view that the wage-exchange is a false appearance.

### 1. Marx's Picture of Capitalist Production

Let us begin by reviewing some perhaps familiar features of Marx's theory. Marx presents the rudiments of his picture of capitalist production by first raising a problem concerning the intelligibility of capitalist production (in *Capital I*, chapters 4-7) and then offering his solution to that problem. The problem arises from two aspects of the process of exchange or circulation in capitalist production. On the one hand, commodities on the average exchange in proportion to their value. The value of a commodity is, roughly speaking, the quantity of labor-time expended in its production (here I ignore qualifications that would be important in other contexts). So if it takes twice as long to make a pair of shoes as to make a pair of socks, on the average two pairs of socks will exchange for one pair of shoes, two pairs of socks will be worth one pair of shoes, and the price of two pairs of socks will equal the price of one pair of shoes. Marx holds that this "law of value" obtains in all systems of commodity production, including non-capitalist commodity systems in which all producers are self-employed and no one works for wages.<sup>2</sup>

But, on the other hand, in capitalist commodity production a second feature appears which is hard to reconcile with the law of value: The capitalist makes a profit. The capitalist makes a profit by first purchasing for a certain amount of money the raw materials, tools, machines, and so forth that he needs to produce his product, and hiring workers to do his bidding, and then selling for a greater

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2 *Capital*, vol. 1 (New York, 1967), chaps. 1-3 and pp. 158f; German text in *Marx-Engels Werke* (henceforth *MEW*) 23 (Berlin, 1963) chaps. 1-3 and pp. 172f. See also Paul Sweezy, *The Theory of Capitalist Development* (New York, 1942), chap. 3.

amount the products he produces with these factors of production. The value represented by this increment in money Marx calls "surplus value."<sup>3</sup>

The difficulty lies in understanding how the law of value can obtain and yet the capitalist acquire surplus value. In other words, from where does surplus value come? Marx first argues that surplus value cannot arise from the process of exchange or circulation of commodities. By the law of value, commodities on the average exchange in proportion to their value: some deviations from exchange at value are possible, just so these balance each other out in the long run. Marx has little trouble showing that if commodities all exchanged at their values, surplus value could not arise from exchange of commodities alone.<sup>4</sup> But what if a capitalist is able to buy cheap and sell dear? What if he is consistently favored by those deviations from exchange at value that are consistent with the law of value? Might not this explain the origin of surplus value in exchange, without contradicting the law of value? This is the account capitalists often give of profits.<sup>5</sup> Yet Marx rejects it:

A sells wine worth £40 to B, obtains from him in exchange corn to the value of £50. A has converted his £40 into £50, has made more money out of less, and has converted his commodities into capital. Let us examine this a little more closely. Before the exchange we had £40 worth of wine in A's hand, and £50 worth of corn in B's hand, a total value of £90. After the exchange we still have the same total value of £90. The value in circulation has not increased by one iota, it is only distributed differently between A and B. ...The same change would have taken place if A had directly stolen [gestohlen] the £10 from B, without the form of exchange as a veil. The sum of the values in circulation clearly cannot be augmented by any change in their distribution.<sup>6</sup>

Surplus value is not merely an increment in the value in the hand of one capitalist, but an increment in the aggregate value within the

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3 *Capital*, vol. 1, chap. 4; 'surplus value' is defined at p. 150 (*MEW* 23, chap. 4, sect. 1, esp. p. 165).

4 *Capital*, vol. 1, chap. 5, pp. 157-60 (*MEW* 23, chap. 4, sect. 2, pp. 171-74).

5 *Capital*, vol. 1, p. 541 (*MEW* 23, 564); *Capital*, vol. 3 (New York, 1967), pp. 38ff, 43f (*MEW* 25) (Berlin, 1964), 48ff, 53f).

6 *Capital*, vol. 1, p. 163 (*MEW* 23, 177).

capitalist system.<sup>7</sup> Buying cheap and selling dear cannot augment total social value. Henceforth Marx therefore assumes that commodities always exchange at value.

The result of this analysis is that

turn and twist then as we may, the fact remains unaltered. If equivalents are exchanged, no surplus value results, and if non-equivalents are exchanged, still no surplus value. Circulation, or the exchange of commodities, creates no value. . . . The owner of money, as yet only a caterpillar capitalist, must buy his commodities at their value, must sell them at their value, and yet at the end of the process must withdraw more value from circulation than he threw into it at starting. His transformation into a butterfly must take place both within the process of circulation and outside it. These are the conditions of the problem. *Hic Rhodus, hic salta!*<sup>8</sup>

In the next two chapters (6-7) Marx sets about solving the problem, within these conditions. First, in chapter 6, he turns to a transaction within the process of circulation that makes possible the metamorphosis of the money-owner into a capitalist. Then, in chapter 7, he turns to a transaction outside circulation that virtually completes the metamorphosis. The first transaction is the wage-exchange, the second the extraction of surplus value during the process of direct production.

We can understand Marx's argument at this point if we reflect upon the implications of the assumptions he has already made. Surplus value does not arise within the circulation process, where commodities are exchanged. It must therefore arise from the use of commodities, outside circulation.<sup>9</sup> The capitalist must employ a commodity whose use creates value. But by the labor theory of value, that can only be a commodity whose use is to labor. The only such commodity is the capacity to labor, or labor power. This is the commodity the capitalist must purchase, and he can purchase it only from its owner: the worker.<sup>10</sup>

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7 See also *Grundrisse: Foundations of the Critique of Political Economy (Rough Draft)*, trans. Martin Nicolaus (New York, 1974), p. 424 (German text in *Grundrisse der Kritik der Politischen Ökonomie [Rohentwurf]* (Berlin, 1953), pp. 326f); *Theories of Surplus Value*, vol. 3 (Moscow, 1971), p. 20 (*MEW* 26.3 (Berlin, 1968) 14); "Wages, Price and Profits", in Marx and Engels, *Selected Works* (New York, 1969), pp. 207-9.

8 *Capital*, vol. 1, pp. 163 and 168 (*MEW* 23, 177f and 180f).

9 This simplifies by ignoring the possibility that surplus value is created by entrepreneurial labor of the capitalist. See below, text to note 22.

10 More precisely, what the worker "sells to the capitalist is not his labor but the temporary use of himself as a working power"; "what is bought and sold is

Labor is the use, manifestation or exercise of the capacity to labor, just as running is the exercise or use of the capacity to run. To purchase labor power, the capitalist must pay its owner, the worker, its value, as with any other commodity. But the value of labor power is just the quantity of labor required to maintain the worker for the duration of the employment contract and to contribute proportionally to the raising of future workers.<sup>11</sup> In return for this payment, in the form of wages, the capitalist acquires the right to use the worker's labor power for the duration. He orders his newly bought commodity to his factory or field and begins to use it. He uses it to the point at which its use has created value equal to that paid its owner in wages, and then he uses it some more. He makes the worker engage in "surplus labor." But this labor, just as much as that which preceded it, is the use of labor power the capitalist has purchased, and its product belongs to the capitalist too. The capitalist now owns products whose value is greater than that of the factors he used to produce them. If he sells those products at their value, or even below their value but for more than his cost of production, he will have acquired surplus value in the form of money and made a profit.

In sum, there is but one explanation of the source of surplus value which is consistent with the labor theory of value and the law of value: The capitalist buys labor power and uses it to create more value than it itself is worth. Recalling the problem he had set himself earlier, Marx comments:

Every condition of the problem is satisfied, while the laws that regulate the exchange of commodities have been in no way violated. Equivalent has been exchanged for equivalent. . . . This whole process, the conversion of money into capital, takes place both within the sphere of circulation and outside it. It takes place within circulation, because conditioned by the purchase of labor power in the market. It takes place outside circulation, because what is done within circulation is only a stepping-stone to the production of surplus value, a process which is entirely confined to the sphere of production.<sup>12</sup>

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the temporary use of labor power" (*Theories of Surplus Value*, vol. 3 (Moscow, 1971), 113, 110 (MEW 26.3, 109, 106, but see 290 [285]). Thus Marx speaks of "the value of a day's labor power", e.g. at *Capital*, vol. 1, p. 193 (MEW 23, 207); see also pp. 193f, 196, 232f (MEW 23, 208, 210, 247). Compare renting a car. What one rents is not the actual use of the car, but the "car power". The renter owes rent even if the car sits unused during the term of rent.

11 *Capital*, vol. 1, p. 171 (MEW 23, 184f).

12 *Capital*, vol. 1, pp. 194f (MEW 23, 209).

These are the rudiments of Marx's picture of capitalist production. Capitalist production as a whole comprises two processes, circulation and direct production. In circulation, which is governed by the law of value, the law that commodities exchange according to their values, the decisive exchange is that of the worker's labor power for the capitalist's money. In direct production, the decisive transaction is the extraction of surplus value from the worker by the capitalist.

## 2. Pictures of Capitalist Production in Bourgeois Ideology

Marx's account of the origin of surplus value is also an answer to the central problem posed by classical bourgeois political economy. That problem is, in Ricardo's words, to determine the laws which regulate the distribution of the produce of the earth among the three classes of the community, landowners, capitalists and laborers.<sup>13</sup> The kernel of Marx's answer — he considers landowners only in *Capital III* — is that capitalists buy labor power from workers and then extract surplus value from them during direct production.

This answer probably strikes most of us as counterintuitive, even those of us who find Marx's theory persuasive or plausible. Readily apparent features of our society argue against it. The most important of these is that workers are usually paid by the hour. A worker's pay is calculated by multiplying his or her hourly wages by the number of hours he or she has worked, so that all hours worked are paid for. It therefore appears to us that workers sell hours of labor, not labor power.

This appearance, presented to us by our daily interaction in bourgeois society, is taken at face value by bourgeois ideology. No matter how bourgeois ideology answers Ricardo's question — and within that ideology several different answers are possible — the answer is always affected by the unquestioned assumption that workers sell labor for wages.

We have seen that Marx, on the contrary, held that workers sell their labor power. So he regarded the appearance that wages buy labor as misleading or false, even though it arises from the very structure of bourgeois society. The causes of this "necessary

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13 See the Preface to *On the Principles of Political Economy and Taxation*, in vol. 1 of *The Works and Correspondence of David Ricardo*, ed. P. Sraffa (Cambridge, 1951), and the letter to Malthus, October 9, 1820, in vol. 8 of *Works* (Cambridge, 1962), pp. 278f.

illusion" within the structure of capitalist production relations need not be discussed here. Our interest is in the effect of this appearance upon bourgeois ideology, which accepts it uncritically. Upon this false appearance, Marx says,

rest all juridical conceptions of workers as well as capitalists, all mystifications of the capitalist mode of production, all its illusions about freedom, all the apologetic shifts of the vulgar economists.<sup>14</sup>

The central role of this false appearance in bourgeois ideology becomes evident when we reflect upon the alternative accounts of distribution in general and surplus value in particular that are available to one who, wittingly or not, rejects Marx's view that wages buy labor power.

To begin with, one might suppose that surplus value is created by the workers during direct production, just as Marx does. Marx ascribes this view to Smith and Ricardo, the two great classical bourgeois political economists.<sup>15</sup> He even goes so far as to suggest that the ordinary capitalist had an "inkling" of the origin of profits in unpaid labor, at least when most surplus value was generated by lengthening the working day instead of increasing productivity. This inkling lay behind bourgeois opposition to the Factory Acts, which limited the length of the working day.<sup>16</sup>

But in Smith and Ricardo, as in Marx, this theory of the source of surplus value rests on the labor theory of value and the law of value, and the view that wages buy labor is inconsistent with these underpinnings. If wages buy labor, then in an average exchange the value of the wage will equal the value of the labor the wage buys. But what can the "value of labor" be, on the labor theory of value? On Ricardo's view, says Marx,

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14 *Capital*, vol. 1, p. 540 (MEW 23, 562); see also *Capital*, vol. 3, p. 30 (MEW 25, 41) and *Theories of Surplus Value*, vol. 3, pp. 480f (MEW 26.3, 472). Regarding the origins of this necessary illusion, see *Capital*, vol. 1, pp. 541f. (MEW 23, 564); *Capital*, vol. 2, pp. 125f. (MEW 24, 128); *Capital*, vol. 3, pp. 44f. (MEW 25, 54f.).

15 *Theories of Surplus Value*, vol. 1 (Moscow, 1963), pp. 86-88 (MEW 26.1 (Berlin, 1965), 57-60); *Theories of Surplus Value*, vol. 2 (Moscow, 1968), pp. 399-403, 417ff (MEW 26.2 (Berlin, 1967), 402-06, 419ff).

16 *Capital*, vol. 3, pp. 44, 243, 827 (MEW 25, 54, 257, 835), *Theories of Surplus Value*, vol. 2, p. 406 (MEW 26.2), *Theories of Surplus Value*, vol. 3, p. 481 (MEW 26.3, 472f). Marx to Engels, June 27, 1867, *Marx and Engels, Selected Correspondence* (Moscow, 1975), p. 179. On the Factory Acts and this "inkling," see my "Marx's Theory of Bourgeois Law," *Research in Law and Sociology*, vol. 2, ed. Steven Spitzer (JAI Press, Greenwich, Conn., 1978).

the value of labor is therefore determined by the means of subsistence which, in a given society, are traditionally necessary for the maintenance and reproduction of the laborers.

But why? By what law is the value of labor determined in this way?

Ricardo has in fact no answer, other than that the law of supply and demand reduces the average price of labor to the means of subsistence that are necessary (physically or socially necessary in a given society) for the maintenance of the laborer. He determines value here, in one of the basic propositions of the whole system, by demand and supply — as Say notes with malicious pleasure.<sup>17</sup>

Ricardo has in fact no other answer, because the only other possible answer is absurd:

if this principle [the labor theory of value] is rigidly adhered to, it follows, that the value of labor depends on the quantity of labor employed in producing it — which is evidently absurd.<sup>18</sup>

Marx never explains just in what this absurdity consists, but pretty clearly it is that to speak of the labor used in producing labor, where this is not just a misleading way to speak of the labor used in producing labor power, is to suggest that behind the apparent activity of labor lies another, secondary activity of labor which produces the first. If this makes any sense at all, which is doubtful, it seems to engender an infinite regress, for it is then the secondary activity which is really exchanged for wages, and we must therefore ask concerning its value.

The labor theory of value and the law of value cannot coherently explain “the value of labor.” Once we accept the legitimacy of the expression ‘the value of labor’, we are driven to understand the value of labor in terms of supply and demand. On Marx’s view, supply and demand merely affect the prices of commodities, making those prices fluctuate about an equilibrium price determined by the law of value. But the entry of supply and demand considerations into the very heart of the labor theory of value, in the account of labor, in the end reduces the labor theory of value to its opposite, a subjective utilitarian theory of value.<sup>19</sup>

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17 *Theories of Surplus Value*, vol. 2, p. 400 (MEW 26.2, 402f).

18 Samuel Bailey, quoted approvingly at *Theories of Surplus Value*, vol. 2, p. 401 (MEW 26.2, 403), and *Capital*, vol. 1, p. 535 note 1 (MEW 23, 557 note 21).

19 Marx describes Ricardo as “disregarding the law of value of commodities and taking refuge in the law of supply and demand”. *Theories of Surplus Value*, vol. 2, p. 403 (MEW 26.2, 406).

The inclusion of the view that wages buy labor within the otherwise essentially correct accounts given by Smith and Ricardo thus renders their theories unstable and vulnerable to criticism not only by Marx (who attacks their claim that wages buy labor) but by later bourgeois theorists (most of whom reject the labor theory of value). It also kept Smith and Ricardo from a clear awareness of the implications of their own accounts.<sup>20</sup>

Because of this theoretical difficulty, as well as the growth of a working class movement and the need this aroused for an uncompromising bourgeois ideology,<sup>21</sup> the classical bourgeois account of surplus value came under attack. Available as replacements for the classical view were three analytically distinct accounts, which can be seen as departing increasingly from Marx's own theory.

First, without abandoning the labor theory of value, one could hold that profits are created by entrepreneurial labor done by capitalists.<sup>22</sup> But in the context of the law of value and the labor theory of value, this first alternative requires us to reckon not only "the value of the worker's labor" but "the value of entrepreneurial labor." And this leads to the same difficulty that Ricardo encountered.

Second, one could hold that surplus value is created in direct production, but not by human labor (capitalist or working class): The means of labor as such — machinery, raw materials, non-human energy sources, and so forth — not only transfer the value they embody but also create new value as they are used or incorporated in production.<sup>23</sup> This position is hard to understand, but it seems to involve an extended labor theory of value according to which the "labor" of machines (to take the simplest example), i.e. their movements in the production process, creates the value that appears as profit, while the labor of workers creates the value of their wages. Even on this extended theory of value, however, Ricardo's difficulty arises, for we must still give meaning to the notion of the value of the worker's labor. (And are we now also to regard the sale of a machine

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20 *Capital*, vol. 1, p. 538 (MEW 23, 561).

21 *Capital*, vol. 1, pp. 14f (MEW 23, 20-21).

22 *Capital*, vol. 3, pp. 379-90 (MEW 25, 393-403); *Theories of Surplus Value*, vol. 3, pp. 355-58, 492-98 (MEW 26.3, 347-50, 484-89).

23 *Capital*, vol. 3, pp. 44 and 825 and chap. 48 generally (MEW 25, 54, 833, chap. 48); *Theories of Surplus Value*, vol. 2, pp. 69, 347 (MEW 26.2, 63, 346f); *Theories of Surplus Value*, vol. 3, pp. 481-85 (MEW 26.3, 472-77).

as the sale of so much “machine labor”?) The only consistent way to give meaning to this notion seems to be to define the “value” of a commodity in terms independent of that commodity’s production. “Labor” is not something that is produced; what is produced, if anything, is labor power, the capacity of the worker to work.

This explains the superiority of the third alternative, which abandons altogether the idea that the source of surplus value lies in direct production, and claims that surplus value arises in the circulation process, either as a result of individual capitalists buying cheap and selling dear, or (more plausibly) as a result of general features of exchange *per se*.<sup>24</sup> Opting for this last alternative requires a radical change in the notion of value, from that typical of Marx and (with qualifications) Ricardo, to that associated with, say, Marshall or Samuelson.

This last, Marx says, is the view embodied in bourgeois common law, the dominant bourgeois economic theory (which Marx called “vulgar”), bourgeois democratic theory (liberalism), and the spontaneous consciousness of workers and capitalists alike.<sup>25</sup> The prevalence of this particular form of bourgeois ideology seems to lie not only in its avoidance of Ricardo’s difficulty, but also in the fact that once one takes seriously the possibility that surplus value is created in direct production, it becomes hard to stop short of the view that it is created by the working class. It is hard to credit the view that surplus value is created by the entrepreneurial labor of capitalists (was Andrew Carnegie’s labor *that* creative?) or the mysterious view that machines and land create profits.

Despite their important differences, each of these bourgeois theories of surplus value accepts at face value the appearance that wages buy labor.

The profit that the capitalist makes, the surplus value which he realizes, springs precisely from the fact that the laborer has sold to him . . . his labor power itself as a commodity. . . . But now, in order to justify profit, its very source is covered up.<sup>26</sup>

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24 See note 5, above, and accompanying text; *Capital*, vol. 1, p. 541 (MEW 23, 563f); *Capital*, vol. 2 (New York, 1967), pp. 125f (MEW 24, (Berlin, 1963), 128); *Capital*, vol. 3, pp. 38-40, 43f (MEW 25, 48-50, 53f); *Theories of Surplus Value*, vol. 3, pp. 20-22, 190 (MEW 26.3, 14-16, 190); *Grundrisse*, pp. 240f, 424 (German ed., pp. 152f, 326f); “Wages, Price and Profit”, pp. 207-9.

25 See passages cited in note 24. For the continuing dominance of this view, see Maurice Dobb, *Theories of Value and Distribution Since Adam Smith* (Cambridge, 1973), chaps. 7-8. On bourgeois law, see “Marx’s Theory of Bourgeois Law,” *supra*, n. 16.

26 *Theories of Surplus Value*, vol. 1, p. 315 (MEW 26.1, 291).

Except for the unstable synthesis of Smith and Ricardo, each theory, though purely descriptive of capitalist production, pictures the creation of profits in such a way that a justification for profits thus created comes easily to mind. Profits belong to the capitalist because they are his wages for entrepreneurial labor, by which he created them, or because they were created by his "capital" (machinery, etc.), or because they came to him through a series of exchange transactions between free and equal parties. This normative attractiveness of the theories, from the perspective of the class interest of the bourgeoisie, derives from their common feature, their acceptance of the view that wages buy labor. When we replace this with the view that wages buy labor power, the justification of profits becomes much more troublesome.

### 3. The Injustice of Direct Production

On Marx's view, the question of the justice of capitalist production appears to have two parts. Is the process of circulation, and especially the wage-exchange, just? And is the extraction of surplus value from the workers in direct production just? Let us begin with the latter question.

Suppose, Marx says, that an industrial capitalist invests ten thousand pounds in production and that this original capital brings in new capital of two thousand pounds:

The original capital was formed by the advance of £10,000. Where did its owner get it? By his own labor and that of his ancestors, tell us unanimously the spokesmen of political economy, and their supposition appears in fact the only one consonant with the laws of commodity production.

But it is quite otherwise with regard to the additional capital of £2,000. How that originated we know perfectly well. It is capitalized surplus value. From its very beginning it contains not a single atom of value that does not come from unpaid alien labor. The means of production, with which the original labor power is incorporated, as well as the necessities by which the laborers are sustained, are nothing but component parts of the surplus product, of the tribute torn away from the working class by the capitalist class each year. Though the latter with a portion of that tribute purchases additional labor power, even at its full price, so that equivalent is exchanged for equivalent — it is nonetheless the old method of the conqueror who buys commodities from the conquered with the money which he has stolen from them [*mit ihrem eignen, geraubten Geld*].<sup>27</sup>

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<sup>27</sup> *Capital*, vol. 1, p. 582 (MEW 23, 608).

Elsewhere Marx says that the surplus product or surplus value is “stolen” (*entwandt*) and “booty” (*Beute*), that capitalist wealth is based on “the theft [*Diebstahl*] of alien labor time”, and that “all progress in capitalist agriculture is a progress in the art not only of robbing [*berauben*] the laborer, but of robbing the soil”.<sup>28</sup>

To be sure, Marx nowhere in so many words calls capitalist production “unjust”. (Nor does he ever call it “just”.) But if he did not think it unjust, why did he unqualifiedly call the extraction of surplus value “theft”? Not that it is contradictory to call an act both “theft” and “just”: One might consistently say both that Robin Hood stole from the rich to give to the poor, and that his conduct in doing so was just. But to say *tout court* that he stole is to create a rebuttable presumption that what he did is unjust; it is to imply that he acted unjustly, though that implication can be cancelled by further qualification.<sup>29</sup> Marx however nowhere rebuts the presumption, or cancels the implication, to which his use of the word ‘theft’ gives rise. The clear and unmistakable import of these passages is that direct production, capitalist style, is unjust.

One might however question the propriety with which Marx calls the extraction of surplus value “theft”. Capitalists take surplus value from workers, but apart from an occasional “inkling” they are unaware they take it. Capitalists and workers alike think that wages buy labor, and so they do not grasp that the capitalists’ profits are really a form of surplus value, created by the workers.<sup>30</sup> If neither party to a transaction knows that the transaction occurs, however, that transaction cannot be theft. A thief takes knowingly; the capitalist, in general, does not.

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28 *Capital*, vol. 1, pp. 239, 506, 596, 611 (*MEW* 23, 253, 529, 622, 639); *Grundrisse*, p. 705 (German ed., 593); *Theories of Surplus Value*, vol. 2, p. 29 (*MEW* 26.2, 23). For Marx’s use of the expressions ‘rights,’ ‘morals,’ and ‘justice’ in connection with the program of the First International, see Karl Marx, *Political Writings*, vol.3, ed. David Fernbach (New York, 1974), pp. 81, 83, 88.

29 Tucker seems to grant this important premise when he argues: Marx does “not admit that profit derived from wage-labor under the capitalist system is ‘theft’. We may therefore conclude that the Marxist condemnation of capitalism is not predicated upon a belief that its mode of distribution is unjust.” *The Marxian Revolutionary Idea*, p. 46. (Of course the assertions contained here, that Marx did not call extraction of surplus value theft, and that absence of theft entails absence of injustice, are simply false.) Wood also admits that theft is unjust (p. 264, lines 13-15).

30 *Capital*, vol. 1, pp. 74, 540f, 550 (*MEW* 23, 88, 563f, 572f); *Capital*, vol. 3, pp. 817ff (*MEW* 25, 825ff); *Theories of Surplus Value*, vol. 3, p. 485 (*MEW* 26.3, 476f); “Wages, Price and Profit”, p. 209.

The extraction of surplus value cannot literally be theft. Why then did Marx call it theft? Possibly when he did so he had in mind those capitalists with an “inkling” of the source of their profits, either spontaneously or because of the influence of Marx’s own teachings. But a second explanation seems more likely (assuming Marx has not simply made a mistake here). Marx often says that individual persons enter into his account of capitalist production only insofar as they are the personifications of economic categories.<sup>31</sup> Presumably such personifications would be aware of the capitalist class relations they bear or embody: aware that exchange value is the phenomenal form of value, that wages buy labor power, and that surplus value is extracted in direct production. And indeed, though on Marx’s theory workers and capitalists in general know no such things, we find several passages in which Marx writes as if they did.<sup>32</sup> These passages often have a dramatic, agonistic character, pitting worker against capitalist in debates over profits, as if in them Marx was trying to make vivid a social conflict whose real agents, if any, are in fact not individual persons but rather social relations of which persons are in large part unaware. If the word ‘theft’ has a similar vivifying or rhetorical function, the elimination of the rhetoric would leave us with a description of a wrongful taking without fault (because without knowledge).

Whatever Marx meant, the most he could consistently claim is that extraction of surplus value is wrongful taking. Of course the capitalist might take surplus value innocently, and yet the taking and its result be unjust. The impropriety of calling the extraction of surplus value “theft” does not undercut the assertion that it is unjust.

#### **4. The Justice of the Wage-Exchange**

But, one might demur, does not Marx say that the transaction between the worker and the capitalist is just?

The circumstance that on the one hand the daily sustenance of labor power costs only half a day’s labor, while on the other hand the very same labor power can work during a whole day, that consequently the value which its

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31 *Capital*, vol. 1, pp. 10, 85, 566 (MEW 23, 16, 100, 591); *Capital*, vol. 3, pp. 818ff (MEW 25, 826ff); *Theories of Surplus Value*, vol. 3, p. 296 (MEW 26.3, 290).

32 *Capital*, vol. 1, pp. 152, 233, 586, 592 (MEW 23, 167f, 247f, 612, 618).

use during one day creates is double what he [the capitalist] pays for that use, this circumstance is without a doubt a piece of good luck for the buyer but by no means an injustice [*Unrecht*] to the seller [the worker].<sup>33</sup>

Tucker describes this as an “emphatic and unequivocal assertion” by Marx that his “condemnation of capitalist exploitation has nothing whatever to do with justice or injustice”.<sup>34</sup> If Tucker is right, how then can Marx turn around and say that the extraction of surplus value is unjust?

The key to this apparent contradiction lies in the fact that when he says that capitalists rob workers, Marx is evaluating the direct production process with its extraction of surplus value. In passages such as the one just quoted, however, he is speaking of what is just or unjust to persons in their roles as buyers and sellers, as parties to exchange transactions. The exchange between each capitalist and worker, taken by itself, is just. (Marx has more to say about this exchange, however, as we shall see in section 6). The capitalist purchases labor power “at its full price, so that equivalent is exchanged for equivalent”. Yet nonetheless, and contrary to Tucker’s interpretation, the process of direct production involves theft, because “there is not a single atom of” surplus value “that does not owe its existence to unpaid labor” of workers.

The same account is to be given the text upon which Wood rests most of his case. On its face, this text seems contrary to the interpretation advanced here, and indeed commentators otherwise attracted to something like the present interpretation find evidence in this text that Marx regarded surplus value as just.<sup>35</sup> This key passage therefore deserves careful scrutiny. In it the target of Marx’s criticism is William James Gilbart’s remark that it is “a self-evident principle of natural justice” that “a man who borrows money with a view of making a profit by it, should give some portion of his profit to the lender”. To this Marx replies:

To speak here of natural justice [*Gerechtigkeit*], as Gilbart does, is nonsense. The justice of transactions which go on between agents of production rests on the fact that these transactions arise as natural consequences from the

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33 *Capital*, vol. 1, p. 194 (MEW 23, 208). See also pp. 196, 584-86 (MEW 23, 210, 610-12); “Critique of the Gotha Program”, *Karl Marx: Political Writings*, vol. 3, ed. David Fernbach (New York, 1974), p. 344 (MEW 19 (Berlin, 1962), 18).

34 *The Marxian Revolutionary Idea*, p.44.

35 William Leon McBride, “The Concept of Justice in Marx, Engels, and Others”, *Ethics* 85 (1975) 204-18.

relations of production. The juristic forms, in which these economic transactions appear as voluntary actions [*Willenshandlungen*] of the participants, as expressions of their common will [*gemeinsamen Willens*] and as contracts that may be enforced by the state against a single party, cannot, being mere forms, determine this content. They merely express it. This content is just whenever it corresponds to the mode of production, is adequate to it. It is unjust whenever it contradicts that mode. Slavery, on the basis of the capitalist mode of production, is unjust; so is fraud in the quality of commodities.<sup>36</sup>

Gilbart claims, first, that the payment of interest is just, and second, that it is just according to some principle of *natural* justice, which Marx apparently takes to mean a principle of justice whose validity does not arise from or depend upon any specific social structure and which is thus not restricted in its application to only *some* forms of society. Which of these two claims is Marx denying here? Only the latter. He is not denying that payment of interest is just, but only that the justice of such payment is independent of the production relations that obtain in society. Indeed, Marx seems to imply that within capitalist relations interest *is* just (though not “naturally”).

In this passage (for easy reference I shall call it *P*) Marx nowhere mentions the *extraction* of surplus value. Interest, like profit and rent, is a form in which surplus value is transferred via exchange; such a transfer could be just even though the original extraction was not. Wood, however, concludes from *P* that Marx regards capitalist exploitation as just:

The justice of the transactions in capitalist production rests on the fact that they arise out of capitalist production relations, that they are adequate to, and correspond to, the capitalist mode of production as a whole . . . . Capitalism is made possible by the existence of labor power as a commodity, by its use as a commodity to produce surplus value and expand capital. Labor power could not even appear as a commodity if there were no surplus value created by it for capital. Therefore, if there were no surplus value, if workers performed no unpaid labor and were not exploited, the capitalist mode of production would not be possible. Under a capitalist mode of production the appropriation of surplus value is not only just, but any attempt to deprive capital of it would be a positive injustice.<sup>37</sup>

Wood here ascribes to Marx this argument:

- (1) The extraction of surplus value arises as a natural consequence of (or is in accord with or adequate to) capitalist production relations.

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<sup>36</sup> *Capital*, vol. 3, pp. 339f (MEW 25, 351f).

<sup>37</sup> Wood, p. 265.

- (2) If transaction T arises as a natural consequence of (or is in accord with or adequate to) capitalist production relations, then T is just within those relations.

Therefore,

- (3) The extraction of surplus value is just within capitalist production relations.

I shall argue that both premisses of this argument are false, on Marx's view. Therefore the argument gives us no reason to ascribe to Marx the conclusion, which we have already been led on other grounds to think Marx would reject.

The extraction of surplus value in direct production is part of the capitalist production relations.<sup>38</sup> Now it is bizarre if not unintelligible to say that part of the production relations "arises as a natural consequence from" the production relations, or that it is "in accord with" or "adequate to" them, as (1) requires. Taking Marx's language at face value, then, it would seem that the extraction of surplus value is not just within capitalist production. (This does not mean it is *unjust*, of course; extraction of surplus value does not "contradict" the capitalist mode of production any more than it "arises naturally" from it.) But Wood takes Marx's language rather liberally:

When Marx says that a just transaction is one that corresponds to the prevailing mode of production, he means, I think, that it is one which plays a concrete role in this mode, one which functions as an actual moment in the productive process.<sup>39</sup>

If Marx meant this, then we must obviously grant step (1). As Wood correctly says, "if there were no surplus value, . . . the capitalist mode of production would not be possible". But I see no reason to suppose Marx did mean this, and there is strong evidence that he meant something quite different.

*P* provides a criterion for the justice and injustice of exchange transactions only. If so, then *P* cannot be used to determine Marx's attitude towards surplus value. To see that *P* is restricted to exchange transactions, note that Marx says that the transactions being judged have the juristic form of contract. For Marx, the contract is the general juridical form of an exchange relationship. Thus in the chapter on

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<sup>38</sup> *Capital*, vol. 3, p. 818 (MEW 25, 826).

<sup>39</sup> Wood, p. 256.

exchange in *Capital I*, Marx describes the relation between the parties to an exchange in terms reminiscent of those in *P*: The parties

must stand toward one another as persons whose will resides in those things [their commodities], so that the one appropriates the other's commodity only with the consent [*Willen*] of the other, and therefore each appropriates the other's commodity only by means of a voluntary act [*Willensakts*] common to both, in which each alienates his own commodity. They must therefore mutually recognize each other as private property owners. This juridical relation [*Rechtsverhältnis*] — whose form is the contract, whether legally developed or not — is a voluntary relation [*Willensverhältnis*] in which the economic relation is reflected. The content of this juridical or voluntary relation is given by the economic relation itself.<sup>40</sup>

Since in *P* Marx is speaking of transactions whose form is the contract, he must be speaking of exchange transactions only.

The three examples Marx provides in *P* are most plausibly read in this light. First consider slavery. Marx says elsewhere that

the slave, together with his labor power, is sold once and for all to his owner. He is a commodity which can pass from the hand of one owner to that of another. He is *himself* a commodity, but the labor power is not *his* commodity.<sup>41</sup>

The contractual form in which the buying and selling of slaves occurs does not make it unjust, but the content of the exchange does, because the more or less permanent sale of slaves and their labor power is incompatible with the worker's periodic resale of his or her labor power, an essential feature of capitalist relations. "So long as slavery is predominant, the capital relationship can only be sporadic and subordinate, never dominant."<sup>42</sup>

Similarly, fraud in the quality of commodities, which can occur only as the content of an exchange transaction, is unjust because it is incompatible with the exchange of equal values, another essential feature of capitalist production. But the payment of interest — clearly part of another exchange transaction — arises from capitalist exploitation, and so although it may appear to violate the law of value, it is just within capitalist relations.

It is difficult not to conclude that Marx means to give us here a criterion for the justice and injustice of exchange transactions only.

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40 *Capital*, vol. 1, p. 84, 176 (MEW 23, 99, 189-91).

41 "Wage Labor and Capital", *Selected Works*, p. 75. See also *Grundrisse*, pp. 464f, German ed., 368f.

42 *Theories of Surplus Value*, vol. 3, p. 419 (MEW 26.3, 410).

We cannot draw from *P* any conclusion concerning the justice of the extraction of surplus value, a process outside the sphere of exchange. This reinforces our original conclusion that extraction of surplus value neither corresponds to nor contradicts capitalist relations. Step (1) does not represent Marx's view.

Nor does step (2). Step (2) purports to state the criterion for justice given in *P*. As we just saw, *P* deals with the justice of exchange transactions only. Therefore it cannot express Marx's criterion for the justice of non-exchange transactions, as step (2) attempts to do.

### 5. Marx's Standard of Justice

Marx never tells us by what rule, standard or criterion he regards the extraction of surplus value as unjust and the wage-exchange as just. One might naturally suppose that Marx bases these judgments upon what Wood calls "the labor theory of property": "Every man has a right to appropriate the full value created by his labor, and anyone who deprives him of any part of this value may be said to have done him an injustice."<sup>43</sup> From this view of property rights it is easy to show that the extraction of surplus value is unjust. Nonetheless there is good reason to think that Marx would reject this simple form of the labor theory of property.<sup>44</sup>

In the *Critique of the Gotha Program*, Marx takes issue with the Program's Lassalleian demands for a "just distribution of the proceeds of labor" and an "equal right to the undiminished proceeds of labor".<sup>45</sup> Among several distinct grounds Marx has for rejecting these formulations, one is relevant here. He argues that in the first phase of socialism workers will not receive "undiminished proceeds of labor", i.e. not all products of labor will be distributed among individual workers in proportion to the quantity of work each has done. Yet this "undiminished" or "full" distribution is what the simple labor theory of property requires.

Marx's objection to "undiminished" distribution is familiar. Before any distribution is made to individual workers, certain

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43 Wood, pp. 263, 266.

44 Wood too says that Marx rejected this simple theory, but he rests his claim on the erroneous reading of *P* discussed above, section 4.

45 Pp. 344-48 (*MEW* 19, 18-22).

deductions from the total social product must be made. Some products are not for individual consumption at all, but are to replace or expand the means of production. Other products, though not intended for the production process, are not intended for consumption by individual workers either; they are to be used in non-productive administration, for needs communally satisfied, such as schools, and for relief of those unable to work. Only after these deductions are made from the total social product is the remainder divided among workers in proportion to the quantity of work each has done. In other words, only after these deductions are made, is something like the labor theory of property invoked and distribution to individuals based upon the rule "to each according to his or her work." Marx notes, however, that "as a member of society the producer still receives, directly or indirectly, what is withheld from him as a private individual".<sup>46</sup> On this he does not elaborate, and indeed it seems doubtful with regard to long-term investments in the means of production. But apart from this it seems plausible enough.

For the first phase of socialism, then, Marx proposed a modified labor theory of property: Each worker has a right to part of the diminished total social product, in proportion to the quantity of labor he or she has done; the initial deduction will go to public goods and benefits in which all will share. Now if we apply this property theory to capitalist production we reach the result that the extraction of surplus value is unjust. Though some of the extracted surplus corresponds to the deductions Marx would make from the total social product in socialist production, much of it does not.<sup>47</sup> Much of it is consumed by individuals (capitalists, landlords, money-lenders) who on the modified labor theory of property have no right to it, either as workers or as unable to work.

But did Marx rely upon the modified theory in calling the extraction of surplus value theft? He nowhere expressly derives his allegation of theft from any theory of property rights, so any conclusion we reach as to the basis of that view must be conjectural. And he presents the modified theory in the context of socialist not capitalist production. Nonetheless it is hard, I think, not to feel that Marx did have the modified theory in mind when he called surplus value theft.

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<sup>46</sup> "Critique of the Gotha Program", p. 345 (MEW 19, 19).

<sup>47</sup> *Capital*, vol. 1, p. 530 (MEW 23, 552); *Capital*, vol. 3, p. 819 (MEW 25, 827).

If the extraction of surplus value is theft, workers must have some property right in surplus value. Now workers have several characteristics in common, on Marx's theory, but the only one that could plausibly provide a basis for the ascription of such a right to all workers is that all have created surplus value by their surplus labor. Of course this right is not legally or (in general) morally recognized in bourgeois society, nor does Marx suggest that it is.

The simplest rule by which workers would have property rights in some or all surplus value is the simple labor theory of property. But Marx rejects that theory for the first phase of socialism, and instead adopts a modified theory. His reasons for rejecting the simple theory seem as valid in the context of capitalist production as in that of socialist: Any society must provide for the replacement of the means of production, costs of administration, and those who are unable to work. It is therefore quite likely that Marx had the modified theory in mind when he called extraction of surplus value "theft". It is difficult to think of any alternative ground upon which Marx could rest that assessment of surplus value.

Nor can it be objected that Marx restricted use of the modified labor theory of property to socialist society.

Clearly, the same principle is at work here [in the application of the modified theory to socialist production] as that which regulates the exchange of commodities as far as this is an exchange of equal values. Content and form have changed because under the new conditions no one can contribute anything except his labor and conversely nothing can pass into the ownership of individuals except individual means of production. The latter's distribution among individual producers, however, is governed by the same principle as the exchange of commodity equivalents: a given amount of labor in one form is exchanged for the same amount in another.<sup>48</sup>

The standard of equivalency moreover provides a basis for Marx's judgment that the exchange of wages for labor power, taken by itself, is fair. But the payment of rent and interest do not, in Marx's view, involve the exchange of equivalents.<sup>49</sup> In their pure form they constitute a further distribution by the capitalist of surplus value extracted from workers. By Marx's standard, then, these payments are unjust. Since by the criterion Marx describes in *P* such payments are on the contrary just, Marx cannot in *P* be describing the standard he would personally apply. Rather he there presents an hypothesis

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48 "Critique of the Gotha Program", p. 346 (*MEW* 19, 20).

49 For instance, rent is essentially "tribute", *Capital*, vol. 3, p. 775 (*MEW* 25, 784).

that exchange transactions which “arise naturally” from capitalist relations will be regarded as just by bourgeois law and ideology, and that exchange transactions incompatible with capitalist relations will be regarded as unjust. Not that capitalists think: “Slavery is incompatible with capitalist relations, and therefore is unjust”. Rather slavery is incompatible with capitalist relations, and as a result capitalists think slavery is unjust.

The available evidence suggests that Marx’s assessment of the justice of capitalist production rests upon the modified labor theory of property.

## 6. The Non-Reality of the Wage-Exchange

The extraction of surplus value is unjust; the wage-exchange is just. Marx’s two evaluations suggest that he regarded capitalist production as partly just, partly unjust. That this is not the case becomes evident only when we consider a further thesis advanced by Marx: There is no real exchange between capitalists and workers.

The exchange of equivalents, which appeared as the original operation, has turned around in such a way that there is only an apparent [*zum Schein*] exchange. This is first of all because the capital which is exchanged for labor power is itself only part of the product of alien labor appropriated without equivalent, and secondly because that capital must not only be replaced by its producer, the worker, but must be replaced with a new surplus. The relation of exchange between capitalist and worker becomes therefore only an appearance [*Schein*] belonging to the circulation process, a mere form alien to the content itself and only mystifying it. The ever repeated purchase and sale of labor power is the form. The content is that the capitalist incessantly appropriates without equivalent a portion of already objectified alien labor, and again and again exchanges it for a greater quantity of living labor.<sup>50</sup>

There is only an apparent exchange, in other words there is no real exchange, between workers and capitalists. “The relation of exchange has thus dropped away entirely, or is a mere appearance [*blosser Schein*].”<sup>51</sup> The thesis is striking. How does Marx establish it?

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50 *Capital*, vol. 1, p. 583 (MEW 23, 609).

51 *Grundrisse*, p. 458 (German ed., p. 362). See also pp. 464, 509, 674 (German ed., pp. 368, 409, 566); *Theories of Surplus Value*, vol. 3, p. 378 (MEW 26.3, 369).

Let us follow up Marx's suggestion that the non-reality of this exchange derives from the fact that "the capital which is exchanged for labor power is itself only part of the product of alien labor appropriated without equivalent". This formulation puts together into one transaction the two aspects of capitalist production we have hitherto treated separately, the wage-exchange and the extraction of surplus value. Marx's point is that once we take as our frame of reference the entire complex transaction between workers and capitalists, and no longer regard the wage-exchange "in isolation from capital", "as an independent system", we see that "in the result" this complex transaction simply transfers value from workers to capitalists. "The mediating process, the sale of his [the worker's] labor power, is not relevant when we are dealing with the result."<sup>52</sup> One phase of this complex transaction is indeed an exchange. But that phase is "suspended" in the context of the total transaction, where it serves only to mediate, or as a means to, an appropriation of surplus value without equivalent.<sup>53</sup>

Consider a simple example of this. Two individuals, X and Y, encounter each other on a lonely street, and X robs Y of \$100 at gunpoint. A few days later X walks into Y's clothing store and, unrecognized by Y, purchases with the stolen money a coat made by Y worth \$100. If we restrict our vision to the transaction in the store, we will be inclined to say that X and Y have exchanged coat and money. But if we look at both transactions together, and consider the upshot of the two combined, we have to modify that judgment. The net result of the two transactions is that X gets a \$100 coat from Y, but Y gets nothing from X. Looking at both transactions together, we can plausibly say there really is no exchange, though there seems to be one if one looks only at what goes on in the store.

X has everything she began with, and a new coat besides. Y has everything he began with, except that coat. But in an exchange each party must end up with something he or she did not have prior to the exchange, and each must give up something held initially. Although

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52 *Theories of Surplus Value*, vol. 1, p. 86 (MEW 26.1, 58).

53 Marx's use of Hegelian terminology in this context is unusually striking. The appropriation of surplus labor in capitalist production is mediated by the wage-exchange, but this mediating process is suspended (*aufgehoben*) in the result, which is the dialectical reversal of the law of value into its opposite. Though suspended, the wage-exchange does not simply disappear, however; it remains as a false appearance veiling the actual class relationship. See the passages cited in notes 50-52 and also *Theories of Surplus Value*, vol. 3, p. 400 (MEW 26.3. 391).

the value of their holdings need not change, each must gain some new good, commodity, or use-value, or at least some previously unowned right related to some use-value. Otherwise there is no exchange. Applying this test, we can see that the overall transaction between X and Y is not an exchange.

It is tempting to understand the worker-capitalist relation directly in terms of this example. During the immediate production process, capitalist C takes from worker W the value W creates, and then later C pays for W's labor power (whose expenditure created that value) with part of it. If we look only at the purchase of labor power — if the extraction of surplus value is hidden from our eyes — we will be inclined to say that there is an exchange between C and W. But if we consider both transactions together as one, we see that there only seems to be an exchange, and that in reality there is merely an appropriation by the capitalist of surplus value without equivalent.

This cannot be all there is to Marx's defense of his thesis, however. For the total worker-capitalist transaction, as just described, does constitute an exchange, at least by the test we applied to our initial example. Worker and capitalist each leave the transaction having gained and having lost some use-value. The worker leaves with wages, the capitalist with the worker's labor embodied in commodities. Their relation is therefore unlike that between robber and garment maker. To be sure, the transaction between worker and capitalist yields unequal values to the two parties. But does that mean it is not an exchange? On Marx's view, most actual exchanges are unequal; only on the average do exchanges obey the law of value. And when he is talking of the total transaction between worker and capitalist, Marx sometimes refers to it merely as an unequal exchange: "In the actual result . . . more labor is exchanged for less labor."<sup>54</sup> So why does he say elsewhere that this is not a real exchange at all?

To see why, let us make the simplifying assumption that the working class and the capitalist class each have but one member. Then any transactions between these two individuals are also transactions between the classes. Assume further, as we must for the first assumption to make sense, that the capitalist "produces" the only consumer good, "bread". Then we can analyze the total transaction between the two into four parts. First the two enter a contract, in which the capitalist promises to pay the worker wages in return for the use of the worker's labor power. Having acquired the right to labor power, the capitalist uses it to produce bread; all other

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<sup>54</sup> *Theories of Surplus Value*, vol. 1, p. 87, 397-9 (MEW 26.1, 59, 373-5).

requisites for this production are subject to monopoly control by the capitalist. Though all the bread now belongs to the capitalist, the capitalist does owe the worker wages upon the completion of work. So the capitalist pays the worker.

Now if we stopped at this point, we would have to say that between the two there has been an exchange of use-values, however unequal in value. But because we are assuming that each class has but one member, it follows that to buy the means of life (which is identical with the means of reproducing labor power) the worker must deal with the only capitalist, his or her erstwhile employer. So the worker goes to the "bread market," finds the capitalist wearing his bread-seller's hat, and exchanges wages for some (not all) of the capitalist's bread. The addition of this fourth phase yields this result: The worker makes all the bread, but ends up with only part of it (that part equal in value to wages), and the capitalist keeps the rest, the "surplus bread." The total transaction is in its result only a transfer of surplus bread from worker to capitalist. The exchange of wages for labor, and the subsequent exchange of wages for bread, are merely apparent exchanges; when placed in the context of the total worker-capitalist transaction, the two exchanges become merely mediating processes for a transfer not only of value but of use-value to the capitalist from the worker.

When Marx says that capitalist and worker engage in an unequal exchange, he is considering only the wage-exchange and the extraction of surplus value in direct production. As a whole, these two processes add up only to an unequal exchange, because when they are completed each party has gained a new use-value. The capitalist has gained bread, the worker wages. To see that the worker's gain is merely apparent, we must add to our conception of the transaction a further phase, the purchase of the means of life from the capitalist by the worker.

The thesis of the nonreality of the worker-capitalist exchange (now expanded to cover not only the wage-exchange but also any other worker-capitalist exchanges) therefore requires the addition of this fourth phase. But in fact there are many consumer goods, not just bread, and a worker never buys everything from his or her erstwhile employer. The relation between a single worker and single capitalist does not follow the pattern of our example. Our example makes sense only because of our artificial assumption of single-member classes. The thesis of nonreality must therefore be understood as applying to relations between classes, not relations between individuals. The wage exchange between an individual worker and individual capitalist is an unequal exchange, but nonetheless an exchange. But between the working class as a whole and the capitalist

class as a whole, taking into account all phases of their transaction, there is no real exchange.

As indicated by its Hegelian overtones, Marx's argument that no real exchange occurs between workers and capitalists rests primarily upon the concept of totality. We are to look not only at the wage exchange, or the worker's purchase of goods from the capitalist, but also at the extraction of surplus value, and treat these as phases of a single complex transaction. But this requires us to look not only at relations among individuals, but relations among classes. Marx's thesis makes sense only when applied to the total transaction between two classes.

When a bourgeois ideologist asserts that individual workers and capitalists enter into exchange transactions, he or she is not making a simple factual error, as when I mistakenly assert that John has purchased Mary's car. The error lies in the adoption of a perspective which fails to synthesize distinct processes and individuals into the whole that comprises them.

It appears to those in bourgeois society that a real exchange occurs between individual capitalists and workers. But

the matter looks quite different if we consider capitalist production in the uninterrupted flow of its renewal, and if, in place of the individual capitalist and the individual worker, we view them in their totality [*Gesamtheit*], the capitalist class and the working class confronting each other. But in so doing we would be using a standard wholly alien to commodity production.

In commodity production only seller and buyer face each other, mutually independent. The relations between them cease on the day when the term stipulated in the contract they concluded expires. If the transaction is repeated, it is repeated as the result of a new agreement which has nothing to do with the previous one and which only by chance brings the same seller together again with the same buyer.

If, therefore, commodity production or one of its associated processes is to be judged by its own economic laws, we must consider each act of exchange by itself, apart from any connection with the act of exchange preceding it or that following it. And since sales and purchases are concluded only between particular individuals, it is not admissible there to seek relations between whole social classes.<sup>55</sup>

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55 *Capital*, vol. 1, p. 586 (MEW 23, 612f). Marx invokes the perspective of class relations in reproduction also at pp. 568, 572, 582 (MEW 23, 593, 597, 608); *Capital*, vol. 2, 381, 392 (MEW 24, 380, 391); *Grundrisse*, p. 464 (German ed., p. 368); "Results of the Immediate Process of Production", in Karl Marx, *Capital*, vol. I (New York, 1976), p. 1003. From the account given here, it should be evident that non-reality infects not merely the exchange of wages for labor power but all other exchanges between workers and capitalists, in which the working class "buys" from the capitalists the products of its labor. But not all exchanges in bourgeois society are false appearances. Exchanges between capitalists, and exchanges between workers, are really exchanges.

This misleading or partial, if not mistaken perspective is found most strikingly in the form of bourgeois ideology most removed from Marx's own position, that typical of common law and ordinary bourgeois consciousness, for only in that form is the direct production process ignored in explaining the source of profits. It is in that form that we find the reduction of capitalist production to simple commodity production, making it impossible to grasp the totality of the capitalist production process.

In developing the thesis that no real exchange occurs between capitalist and working classes, Marx does not rely upon the logically independent thesis that the extraction of surplus value is a wrongful taking. But now combining the two, we reach the result that a wrongful taking is the only real transaction between the classes in a system of capitalist reproduction. The relation between the classes is one of injustice pure and simple. And this too lies beyond the horizon of bourgeois ideology.

The thesis of the non-reality of the wage-exchange is the keystone to Marx's critique of bourgeois ideology and his critique of capitalist production. All forms of bourgeois ideology regard the wage-exchange as real, and the dominant form takes exchange to be the essential feature of capitalist production. Bourgeois ideology is committed to the study of an illusion taken to be real. And because the wage-exchange is a pure illusion, capitalist production is purely unjust.

## **7. Apparent Freedom, Real Slavery**

The successive moves from apparent process to hidden process, and from separate processes to complex whole, making the apparent process a mere appearance, are at the heart of Marx's critique of bourgeois political economy. A brief consideration of his treatment of freedom will reinforce the conclusions reached in preceding sections regarding his treatment of justice.

At times Marx speaks of bourgeois liberty and equality in terms familiar to us from *P*:

Equality and freedom are thus not only respected in exchange based on exchange values but, also, the exchange of exchange values is the productive, real basis of all equality and freedom. As pure ideas they are merely the idealized expressions of this basis; as developed in juridical, political, social relations, they are merely this basis to a higher power. And so it has been in history. Equality and freedom as developed to this extent are exactly the opposite of the freedom and equality in the world of antiquity,

where developed exchange value was not their basis, but where, rather, the development of that basis destroyed them. Equality and freedom presuppose relations of production as yet unrealized in the ancient world and in the Middle Ages.<sup>56</sup>

The freedom and equality of antiquity differ from bourgeois freedom and equality; each is relative to the production relations that obtain in their respective societies. Yet Marx here does not suggest that this relativity calls into question the credentials of bourgeois freedom and equality. Reading this passage, one might easily suppose that Marx regards the parties to exchanges in bourgeois society as really free and equal, just as one reading *P* by itself might think that Marx regarded the payment of interest in bourgeois society as really just.

But reading a few pages further in the *Grundrisse*, one would discover that this supposition is erroneous:

In present bourgeois society as a whole, this positing of prices and their circulation, etc., appears as the surface process, beneath which, however, in the depths, entirely different processes go on, in which this apparent individual equality and liberty disappear.<sup>57</sup>

Marx's account of market equality, its negation in direct production, and its *Aufhebung* or "suspension" in capitalist production as a whole, is similar to that he gives of market justice, and need not be considered here.<sup>58</sup> But his account of freedom has several features that make a quick look at it worth while.

In exchange, the two parties are unconstrained by each other. Neither uses force to obtain the other's property; each can get the other's property only by giving the other an equivalent in value.<sup>59</sup> Neither has to do with the other, except as a result of factors outside the exchange relation; a particular worker usually need not work for a particular capitalist.<sup>60</sup>

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56 *Grundrisse*, p. 245 (German ed., p. 156).

57 *Grundrisse*, p. 247 (German ed., p. 159). The same contrast occurs in *Capital*, vol. 1: Compare p. 176 with pp. 301f (*MEW* 23, 189-91, 319f). See also pp. 169, 271, 297 (note 4, end), 396f, 574, 578 (note 1) and 769 (*MEW* 23, 183, 287, 315 (note 185), 417-19, 599, 603 (and note 19), 796f).

58 See *Grundrisse*, pp. 241ff (German ed., pp. 152ff); *Capital*, vol. 1, p. 176 (*MEW* 23, 189-91). The key move in Marx's argument is that because the parties exchange equivalents, they are of equal worth.

59 *Capital*, vol. 1, pp. 583f (*MEW* 23, 609f).

60 *Capital*, vol. 1, p. 176 (*MEW* 23, 189-91); *Grundrisse*, pp. 242ff (German ed., pp. 154ff).

Now several of Marx's statements, taken out of context, might be thought to suggest that an element of coercion upon the worker enters the exchange itself from the fact that, although the worker need not bargain with any particular capitalist, he or she must bargain with some capitalist.<sup>61</sup> The worker by definition lacks control over the means of production he or she might use to earn a living independently, and so to stay alive the worker is compelled to sell labor power to some capitalist, for a capitalist by definition has control over the means of production.

A moment's thought shows that this lacks cogency. The same line of reasoning shows equally that the capitalist is compelled to obtain labor power from the worker, that people who want cars are compelled to obtain them from people with cars, and so forth. If this is compulsion at all, it is a compulsion characteristic of all sectors of the market, not merely the wage-exchange sector; and indeed it is a compulsion inherent in any division of labor, whether organized as a market or not.

The wage-exchange *per se* is not coercive. But it institutes a non-exchange relationship between worker and capitalist in which the worker (*qua* labor power) becomes the capitalist's temporary property, and is thus no longer free. Though this lack of freedom has several aspects, and some of those aspects are directly experienced by at least some workers, the most striking feature of wage-slavery is generally hidden from worker and capitalist alike—that the worker is compelled to produce surplus value for the capitalist.

Though the existence of surplus labor presupposes that the productivity of labor has reached a certain level, the mere possibility of this surplus labor . . . does not in itself make it a reality. For this to occur, the laborer must first be compelled to work in excess of the [necessary] time, and this compulsion is exerted by capital.<sup>62</sup>

The freedom the worker enjoys in exchange is therefore the freedom to choose his or her exploiter anew periodically. It is this feature of the wage-exchange that distinguishes it clearly from ordinary commercial bargains, which do not set the stage for a subsequent relation of exploitation between the parties.

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61 *Capital*, vol. 1, pp. 271, 301f (MEW 23, 286f, 319f); *Grundrisse*, p. 464 (German ed., p. 368).

62 *Theories of Surplus Value*, vol. 2, p. 406 (MEW 26.2, 409). See also *Theories of Surplus Value*, vol. 1, pp. 93 and 389f (MEW 26.1, 64 and 366).

It is worth reminding ourselves that this compulsion in direct production is not directed at the worker intentionally or knowingly by the capitalist. Marx speaks precisely in the passage just quoted when he says that “capital” exerts the compulsion to create surplus value. Perhaps it is inappropriate for Marx to speak of compulsion when neither worker nor capitalist is aware the compulsion exists, as it is inappropriate to speak of “theft” performed unknowingly. Workers, at least those ignorant of Marx’s theory and lacking the concept of surplus value, have no desire not to create surplus value for the capitalist, however much they might wish to disrupt a capitalist enterprise in other ways. It is most plausible to take Marx as making two claims here, however. First, whatever desires the worker might have, the worker has no choice within capitalist production as to whether or not he or she will create surplus value. In this sense, the worker is “compelled” to create it. But second, Marx seems to be suggesting that if workers were aware of their exploitation, and could thus form desires concerning it, they would desire not to create surplus value for the capitalists. Since they have no choice on this matter, they would then experience their surplus labor as “compelled”.

The freedom of the wage-exchange *per se* is apparent. Hidden is the compelled extraction of surplus value. The two processes together form a complex whole whose result is only mediated by the exchange. The exchange and its freedom are “suspended” within this whole; they are mere appearances. The worker’s freedom is to submit again and again to enter a relationship in which he or she is compelled to produce surplus value for another. If this is freedom at all, it is no more worth having than the freedom to choose which of several dark alleys I shall enter to be robbed.

The model Marx uses in uncovering the hidden and real bondage of the worker is the same as that we encountered in his account of justice: The model of capitalist reproduction as a complex process between two classes. And the procedure by which Marx uncovers the bondage is the same:

Since Lassalle’s death the scientific insight has made headway in our party that wages are not what they appear to be, namely the value or price of labor, but only a disguised form of the value or price of labor power. Thereby the whole of the former bourgeois conception of wages was thrown overboard once and for all, as well as all criticisms of it, and it became clear that the wage-earner is only allowed to work for his own livelihood, i.e. to live, if he works a certain amount of time without pay for the capitalist . . . and that the system of wage labor is consequently a system of slavery, increasing in

severity with the development of the social productive forces of labor, irrespective of whether the worker is then better or worse paid.<sup>63</sup>

The slavery that is condemned by bourgeois legal institutions and ideology, and referred to in *P*, is slavery that manifests itself in exchange, whereas the slavery of the wage laborer lies in direct production, hidden under the false appearance of the free labor market. Wood is quite aware of the disparity in bourgeois society between the appearance of freedom and the underlying real compulsion.<sup>64</sup> It is surprising that he fails to see that Marx's account of justice turns on the same distinction.

## 8. Justice and Ideology

Allen Wood thinks that on Marx's view the practice of appraising social institutions as just or unjust is merely a bit of mystification typical of bourgeois ideology. Yet this is very unlikely to have been Marx's attitude, if the preceding account is correct. In conclusion I wish to suggest a way of understanding Marx's relation to bourgeois ideology that will maintain Marx's distance from bourgeois ideology despite their common appeal to "justice" as a norm. In his mature writings Marx says hardly anything about ideology expressly, and where he speaks of it by implication, his remarks are generally *obiter dicta*.<sup>65</sup> Despite the numerous problems of interpretation and theorizing to which this fact gives rise, here I must approach Marx's theory of "bourgeois ideology" in a cursory and dogmatic fashion, without the discussion of texts and alternative interpretations that greater space would allow.

The adjective 'ideological' primarily qualifies propositions or sets of more or less systematically related propositions (which I shall here

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63 "Critique of the Gotha Program", p. 352 (*MEW* 19, 25f).

64 Wood, p. 277.

65 *Theories of Surplus Value*, vol. 1, pp. 285, 287, 300f. (*MEW* 26.1, 257, 259, 273); *A Contribution to the Critique of Political Economy* (New York, 1970), Preface, p. 21 (*MEW* 13 (Berlin, 1964), 9); *Capital*, vol. 1, pp. 372f note 3, 446 (*MEW* 23, 392f, note 89, 469); "Results of the Immediate Process of Production, p. 990." See also Marx's talk of "bourgeois horizons", *Capital*, vol. 1, p. 14 (*MEW* 23, 19); *Theories of Surplus Value*, vol. 3, p. 259 (*MEW* 26.3, 254f).

loosely call “theories”).<sup>66</sup> Secondly one may qualify certain social institutions as ideological, by virtue of their function in creating, perpetuating or propagating ideological propositions. But one can identify these ideological institutions only if one already knows an ideological proposition or theory when one sees one, and it is this prior question I shall consider here.

Several types of criteria are available for identifying ideological propositions or theories. Ideological propositions might be defined by the factor(s) that cause people to believe them, or by the function(s) their acceptance serves, or by their content or the content of some proposition they presuppose or imply, or by their possession of some distinctive epistemic feature such as falsity, meaninglessness or inadequate evidentiary support.<sup>67</sup> Whichever of these criteria it used, a Marxist account of ideology would have to anchor its criterion in some important and unavoidable way to the class structure or production relations of the society in which the ideology is found. For instance, a Marxist theory of ideology relying upon the criterion of cause would presumably hold that those propositions and theories are ideological whose acceptance is caused by membership in a certain class, or by the structure of the production relations.

For reasons I shall not elaborate, the second or functional criterion of ideology seems preferable to the others both as an explication of Marx’s own views and as providing an initial

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66 Propositions may be expressed indifferently in thought, speech, and visible or tangible form. For present purposes their ontological status is irrelevant.

67 Possible examples of each of these criteria may be found in the following authors: (a) Cause: “Modern critical philosophy springs from the reified structure of consciousness” and the reified structure of consciousness is caused by the reified structure of bourgeois society (Georg Lukacs, “Reification and the Consciousness of the Proletariat”, in *History and Class Consciousness* (Cambridge, Mass., 1971), pp. 110f and passim); compare Karl Mannheim’s concept of “sociology of knowledge”, in *Ideology and Utopia* (New York, 1936), pp. 265f. (b) Function: “My intention here is to try to identify the prevailing ideology in the field of the social sciences as taught in British universities and colleges. This ideology, I hope to show, consistently defends the existing social arrangements of the capitalist world. It endeavors to suppress the idea that any preferable alternative does or could exist.” Robin Blackburn, “A Brief Guide to Bourgeois Ideology”, in *Student Power* (Baltimore, 1969), p. 164. (c) Content: “Ideology interpellates individuals as subjects.” Louis Althusser, “Ideology and the State”, in *Lenin and Philosophy* (New York, 1971), pp. 170-83. (d) Epistemic properties: See David Miller, “Ideology and False Consciousness”, *Political Studies* 20 (1972) 432-47, especially pp. 435ff; compare Mannheim’s concept of “ideology”, *Ideology and Utopia*, pp. 265f.

demarcation of a subject-matter which can then be investigated along lines suggested by the other criteria. If this is correct, then bourgeois ideology consists of those propositions and theories whose acceptance by some or all of those in bourgeois society serves the class interest of the bourgeoisie. Pretty clearly that class interest lies in the perpetuation of capitalist production relations, or in other words of the extraction of surplus value and any other social processes or relations that support that extraction. Therefore a proposition or theory is part of bourgeois ideology if and only if its acceptance serves to perpetuate those production relations.

Very few propositions standing alone can be said to belong to bourgeois ideology (or any specific class ideology), however. Suppose that by the expression 'free enterprise' I refer to the economic system of the United States in 1977. If I assert "free enterprise is preferable to any other possible alternative economic system", then possibly I have asserted a simple proposition which by itself is part of bourgeois ideology; its acceptance by people disposes them favorably towards what is in fact contemporary capitalist production. But this is exceptional. Most propositions (perhaps even this one) are part of bourgeois ideology only in the context of other propositions, as part of what I am calling a "theory".

This is even true of the proposition that wages buy labor, or that an exchange occurs between workers and capitalists, two propositions which pervade bourgeois ideology. It matters little whether I believe that wages buy labor or labor power, if I find inhuman or alienating the exchange relation itself, whatever the goods exchanged.<sup>68</sup> Thus the proposition that wages buy labor enters bourgeois ideology only if the distinct proposition that exchange transactions are acceptable tags along with it, at least implicitly. The proposition that wages buy labor is arguably a necessary element of bourgeois ideology, however, in that once one sees that wages buy labor power one is driven to recognize, and can consistently recognize (unlike Ricardo) the extraction of surplus value. (Recall that each of the four forms of bourgeois ideology discussed in section 2 presupposes that wages buy labor.) Similar remarks apply to the proposition that there is a real exchange between workers and capitalists. This proposition is rarely

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68 See Marx, "Money and Alienated Man", written in 1844, in *Writings of the Young Marx on Philosophy and Society*, ed. Loyd D. Easton and Kurt H. Guddat (Garden City, N.Y., 1967), pp. 265-77. Does Marx's later critique of the wage-exchange as a false appearance make this earlier critique irrelevant?

asserted within bourgeois ideology precisely because it is rarely questioned.

The same is true of Marx's standard of justice, the modified labor theory of property. In the context of Marx's picture of capitalist production, this standard yields a negative judgment upon bourgeois society. But in the context of the view that entrepreneurial labor creates profits, the standard supports the bourgeois order. And in the context of the view that surplus value is created by the means of production, or arises in the circulation process, Marx's standard becomes merely irrelevant, not hostile to capitalist class interests.

It is however difficult to conceive of a context in which Marx's picture of capitalist production could figure within bourgeois ideology. As Allen Wood remarks,

no one has ever denied that capitalism, understood as Marx's theory understands it, is a system of unnecessary servitude, replete with irrationalities and ripe for destruction. Still less has anyone defended capitalism by claiming that a system of this sort might after all be good or desirable, and it is doubtful that any moral philosophy which could support such a claim would deserve serious consideration.<sup>69</sup>

If so, then Marx's picture of capitalist production is *per se* antithetical to capitalist class interests, and it becomes relatively unimportant by what standard of justice Marx reached his conclusion that capitalist production is unjust. Any standard would yield the same result. Marx's picture of capitalist production, if true, is *per se* part of working class ideology.

If the foregoing account is correct, the radical disagreement between Marx and bourgeois ideology over the justice of capitalist production lies not in the sphere of normative standards but rather in that of social science. On the one hand, Marx reveals to us a process that is hidden from our eyes as we go about our daily business in

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<sup>69</sup> Wood, p. 282. But for a sketch of an argument deserving serious consideration that might conceivably be used to justify such a system, see John Rawls, *A Theory of Justice* (Cambridge, Mass., 1971), p. 78, and "Distributive Justice", in Peter Laslett and W. G. Runciman, eds., *Philosophy, Politics and Society*, Third Series (Oxford, 1967), p. 67. Note that this is but a sketch of a position which, so far as I know, Rawls never conclusively endorses. And it is unclear that the system he considers is relevantly like that Marx describes.

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bourgeois society. But his assessment of that process as a wrongful taking seems to rely upon nothing but a standard already found in bourgeois ideology. On the other hand, he argues that this hidden process, the extraction of surplus value, makes the apparent exchange between working and capitalist classes a merely apparent exchange, a false appearance. He challenges not the fairness of that exchange, but its reality. If the exchange were real, it would be fair. But it is not real. To say this is to dispute the picture of capitalist production found in bourgeois ideology, not the intelligibility or propriety of assessing social institutions as fair or unfair.

From this it does not follow that Marx would support a wholesale endorsement of bourgeois moral and legal norms. We know his scorn for the ideals embodied in the life of the capitalist, to mention one instance.<sup>70</sup> Nonetheless, our account seems by and large to bear out the remarks of Richard Wasserstrom concerning radical theory:

It is very much harder than we sometimes realize to be radical or revolutionary in respect to ends, as opposed to means. It is very much more difficult even to frame — let alone to defend — a substantially different set of moral values than it is to criticize the ways in which existing moral practices, social habits and institutional arrangements are inconsistent with the very values they presuppose.<sup>71</sup>

Our results also indicate the misunderstanding in Wasserstrom's application of this insight to Marx's theory:

Thus it was, for example, that Marx was consistently ambiguous on this point. On the one hand he appears to condemn morality as a fraud and a facade, as a mere instrumentality of the dominant economic class; yet on the other hand his most powerful and often most convincing criticisms of 19th century industrial society are precisely those that are most intimately and profoundly moral in character.<sup>72</sup>

Marx condemned not bourgeois standards of fairness, but the application of those standards to the false appearances treated as real by bourgeois social science. Any apparent ambiguity in Marx's critique of capitalist production and bourgeois ideology disappears once we realize that that critique is fundamentally of bourgeois social science, not bourgeois moral or legal norms.<sup>73</sup>

*November 1977*

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70 *Capital*, vol. 1, pp. 591-98 (MEW 23, 617-25).

71 "Lawyers and Revolution", *University of Pittsburgh Law Review* 30 (1969) 126f.

72 *Ibid.*

73 I am grateful to Nancy Holmstrom for discussions on these matters. For her own views, see "Exploitation", *Canadian Journal of Philosophy* 7 (1977) 353-69. An earlier version of the present paper was given at the Conference on Critical Legal Studies, May 1, 1977, at the University of Wisconsin at Madison, where my commentator was Stewart Macaulay. Sections 1 and 2 originally appeared in my "Marx's Theory of Bourgeois Law," *supra*, n. 16.