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## NEOCLASSICAL MARXISM

W. H. LOCKE ANDERSON and FRANK W. THOMPSON

A SPECTER IS HAUNTING MARXISM, the specter of respectability. Led by the economist John Roemer, a group of social scientists, philosophers, and historians have begun to think of themselves as a "school" and to advertise their work as "Analytical Marxism" (Roemer, 1986).<sup>1</sup> They argue that traditional Marxist thought is lacking in rigor and clarity and that it will gain these qualities only to the extent that it draws on the methods and perspectives of modern bourgeois social science, particularly of neoclassical economics. They therefore urge radical scholars to modernize their methods while keeping their progressive values intact.

Such a methodological alliance with social science may appeal to left academics who hope that sharing a common language with their orthodox colleagues will break down the walls separating them from friendship, collaboration, journal publication, peer approval, grants, promotion, and the other pleasures of professional acceptance. Work of this kind seems likely to find adherents in the universities, therefore, whatever its problems as Marxism. Since the universities are important centers of Marxist theory and activism in many parts of the capitalist world, a critical appraisal of Analytical Marxism is important to the Marxist agenda.

Roemer's most important book, *A General Theory of Exploitation and Class* (Roemer, 1982), embodies the perspective, the

1 This collection, which includes an extensive bibliography, contains papers by Roemer and Pranab Bardham, economists; G. A. Cohen and Allen Wood, philosophers; Jon Elster and Adam Przeworski, political scientists; and Erik Olin Wright, sociologist. Regular readers of *Politics and Society* will recognize parts of *Analytical Marxism* from the papers in Volume 11, Number 3 (1982), especially the one by Roemer, reprinted in its entirety.

method, and much of the substantive position characteristic of the school. Without question, it is remarkable: technically dazzling, original, and well-argued. Part of the invited praise on the book's dust jacket was provided by two pillars of academic orthodoxy, Herbert Scarf and Martin Weitzman, both of whom stress the precision of Roemer's argument. It was written in part at the Cowles Foundation, supported by the National Science and Guggenheim Foundations, and published by Harvard University Press. And it *is* undeniably clever in both concept and execution. Furthermore, although the text is restrained and often expressed in either mathematical notation or its verbal equivalent, it shows flashes of the indignation and apocalyptic vision that distinguish the Marxist intellectual tradition. And unlike Roemer's earlier work, many of its pages seem to be written for an audience beyond the still-small circle of mathematically sophisticated Marxists.

But for all that, the book's argument is dangerous. It is seductive, yet wrong in devastating ways. It alleges that Marx's labor theory of exploitation is both superfluous and logically faulty, and recommends that it be discarded. But Roemer's arguments cannot sustain such conclusions.

The book's main argument begins in a hypothetical world of petty commodity producers, who trade with one another to supply their consumption needs and to replace their means of production.<sup>2</sup> All consume equally, but some own more of the means of production than others, and therefore need to work less. Those who must work more than the norm are therefore exploited by those who must work less, since they produce goods with more embodied labor than the goods they consume, even though there is no wage slavery or other form of subservient labor. Roemer attaches great significance to this result:

We have shown that a Marxian-like phenomenon of exploitation can emerge in a subsistence exchange economy where there is no institution of labor exchange and no surplus product. . . . It appears as if Marxian-like exploitation, by which I mean the appropriation of surplus labor time of one agent by another, is possible given only the institutions of

2 This argument is presented in Chapter 1 of *A General Theory of Exploitation and Class*. Henceforward, all references are to that volume unless otherwise stated.

private ownership of the means of production and competitive markets. The institutions upon which Marx focused, the accumulation of capital and the labor market, do not exist in our model. (P. 42.)

This result lacks some of the force that might be attributed to it, since petty commodity production is not capitalism, but Roemer admits as much and proceeds almost immediately to a formal model of production by means of wage labor. People without property survive by selling their labor-power. Owners of reproducible capital employ this labor-power to produce consumption goods and more reproducible capital. All parties consume equally, but owners of the means of production work less than nonowners — not at all if they are rich enough — and so there is exploitation. Roemer claims that the only institutions required to “explain” this undeniably capitalist exploitation, therefore, are competitive markets and unequal distribution of the ownership of property, and he explicitly denies that capitalist exploitation necessarily requires coercive relations of production. As he puts it: “This is not to say that coercion is not necessary to produce Marxian exploitation and class; rather, it suffices for the coercion to be at the point of maintaining property relations, and not at the locus of extracting surplus labor directly from the worker” (104).

This claim is argued persuasively enough at an explicit level, but it is only made possible by a startling omission. Nowhere does he point out that in this model of capitalism, every exploitative solution has a non-exploitative counterpart with the same markets, resources, production techniques, outputs, and distribution of real income. To see why this is so, assume some particular unequal pattern of ownership of the means of production, a competitive wage-price system, and a positive profit rate at market equilibrium. Following the assumption of Roemer’s Chapter 2, workers and capitalists alike consume the same subsistence, but unequal distribution of the means of production permits their owners, to an extent limited by the amount of their wealth, to escape working by hiring others to work more than necessary to reproduce their subsistence. Thus there is exploitation, as Roemer demonstrates. Suppose, however, that all else were the same, but the social relations of the workplace were different, so that workers could not be forced to work any harder

than necessary to produce goods with the same labor content as their subsistence, after replacing the means of production used up in the process. Then there would be neither surplus labor nor exploitation, and capitalists would have to work along with their laborers. Both consumption and work would be equally distributed, despite inequality in the distribution of wealth. All of this could be achieved in a context of competitive markets and unequal private ownership, just as before. Evidently, therefore, coercive social relations in the workplace are necessary ingredients of exploitation, and competition and unequal distribution of property are not sufficient. Of course, capitalists are not eager to employ workers whom they cannot coerce and exploit, and their uncharitable attitude makes a nonexploitative capitalism impossible. But this fact just strengthens the argument that workplace coercion is a necessary condition of capitalism.

Throughout his discussion, Roemer skirts the distinction between labor and labor-power, sometimes to the point of using the terms interchangeably.<sup>3</sup> He thus ignores a central contention of Volume I of *Capital*, in which Marx painstakingly demonstrates that in the distinctive relationship of capitalist exploitation, surplus value is produced by the workers themselves, who lack direct access to the means of production and are compelled against their will to work harder and longer for a capitalist than necessary to produce their own sustenance. The resulting surplus product, which is the property of the capitalist, is the source of all profit and other juridical forms of property income. Of course, it is *unequal access* to capital that forces some people to be wage laborers and opens them to exploitation, and it is *unequal ownership* of capital that is responsible for the unequal distribution of the fruits of exploitation. But capitalist exploitation itself takes place in the workplace. *Inequality as such is not exploitation.*

Roemer, however, effectively adopts the view that capitalist production is not different in its essentials from an exchange, and not the distinctive source of a social surplus. Indeed, the whole competitive system is a circle of exchanges: goods are exchanged for productive factors in markets, factors are "exchanged" for

3 For example, in Chapter 2 he uses the same symbol "L" for a vector of labor requirements to produce various outputs and for the basis on which wage payments are made, and he carries this notational convention into subsequent chapters.

goods in production.<sup>4</sup> Equals exchange for equals in each case. In effect, this way of viewing things treats capitalist production as though it were not a social process at all, but a conservative physical process, like a chemical reaction. There is no room for exploitation at the point of production, because there is no "give" at this point. Indeed, there is no surplus at all; everything is imputable to the factors of production, and property income is simply the productive contribution of capital.

Roemer would probably resent the charge that he conceptualizes capitalism in this way, and would doubtless acknowledge the *possibility* of exploitation at the point of production. But he explicitly states that such exploitation in the workplace is not a necessary ingredient of capitalist exploitation. It is sufficient, he argues, that there be inequality in the ownership of capital and competitive pricing. He would also point out that he precludes the possibility of nonexploitative capitalism with unequal ownership by assuming "NBC," or nonbenevolent capitalists, who will not let their capital be used by others unless they can thereby reduce their own work effort. He might admit embarrassment that he introduces this NBC assumption with the offhand remark that it resolves "some indeterminacy . . . which it is convenient to eliminate" (65), and that its full statement and principal implications appear in a later chapter in a passage (103) that is not even addressed to the exploitation of wage labor as such, a passage that "without loss of continuity," as he says, "may be skipped by the reader who is unenthusiastic about technicalities" (95, n. 2). It is peculiar that he buries NBC in such a remote place, but it is there to be found by a reader who is sufficiently "enthusiastic about technicalities," and who could object to the claim that capitalists are nothing if not rapacious?

Another critical technicality is buried more deeply, however. In fact, a statement of the necessary assumption of "BW," or benevolent workers, is not to be found at all. Yet Roemer clearly assumes that workers are willing to submit to "production coefficients" that extract more labor from them than is needed to reproduce their sustenance. And once he assembles both capitalists who will not produce unless they can exploit someone and workers who are willing to be exploited, his principal result is

4 Production is sometimes referred to as an "exchange with nature."



not really so astonishing as he makes out. Indeed, one wonders why he thinks he needs neoclassical economics to reach such a conclusion.

To see what lies beneath the surface of Roemer's theory of exploitation, it is helpful to change his nouns a little bit and otherwise recount the parable of "Labor Market Island" much as he wrote it. In the argument of Chapter 2, substitute the word "coal" wherever the word labor appears. That is, suppose that there is no labor input in production, but there is a single primary input, coal, which is used along with reproducible capital, and is required directly or indirectly for the production of every good. Thus every good is ultimately reducible, if you will, to a quantity of embodied coal.

Everyone both owns a coal mine and is free to be a capitalist. However, only some people own reproducible means of production, and are therefore able to use this freedom. Coal *extracts itself* from the ground and brings itself to market, at a rate determined by the mine owners. If they own no reproducible capital, they sell coal to cover their subsistence needs. If they own a little, they may use some of their own coal along with their capital to produce goods for use or sale, and sell some coal on the side. But if they own enough capital to be able to afford it, they buy their coal and conserve what they have in the ground. Although the owners of capital reproduce their means of production, no one sells, uses, or buys coal in order either to live beyond subsistence or to accumulate wealth.

This is essentially Chapter 2's capitalist model with the word labor changed to coal. Assume, as Roemer does, a reproducible solution with a positive rate of profit. By the logic of his proofs, all net buyers of coal are exploiters. Those who mine exactly enough coal to warm their own reproducible capital are neither exploiters nor exploited. All net suppliers of coal are exploited, in the sense that the commodities they get for a ton of their coal have less than a ton of coal embodied in them.

*But the mine owners incur no costs, either real or opportunity, and their returns are therefore pure rent.* Still, we are forced by Roemer's logic to say that those who must sell coal-power are coal-exploited, and therefore exploited in terms of any unit of account. Moreover, the source of their exploitation is their limited access to reproducible social property, which alone is

responsible for their sad plight. If they only owned enough reproducible capital in addition to their mines, they could receive profits without providing coal in exchange, and cover the coal deficit that is the measure of their exploitation.

Roemer recognizes the possibility of this absurdity in Chapter 9, in which he argues that a Marxian theory of exploitation must analyze capitalism from the point of view of the circulation of labor, since labor-power alone is distributed equally (285). Otherwise the analysis is prone to produce anomalies like the one just described, in which comfortable and idle people are "exploited." What he doesn't seem to recognize is that even if coal mines are equally distributed across the entire population, we are forced by his theory of exploitation to call an entire population of rentier mine owners an exploited group just because those who in addition own reproducible means of production make a profit on them. The reason most Marxists think that workers are exploited and rentiers are not is that the former perform the *work* of the system that dispossesses them and the latter do not. In Roemer's theory, no one really works. His workers are just rentier owners of labor mines, from which labor is costlessly extracted and delivered to the point of production, c.i.f. Thus their avoidance of work to the extent possible is no better motivated than is the reluctance of the mineowners in the coal parody to extract more coal than they need to subsist.

One supposes that at this point Roemer would protest vehemently that this is an outrageous caricature, and brandish pages where he explicitly acknowledges that workers work. Moreover, he would probably complain with justification that in all his examples the exploited are people who work for a living, and that he never once suggests that a rentier might be exploited in the Marxian sense. He might even say, with exasperation in his voice, that it is so obvious that alienated labor is hard and otherwise obnoxious that no author ought to be required to mention it at every turn.

Many of his readers would agree. Why should a book that is so technically dazzling be required as well to state that which is perfectly obvious to author and reader alike? Simply because that which is supposedly so obvious is in fact not there. Roemer's allusions to work are just allusions. Like so much of his rhetoric, they are just bundled with a product that is logically independent

of them. He is therefore able to suppose that work is disagreeable without having to face up to what this implies about the work process that underlies his input coefficients. What he calls work is completely detached from the life of the worker, whose predicament has no role in his theory of capitalism.

Throughout his book, he argues with considerable insight that capitalism shares with a variety of actual or imaginable non-capitalist modes of production his favorite necessary condition of exploitation: unequal ownership of non-human productive inputs. But it is an abuse of language to say, as he does, that such an inequality *explains* exploitation in these modes, simply because it is a necessary ingredient. It is also necessary that these unequally owned assets be *used* in a way that produces a surplus that is taken from the direct producers. Under the property relations of capitalism, any surplus that is produced belongs to the property owners. If there is any argument about this, the police may be called. Further, the owner has the right to organize the process of production, and for there to be surplus, it must be organized so as to give rise to one. Property does not itself secrete a surplus. In the system as a whole, therefore, work must be sufficiently extended, purposeful, and intense that more labor is exerted than is necessary to produce the workers' consumption and replace the means of production; otherwise there is no surplus.

In Roemer's analysis of the rate of profit, he takes as given not only the wage, but also the quantity and quality of effort that capitalists receive in exchange for it. What is in reality a social process, the transformation of purchased inputs of materials and labor power into outputs, is consistently treated as though it were entirely technological. In effect, he denies the existence of the characteristic struggle of capitalism, that which goes on in the process of work. Roemer's working class, therefore, does not work. It parts company with its labor at the point of exchange, and enters the "hidden abode of production" intending to do benevolent works.

In any theory that recognizes in an *intrinsic* way that the working class works, the analysis of exploitation takes on a dimension that Roemer's does not. A lump of coal does not care how hard or how long it burns. *The mine owner does not care either.* A theory that can distinguish workers from mine-owners

must be concerned with how hard and how long people work, because the peculiar commodity that they sell cannot be used without the exercise of their minds and bodies, and their exploitation cannot be understood without recognizing this.

An agreement to work for someone is not a contract to deliver future pork bellies. As Marx said, the worker's own hide is on the market. And there is for most workers an urgency about getting and keeping a job, even when there is not much unemployment, all the more so when so many are out of work. And unemployment is a characteristic feature of the capitalist landscape. Capitalist employers recognize the power that this gives them at the point of production, and use it to cudgel benevolence from their workers. The incessant struggle in the capitalist workplace is chronicled in Volume I of *Capital* and elsewhere. It is contract enforcement only in the Mafia's sense.

None of this appears in Roemer's work. If there are people out of work in his world, one would never know, since in his theory unemployment has no implications either for the wage or for the strength of the contending forces in the workplace. For all practical purposes, therefore, markets always clear in this the world of the "Free-trader Vulgaris." Only under such circumstances is it remotely sensible to treat work agreements as though they were free contracts between free people, the work process as fulfillment of the terms of a complete contract, and supervision of work as administration of the common will of the participants. Otherwise there is "give" in the work process, and struggle over who has to give what when. Although the extraction of labor from labor-power is not the only form of "give" in the circuit of capital, it is the most systematic and important, both in day-to-day capitalist exploitation and in Marx's critique of bourgeois political economy.

To see what is so glaringly missing in Roemer's economics, and why it cannot serve as a basis for understanding the relationship between exploitation and class, return to the coal mines, and ask whether the mine owners are a class in Roemer's sense. To be sure, they are exploited, and there exist definite exploiters. Moreover, the mine owners have a relationship to the means of production different from that of the capitalists who buy their coal. Although both groups are owners, one provides primary inputs and the other provides reproducible goods. Therefore there

is a correspondence between exploited-exploiter on the one hand and relationship to the means of production on the other. However, none of this is particularly interesting, since the exploitation of the coal-mine owners is merely formal, and they have no interest in forming so much as a cartel, since their exploitation costs them nothing. If Roemer or anyone else wants to call the mineowners a class, he or she is free to do so, but their common class location can hardly provide a basis for organized struggle.

Suppose, however, that mine owners must work to extract coal from their mines. They do not work directly in the capitalist's place of business, but mine coal and ship it to his automated factories. Suppose further that there is a surplus of people who must mine coal for a living relative to the capacity or willingness of capitalists to convert coal into goods. Under such circumstances, these cottage coal mine owners are driven into price competition with one another and to work long hours in their own mines to subsist. If the profit rate is positive, the owners of coal mines are now exploited not only in terms of coal but also in terms of labor, since the goods they get in exchange for their coal contain less labor than the labor directly embodied in the coal. They are labor-exploited in a formal sense, therefore. Moreover, almost anyone with Marxist leanings will be comfortable in calling them exploited, since they work for a living, but get back from the market less embodied labor than they exert. These people are genuinely a class, and are enmeshed in an antagonistic market relationship with the capitalists. In this context, they have a collective interest in forming a cartel to change the terms of trade between coal and other commodities to their advantage.

However, there is no direct *social* relationship among such mineowners or between them and the capitalists, and therefore no basis for overt struggle over anything but the price of coal. In particular, there is nothing beyond a concern with the price of coal that might unite the mineowners in solidarity with one another, no basis for comradeship. Although they have the formal trappings of a "class-in-itself," their social context precludes their becoming a "class-for-itself."

The workers of Roemer's capitalism are much like these mineowners. True, they work in the capitalists' places of business, unlike the mineowners, but there is nothing in the occasional lip service Roemer pays to work to suggest that this

innocuous experience might form the basis of solidarity among the workers or antagonism toward the employer. Thus they might form a cartel to raise their wages, but that is about the extent of the collectively self-interested activity that one can imagine on their part.

Real workers in real capitalist enterprises are embedded in complex social relationships with their employers and with one another. To be sure, they have an interest in raising wages through collective action, but common location on one side of a market rarely unites people very effectively by itself. However, each of them is also part of a workforce that faces a boss on "contested terrain," a workplace in which the vague outlines of a work arrangement are sharpened in day-to-day struggles over who will do what how fast. In the daily process of filling in the blank spaces in the contract, the opposition of employers and workers acquires the concrete content that is the basis of class consciousness. In particular, the social relationship of domination-subordination that is invisible in the marketplace is manifest in the workplace, and the consequences of selling control over one's life are differentiated from the consequences of selling coal. The whole range of power relationships between workers and their "betters" is here acted out, and the ideological illusion of human equality is here dispelled. Here too, workers are brought face to face with people who are clean, well spoken, well dressed, nicely mannered, and leisured: the top managers, executives, and experts who do not seem to "work" in the normal sense, but who obviously live well beyond the means of the ordinary worker. Such encounters in the work place make it possible for the working class to perceive its exploitation, to associate it with domination over the productive process, and to identify the whole class of exploiters for what they are.

These aspects of bourgeois economic life lie outside the ambit of neoclassical economics, whose mathematical methods seem ill-suited to modeling anything but supply, demand, and technical relationships. Perhaps this limitation is inherent in mathematical economics. Perhaps it only applies to neoclassical tools, which have been developed in an ideological context whose economics is studiously narrow. But surely it is risky to apply such tools in an alien context, because they tempt their user to deform substance until it fits their form. In adopting these methods,

Roemer has produced a picture of capitalism as it might appear to an observant petty bourgeois. Nothing more. His capitalists are such because they have enough money to buy labor-power, and so they do not have to work. His workers must sell labor-power because they are too poor to hire others to work for them. Each group chooses the best vocation that its wealth allows. As he says: "In the models of this book, agents choose their class position by optimizing behavior." Thus all are caught up in the same dilemma of scarcity, although some dilemmas are more scarce than others. This perspective, of course, fails to recognize that some people are born on the painful horn of the dilemma and others choose their birthplace more carefully. There is in this "Marxism" no basis for a theory of class consciousness or of class conflict, because his "agents" stand side-by-side on a continuum; they do not face each other across a barricade.

Perhaps Roemer's failure to grasp the ineffectuality of this kind of economics explains the curious lack of direction in his book. At the outset he announces that his "urgent and practical" agenda is "to classify modern socialist states in the taxonomy of historical materialism." Very little of the book is in fact directed at this curious agenda, and no genuine progress is made on it. And what, after all, are we to expect from an author for whom taxonomy is urgent and practical? Much of the book — indeed most of it, if one takes into account how compressed the argument is in some passages and how thin in others — is devoted to his critical generalization of Marx's theory of exploitation, a project on which Roemer wrongly thinks he has made substantial headway with the tools of neoclassical economics. By the time he reaches Chapters 7 and 8, in which he attempts to construct a general theory of exploitation adequate to describe socialism as well as feudalism and capitalism, he has found it necessary to abandon the labor theory of exploitation altogether in favor of an alternative that neither understands commodities as the embodiment of labor nor sees exploitation as the appropriation of surplus labor.<sup>5</sup>

He proposes that a group of "agents" (whose class is determined by whether they are exploiters or exploited *ex post* the analysis) be called exploited if it can attain a better standard of

5 This approach to exploitation is developed in Part III.

life by dropping out of capitalist society with its aliquot share of society's alienable resources; a group is exploiting if it is made worse off by the defection of the exploited group. Since the working class under capitalism can always do better if it takes over its majority share of the capital stock and produces for itself, it is exploited. The capitalists would be reduced to petty bourgeois status or worse without workers, so they are an exploiting class. Since the test for "better off" is whether a greater standard of living can be attained for the same work, there is no need to calculate labor values to determine who is an exploiter and who is exploited.<sup>6</sup>

This approach to exploitation, which is either a generalization of Marx or a repudiation, depending on how you read him, must be very appealing to anyone who admires analytical tidiness. The full arsenal of game theory may be brought to bear on it. But it is hard to imagine a less promising innovation in the theory of class and exploitation. If class theory is to be more than a taxonomic game, it must be possible for the members of a class to perceive themselves as such. "Consciousness can never be anything else than conscious existence, and the existence of men is their actual life process" (Marx and Engels, 1970, 47). This game-theoretic approach requires that for people to see themselves as exploited, they must collectively envision themselves in a complex counterfactual situation. Although a maturely class-conscious group might conclude they could do better without the help of their oppressors, it is hard to imagine they would then go off with their fair share of social resources, leaving the balance for their former rulers to enjoy.

In fact, there is nothing seriously wrong with the labor theory of exploitation for someone who calls people to the barricades. It distinguishes those who have nothing to lose but their chains from those who are reactionary even in church. There are, of course, many groups that it does not classify very neatly: the labor aristocracy, the petty bourgeoisie, managers, technical personnel, intellectuals, and others. But no amount of mathematical nicety in sorting them out is of any help in changing society,

6 Moreover, this definition system makes it possible to identify exploiters and exploited in an analytical "world" of heterogeneous labor and/or joint production, in which labor values cannot be calculated in an analytically tidy way.



because ambiguous structural locations produce ambivalent class consciousness. Whether or not the labor theory of exploitation is adequate, therefore, depends on the agenda that is being addressed. To someone who aims to rally people to a revolutionary banner, Marx's labor theory of exploitation suggests where to look for recruits, and promising cries to call them to battle. But to people who feel they must publish books and articles in respectable places, Analytical Marxism offers only more elegant taxonomies and more promising agendas. That is why it threatens to enervate Marxist theory in the name of rigor.

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