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There Is No Such Thing as Surplus Value: An Abridged Explanation

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Abstract: When exploring the concept of worker exploitation, we will fall upon the logic of the labor theory of value. Part of a laborer's value is being exploited, a capitalist gets the value of labor that they have not paid for, and so on. But what if it is not labor power that is exploited but the laborer themselves? Ellerman's labor theory of property identifies exploitation as occurring not in a supposed dividing of the spoils but in the injustice of the employer-employee relationship itself. Following from this, the logic of exploitation does not derive from the employer simply not giving workers enough but because the employer is making a fundamentally unjust claim to the proceeds of production. This paper fleshes out this argument, showing that any claim an employer might make over-and-above those of workers could be interpreted as an expression of pre-existing state prejudice reflected through the so-called property claim. The paper further draws on economic and sociological research to explore how hoarding may enable the construction of profit and, thus, enables further exploitation.

Keywords: Exploitation, Labor Theory of Property, Labor Theory of Value, Property, Hoarding, Surplus Value

Introduction

When investigating issues of justice, especially social justice and economic justice, it is tempting to get very technical. A term like "exploitation" can become complicated when it should not be. Roemer (1985) put forward a persuasive case for doubting the usefulness of a special interest in exploitation compared to other circumstances such as the distribution of resources. His skepticism arises from his insistence that labor is not a unique property in itself, that economically it functions like any other resource (time, raw materials, machinery, etc.). What Roemer succeeds in showing is that the nature of exploitation cannot be linked to labor as long as we maintain the Marxian logic of surplus value. Where he fails is in not moving beyond this formulation and instead attempting to redirect the argument towards the social bases of the phenomenon of exploitation.

The problem of eliding the stripped economic (i.e. isolated from culture, social setting, politics) basis of exploitation is that the other theories of exploitation which Roemer gives (domination, alienation, inequality, expropriation) follow from the economic, or accumulation, theory. Without understanding the process of accumulation it is impossible to understand why certain parties come to exert power over others such that domination etc. become possible. One of the reasons that Roemer falls into this trap is that he relies on Marxian surplus value. This formulation allows him to conclude that the fact that he can equalize labor power with an amount of linen means that they are equally relevant for the concept of exploitation.

If, on the other hand, one partially reject Marx's labor theory of value and instead adopt Ellerman's (1992) labor theory of property, it could be argued that exploitation of labor is indeed at the root of the more general phenomenon of exploitation. This is not an analytic judgement, it is a historical and procedural judgement; in other words, it is not that a single unjust situation is equivalent to a corrupted system, but rather that an unjust situation permits other unjust situations until the injustice becomes the dominant pattern.

The rejection of Marx's labor theory of value is and remains only partial, however. While it is not an adequate explanation of exploitation in general, it does help to explain a particular aspect of exploitation in societies: the institution of property law. By using the labor theory of value to help explain the strength of particular claims, then balancing that against the labor theory of property's claim to the whole product, we can understand both the means and the injustice of economic exploitation. The property claims privileged by society, which govern the rules around who may claim new products (such as newly grown crops), allow certain people to add dead labor to their claims, thereby outweighing the rightful claims of labor. It is therefore not the exploitation of labor-power but the exploitation of people which is at the root of the issue, an exploitation which is typified by the employer-employee labor rental contract.

The problem with surplus value

The fallacy of the labor theory of value is the notion of objective value itself; though Marx does not call this intrinsic value, it is clear that he appeals to something which is objective and measurable: "there is nothing left but what is common to [all products]; all are reduced to one and the same sort of labour, human labour in the abstract" (Marx 1887/1996, p. 28) But the core of this fallacy can be found in Marx's assertion that use value and exchange value are not related, saying that "when commodities are exchanged, their exchange value manifests itself as something totally independent of their use value" (Marx 1887/1996, p. 28) This suggests the notion of a purely technical solution to problems of unequal distribution, a notion which history shows us must be incorrect. Ellerman (1992, p. 65) summarizes this objection by calling modern Marxian economics a search for a "just-price theory".

Traditional Marxian theory seeks to explain economics through the total of exchanges, as an entire economic system. From such a perspective it makes sense that one might believe there needs to be a common property which can be used to measure one exchange against another. This may not be the most productive starting point for addressing the problem. Marx (1887/1996, p. 30) says: "Were [a coat and an amount of linen] not qualitatively different, not produced respectively by labour of a different quality, they could not stand to each other in the relation of commodities." Here he makes two assertions: that the coat and linen must be qualitatively different and that they must be produced by labor of different qualities. The first assertion is supported by the basic logic of measurement, in which one thing can only have value when it is measured against something else. The second is not supported by such a fundamental truth. Marx attempts to give support to this position, but I believe he acknowledges its flaw immediately and simply moves on.

Marx's argument that division of labor is necessary for producing commodities but that such a division does not necessitate production of commodities is, in my view, a way to suggest that labor is intrinsic to commodities while accepting that the commodity logic does not capture everything which might be exchanged. As he says, "in every factory the labour is divided according to a system, but this division is not brought about by the operatives mutually exchanging their individual products" (Marx 1887/1996, p. 30). But such an item might be so exchanged, and if that was the case, how would that interact with the rest of the labor system? While such an objection might seem trivial, this point that the division of labor does not necessarily result in commodity production means that it is not labor which infuses commodities with value. That is, in the phrase "useful labor", what is crucial is not the quantity of labor expended (as Marxian theory implies) but the degree of perceived usefulness. To the extent that such a phrase remains economically relevant, it is so only in the narrow context of an exchange in process.

By granting counter-examples for the idea that commodities must be created by division of labor, Marx encourages us to look past a very shaky part of his theory: the supposed universality of commodity logic. It is through this universality that the notion of surplus value is constructed: if everything is a commodity, including labor power, then it becomes possible to make some measurement of input, and then to say X people have put in Y labor power and only received Z in reward. This is a polemically and socially useful argument. Analytically, however, it prevents us as readers from making a better picture of the economic and social situation. It therefore argues for solutions which have not ended the problems of inequality and lack of worker liberty, as Ellerman takes pains to point out. A more useful way to understand economics has to begin with a "bottom-up" explanation of value. Unfortunately, I do not have the space to make a full exploration here, but I will summarize my own theory on the subject. The basic form of exchange is what I will call a "simple bargain": when two parties meet with the intention of one party, the seller, expecting to give over a trade-item (the focus of the bargain) in exchange for goods given by the buyer. We will also assume that both parties wish to avoid being cheated: exiting the bargain with less value than they entered it with. I use this as opposed to Nash's (1950) suggestion that both parties in such a situation are working for mutual benefit; instead, each party is looking to avoid a loss.

If we begin with the logic that the parties involved are only interested in the objects of exchange (trade-item, goods) due to the intrinsic value bound up in them, then it is difficult to see how an exchange would be primarily transacted to avoid loss; this is what suggests the idea that each person is seeking an advantage which could similarly be expressed in terms of a unified value. Marx (1887/1996, p. 61) says: "[Owners of commodities] cannot bring their commodities into relation as values, and therefore as commodities, except by comparing them with some one other commodity as the universal equivalent." By this, Marx builds towards a definition of money. But the process of money formulation which Marx lays out is incorrect. Rather than money emerging out of the process of exchange itself, money was instead imposed upon exchange (Graeber 2011, pp. 49–50). The investigations of Ingham's *The Nature of Money* are illuminating on this subject (Ingham, 2004, p. 72). It can also be attacked by counterfactual: the process of valuation does not require a universal equivalent as Marx suggests; it can be explained by bargaining and the market.

To explain briefly, we will begin with Marx's correct assertion that use-values cannot be directly compared in terms of exchange. This is best understood if we first break apart the idea of utility. Restricted to economic terms, use-value has to be separated from the idea of benefit. Benefit is the actual enjoyment, nourishment, or satisfaction provided by the use of a thing, whereas use-value is what can be related of that benefit. This relationship between benefit and use-value is utility. Use-value then correlates to an exchange-value. Just as benefit cannot be expressed and use-value can, exchange-value cannot be expressed in this new plane of exchange. The reason why is somewhat the opposite: benefit is too individual to be related and therefore must be put in terms understandable by many, where exchange-value is in doubt and must be negotiated to an agreement. This agreed-upon point is worth, and it is this which can be best equated with the "just-price" goal of Marxian economics.

It is crucial to understand, however, that the existence of worth is not truly relevant to exchange as it exists. Similarly to the notion of a just price, the exact definition of this worth has no bearing upon the price which a person may actually have to pay. Prices in general depend far more on circumstance than they do on theory: how much competition is there among sellers, how much does the government favor them, how much money is available to be made (Ingham 2004, p. 68). Furthermore, the fact that such prices are quoted in money is also a matter of circumstance rather than being an essential fact or even inevitable outcome of repeated exchange. Any purchase could theoretically be made through a process of bargaining; the fact that money (along with various essential social conventions which are not themselves money, such as the notion of "legal tender") makes this easier does not mean that money or any universal measure of value are essential features of exchange.

The reason to draw this point out is to show that the concept of labor power as value is not objective, as Marx and his proponents claim; it is a subjective analysis, one which is highly insightful but which remains subjective regardless. If the labor theory of value is not an objective theory, then it follows that we cannot find the root of exploitation in the improper taking of labor-as-value. As should be seen shortly, I do not make this point to denigrate the position of labor, but the opposite. By restricting our critique to the labor theory of value alone, we invite the idea that a simple redistribution would equal justice, a situation which would leave power in the hands of employers to eventually undo such a redistribution. This is what Ellerman (1992, p. 110).

contends was the situation in many states which adopted state communism or state socialism. Instead, the labor theory of value should be used as part of a more comprehensive argument against the claim of capitalists, as capitalists may be characterized as owners of dead labor.

Dead labor and profit

Labor has a claim to the whole product; this is the doctrine of Ellerman as well as that of the Ricardian socialists, as Ellerman shows, while Marx largely abandoned this type of formulation in favor of the labor theory of value. But there is a strong synergy between labor's claim to the whole product and the labor theory of value, and it can be said that the latter's primary use is as a proof of the former.

A natural assumption would be that capitalist economics would reject labor's claim to the whole product. This is, however, not the case. The typical capitalist conception of ideal economy can be summarized by a quote from the arch-capitalist Milton Friedman: "To each according to what he and the instruments he owns produces" (Friedman, 2002, pp. 161–162) Here Friedman does not quibble with the logic that labor, or the power to produce, is what determines who gains the rights associated with production. Instead, he simply adds to personal labor a new element: the labor of the instruments that a person owns.

The basic substance of labor's claim to the whole product is that labor, those who have worked to produce a thing, is entitled both to gain the benefits and to pay the costs associated with that production. Ellerman (1992, pp. 23–25) calls this the logic of the hiring party, whereby the party which bears the costs gains the rights over the proceeds. When opposing the maxims of socialism, "From each according to his ability, to each according to his needs" (Marx, 1890/1999), and capitalism in the context of rights over production, we must think less in terms of direct distribution and more in terms of strength.

Property is a social condition, a claim upon something made by something or someone else. It is the socialized form of object possession. Appropriation is the process or phenomenon of some thing being claimed by some one. The most widely-cited basis for appropriation is labor: those who have labored to produce a thing are permitted by society to appropriate it (Ellerman 2001, p. 15). Labor is not equivalent to paying costs, though all costs could, by social convention, be related to labor. In other words, the fact that labor power and raw materials can both be purchased with money does not make the two naturally equivalent for the purposes of determining appropriation (Ellerman 1992, pp. 32–33).

The reason for this is that a thing cannot be produced without the labor of persons and a person cannot be fully instrumentalized; even a slave must be continually coerced, they cannot be used like a hammer. This means that it is the will of the laborer which has gone into production, and it is this will which is granted a claim over the proceeds as it is an active and necessary participant in production. It can be argued that a thing can also not be produced without raw materials, but a carpenter can make a chair out of any wood they might find, or perhaps even adapt their skills to make a chair out of another material, whereas a bunch of wood will always be wood without a carpenter or someone else performing some type of labor, even if it is only the semiotic labor of deciding that the wood will serve as a place to sit.

Though labor forms the natural basis of a property claim, in most societies the basic form of this labor claim – that it is active labor alone which grants one a share of the proceeds – ends up being superseded by those who possess dead labor: land, machines, resource stocks, and so on. These claims are are often described as socially-constructed rather than naturally arising, which is most clearly shown when considering land: it is only an entire society which can properly control land, and therefore private land ownership must be a condition granted by the society (Ellerman 1992, p. 81). The polemical term "dead labor" most appropriately refers to machines, which require labor to be created and then multiply the labor of others, but it also applies to land, money-capital, and anything else which is needed for production but which is not living labor: dead because it is not alive and sentient, labor because it is, like living labor, a factor of production.

The primary difference between dead labor and living labor is that an individual can amass dead labor while they can only expend living labor. This means that every person's living labor is roughly equal, especially when compared to dead labor where one person can own hundreds of times more dead labor than another does. This property of dead labor means that allowing dead labor to count as an equivalent to living labor in any proportion will allow those who possess dead labor to overrule those who provide living labor, even though no production could take place without the living labor.

Again, there is an obvious objection here: a level of production achieved with both living labor and dead labor could not be achieved without that dead labor. This may be true. But dead labor could be redistributed. As Ellerman (1992, pp. 13–14) says, just because capital controls "necessary" dead labor does not mean that the owner of capital must be in control. Labor could instead hire out capital rather than giving up its rights to the proceeds, which is the situation under the traditional employer-employee contract. The argument privileging living labor does not suggest that dead labor could simply be dispensed with. The point is that the possession of dead labor should not grant one property rights in production over and above the rights of the laborers. Ellerman's suggestion that labor could simply hire out capital is not fully convincing, at least as an actual policy proposal. While it is and must be technically true that a labor force could hire out capital, in actuality, such an arrangement would still leave so much power in hands of the owner of capital that the subjugation of labor would effectively continue. Capital must be properly redistributed in order to reach a fairer society; once so distributed, the concept of dead labor property has to be rejected in order to maintain this sociable distribution.

The importance of having a property claim over production, and thus the ability to appropriate the proceeds, is in the construction of profit. The following point requires a fuller explanation than I can give here, but for the moment let me state this: One possible interpretation is that exchanges are equivalent and profit is constructed by discounting. This is how to untangle the mystery of Marx's (1996, p. 106) formula M—C—M'. Marx defines M' as M + ΔM, saying that ΔM represents surplus value. I venture instead that the M' should be defined as M - D, where D represents discounted costs, or degree of discount. The process of capital creation is not one of appropriating a surplus but of designating discount. In other words, rather than a surplus value appearing out of nowhere, what happens instead is that the party which put out the money initially and then receives it back has discounted part of the price in order to claim the remainder as profit.

By making this move, we can easily explain the choices made and the prejudices involved that Marx describes. As Marx says, the amounts received before and after a sale are qualitatively the same and differ only in quantity. It is only that Marx has got the order of his operations wrong. Rather than M = £100 then becoming £110, we start with M = £110 and then the seller decides that to him the traded item was in fact only worth £100, and thus he reckons he has made £10 in profit. Again, this path will make sense if, rather than starting from the standpoint of just price as Marx does, we instead start from the standpoint of negotiation. £110 is the negotiated price; that is the actual thing. It is only by deciding that our ledger does not need to record £110 for that item that we can say a profit emerges.

Here we come back in line with Ellerman's notion of the whole product. While it is traditional to view a firm's revenues and costs in terms of distributive shares, with each person providing an input getting "what they deserve" as a reward (in wages, prices paid for resources, etc.; Ellerman 1992, pp. 26–27), this interpretation may be subject to debate. An alternative view is that the owner of the firm, the hiring party, claims the entire proceeds (e.g. revenue), and then pays the costs as they decide: this is the meaning of "the whole product" (Ellerman 1992, pp. 27–30). The hiring party, then, is the group which has the ability to construct profit out of the process of production. As a result, the fact that dead labor can be used to usurp the role of hiring party from living labor allows the owners of dead labor to amass wealth through the construction of profit. This can only lead to hoarding of money and the turning of social institutions against the society as a whole.

Hoarding and society

The rationale behind hoarding is very straightforward. Marx lays it out early in *Capital I*: "The desire after hoarding is in its very nature unsatiable. In its qualitative aspect, or formally considered, money has no bounds to its efficacy, *i.e.*, it is the universal representative of material wealth, because it is directly convertible into any other commodity. But, at the same time, every actual sum of money is limited in amount, and, therefore, as a means of purchasing, has only a limited efficacy. This antagonism between the quantitative limits of money and its qualitative boundlessness, continually acts as a spur to the hoarder in his Sisyphus-like labour of accumulating" (Marx, 1996, p. 86). The effects of hoarding, however, are less directly reckoned with. The direct effects of hoarding on exchange are well-known. Marx (1996, p. 91) himself states: "Whenever these hoards are strikingly above their average level, it is, with some exceptions, an indication of stagnation in the circulation of commodities, of an interruption in the even flow of their metamorphoses." While Robinson and the Keynesian economists appear to have largely removed any analysis of hoarding from their study, they nevertheless attribute certain qualities both to hoards (Robinson, 1938) and to the propensity to hoard (Keynes 1936/2002). An increase in the existence of private hoards leads to a decrease in monetary velocity and therefore to deflation, possibly signaling a more widespread damage being done to the economic system.

The effects of hoarding are not directly addressed because they cannot be properly understood if we restrict ourselves to an analysis of depoliticized economy. Viewed purely as a game of numbers and balances, there is no specific reason that money should be in one place rather than another. The fact that monetary velocity is likely to decrease with the presence of substantial hoards does not have any social meaning on its own. As long as everyone is receiving what they need, there is no essential reason to oppose the existence of large hoards controlled by private interests. It is when we take a more holistic approach that we can understand the particular perniciousness which is presented by hoarding in society.

An obvious metaphor for financial hoards are the "clutter hoards" of sociological hoarders. Famous stories have been told in the U.S. about hoarders, such as that of the Collyer brothers who died amidst a hoard weighing over 130 tons (Lidz, 2003, p. 148). In "Hoarding and the Substance of Kinship", Kilroy-Marac (2022) advances a theory whereby the hoard becomes a part of a family structure. It takes up space, it mediates relationships between family members. And though this is not exhaustively dealt with in that article, it will be passed down to heirs, and therefore those people have some natural investment in it, even if that is only a hostile emotional investment. Importantly, the owner of the hoard may use this hoard in conjunction with other form of authority to further hem in and structure the choices of those in and around the family.

Financial hoards work in a similar way, most obvious here in the case of inheritance (Lustbader, 1996). A significant hoard—one which is capable of maintaining the lifestyles of those attached to it without itself requiring sizeable maintenance—becomes a means by which the owner of the hoard may control those around them. The options, as with the person owning a hoard of physical clutter, are to adhere to the hoarder's desires or to get out. Often, leaving the hoard therefore implies a level of precarity; it can be a punishment, an exile.

By allowing hoards to be amassed which permit more and more people and groups to be maintained by that private hoard, rather than by the society at large, the society allows those people to become locked under the authority of the hoard owner. This is how political networks are often built and why such networks turn on the decisions of one or a few people. And as the hoard brings the owner more political power, they are incentivized to use that power in order to reinforce their hoard: to add laws which allow more to be accumulated with less effort, which remove the ability of others to take parts of the hoard for reasons understandable or not, and so on.

The logic of property pervasive throughout much of the world is a logic by and for hoarders. It rewards the individual hoarding of dead labor gained through profit, a situation only attainable by the societal allowance of dead labor claims to outweigh the claims of living labor. Much like Lockean original appropriation is actually a continual process (Ellerman 1992, pp. 25–26), so too is the protection of dead labor claims. It is not that dead labor has conclusively proven itself to be the better answer, it is that dead labor retains its position in society and actively fights to suppress the claims of living labor at every turn. The fact that someone in the past permitted a dead labor claim to succeed is what has led causally to the point now where property rights are seen as a natural counter to claims of living labor, but that does not mean this situation has been popular.

Holding the monopoly on violence is not the definition of a state; it is a proof that a certain organization is sovereign. It is sovereignty which defines a state. The reason that the monopoly on violence has become so often cited as the marker of statehood is because states in this world rely on violence. Why do states rely on violence? Because the people they claim control over will often resist situations they believe are unjust. If any modern political system was purely donative, where the only reason to pay taxes was the threat of societal collapse, no system would survive. This helps to demonstrate that property law is not natural, it is not a state which people prefer, it is a state which people are coerced into accepting. Is this coercion legitimate? This question remains open for further investigation.

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