Freedom and Unfreedom in Marxist Economics

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Unlike orthodox, Neo-Classical economic theory, Marxist economics attempts to account for the life of the economic individual. While Neo-Classical theory begins by postulating needy, utility-maximizing individuals, who then drive the economy, Marxist theory centers on the analysis of the self-determining process of capital accumulation, and accounts for the creation and sustenance of the individual within this process. By referring to the system of economic relationships, Marxist theory accounts for individual continuing choices to reproduce the accumulation of capital. Individuals are absorbed into social and economic life not as its goal or endpoint, but as an integral part; they are constructed and sustained within the web of social relationships, in particular, property ownership, exchange, and capital accumulation. For example, the worker, deprived of ownership of the means of production, is forced to offer his only commodity, labor power, to the capitalist in exchange for his subsistence. The capitalist is prevented from consuming all of his profits by his competition with other capitalists, which necessitates continual investment and expansion. No reference need be made to human nature; individual identity and behavior can be accounted for as social products.

There are, however, serious flaws in the Marxist conception of the social determination of the individual. Specifically, it consistently denies an essential feature of life within capitalism—the centrality of freedom of contract, and of the individualization it entails. The lives of all but the shrinking minority of capitalists are portrayed as a purely negative experience of exploitation, drudgery, and unfreedom. Wage labor is presented as a process of alienation and exploitation, engaged in by the worker only to keep from starving. Consumption is only the purchase of the subsistence necessary to live, work, and reproduce. The positive aspects of the economic life of the individual as worker and as consumer within capitalism are ignored or glossed over. As a result, Marxists have been unable to understand the loyalty of the majority of American workers to capitalism as anything other than ideological brainwashing and "false consciousness."

Why does Marxist economic theory thus ignore or underplay the economic freedom experienced by the individual under capitalism? One reason is certainly political—Marxist theory has always been a critique of capitalism, including as one of its essential tenets the desirability and inevitability of the overthrow of capitalists and capitalism by the working class. Another connected reason can be found in the historical development of economic theory. Marxist and Neo-Classical theories have developed alongside of and opposed to one another. Marxists have emphasized the unfreedom and oppression of life...
under capitalism, while Neo-Classicalists have centered on the freedom of contract and choice. Although the existence of individual freedom is not incompatible with the social determination of the individual, it is incompatible with what most view as the theoretical core of Marxist theory—its labor theory of value. This observation provides the framework for criticizing Marxist theory as it relates to the individual as a basis for a revised conception which can account for the existence and content of individual freedom under capitalism.

Inherent in the Marxist conception of capitalism is the recognition that the development of private property and capitalist production simultaneously brought freedom and unfreedom. As Marx wrote:

Hence, the historical movement which changes the producers into wage-workers, appears, on the one hand, as their emancipation from serfdom and from the fetters of the guilds, and this side alone exists for our bourgeois historians. But, on the other hand, these new freemen become sellers of themselves only after they had been robbed of all their own means of production, and of all the guarantees of existence afforded by the old feudal arrangements. And the history of this, their appropriation, is written in the annals of mankind in letters of blood and fire.

Within Marxist theory, however, the emphasis is always on the oppression of workers and their resulting lack of freedom; real freedom, it is argued, can only be achieved when workers gain control over the production process by overthrowing the capitalists.

For Marxists, the freedom of contract provided by private property and exchange has no substance for the worker. He chooses between work and starvation: offering his labor power to the capitalist is the only way to provide himself and his family with the necessities of life. The Marxist denigration of freedom of contract derives from viewing labor as a means to subsistence, and, as a consequence, consumption as the basis of production of the labor force.

Unfreedom in Consumption: Consumption as Production

A glaring weakness of Marxist theory is its inability to adequately grasp the involvement of the American working class in consumption. While Neo-Classical theory centers its analysis on "consumer choice," Marxist theory denies such choice, and the self-expression it allows.

There are two reasons for Marxists' silence on this issue. First, Marx theorized that the wage would be kept at the bare minimum necessary to reproduce the laboring class. Although an initial bid up wages, capital responds with labor-saving technical changes which create a permanent reserve army of unemployed. Workers' competition for jobs keeps the wage at the minimum required to keep them, and their children, alive. Hence, workers are prevented from buying anything other than necessities, which effectively denies them any real freedom in consumption. With choice eliminated, consumption is reduced to the animal-like process of biological survival.

Some Neo-Marxists have revised Marx's prediction that the standard of living would remain at a basic subsistence level. They note that underconsumption, the increasing productivity of labor, and union pressures have, in fact, necessitated the expansion of workers' needs and consumption. However, they portray this development as unambiguously negative, because it engenders false needs, diverting attention from real human concerns. They thus conclude that the Marxist tradition of ignoring or downplaying the freedom of choice involved in consumption.


Why have Marxists been so reticent about the freedom of choice involved in consumption? Certainly, part of the reason is provided by their political position: acknowledging freedom means recognizing something positive about the worker's life under capitalism, which detracts from his motivation for socialist revolution. But there is, I think, a more powerful, theoretical reason for this analytical lapse. For, in order to incorporate choice into the consumption of the workers, one must reject or severely modify the labor theory of value. That cornerstone of Marxist economics requires that consumption be "collapsed" into a process of production, i.e., the production of the individual's labor power or ability to work.

According to Marx's labor theory of value, prices are expressions of commodities' values. A commodity's command over money in exchange (its price) is proportionate to its value, this latter being determined by the labor time socially necessary to produce it. The labor power offered by workers to capitalists is "produced" by the consumption of commodities; i.e., "production" in the home. Thus, the surplus which, if not spent, would bring insufficient effective demand and stagnation. John Kenneth Galbraith, an exoteric Marxist in my view, made a similar point in his Affluence Society (New York: Houghton Mifflin Company, 1958). Andre Guez writes of existing needs without expanding satisfaction due to the deteriorating quality of life in Strategy for Labor, trans. by Mario A. Nicouan and Victoria Ortiz (Boston: Beacon Press, 1967), Ch. 4; William Leiss deprecates this phenomenon as distorting our real, non-material needs in The Limits to Satisfaction: An Essay on the Problem of Needs and Commodities (Toronto: University of Toronto Press, 1976). In Democratic Theory: Essays in Political Economy (Oxford: Clarendon Press, 1973), C. B. Macpherson argues that market society sustains a view of man as infinite desires rather than as a holder of potentials, using this view effectively to harness men's energies to labor.

"This view of the value-price relationship is presented in Capital, V I, Chap. 4, in Volume 2, Part II, Marx recognizes that differences in the organic composition of capital (capital/labor ratios) between industries disrupt the direct proportionality of price to value, but argues nonetheless that value continues to govern allocation as well as prices."

The value of the commodity labor power—the wage—is determined by the value of the commodities consumed by the worker and his family.

At first look, this appears to be a tautology rather than a theory of wage determination— the value of the wage indeed will equal the value of the commodities consumed by workers, if none of the wages are saved. But the quantity and mix of commodities consumed by the workers are not determined by their wage—on the contrary, it is the shared, "subsistence basket" of commodities, determined outside of the economy by biology and history, which regulates the wage. The contents of the subsistence basket represent the technology for the production of the commodity labor power, delineating the nature and quantity of the commodity inputs required to produce and reproduce workers. Given this technology of labor power production, the value of the wage will vary with changing technology in the production of the subsistence goods so as to remain equal to the amount of labor embodied in the commodities contained in the subsistence basket. For example, the development of capitalism brings labor-saving technical change in the subsistence goods industries, reducing the labor embodied in the subsistence basket, and hence reducing the value of labor power.

Why can no choice be incorporated into this framework? Choice is antithetical to the idea of a biologically or historically given

"Ibid., V I, Chap. VI, 'The Buying and Selling of Labor Power.' This view of consumption led feminists, seeking to extend Marxist theory to include women's household work, to conceptualize the latter as the production of labor power, and began a lively debate as to whether or not housework produced surplus value. See, for a summary, Susan Himmelweit and Simon Molho, 'Domestic Labour and Capital.'" Cambridge Journal of Economics, V I (1977).

"Capital, V I, pp. 870-3. Even workers who earn higher wages do not gain freedom—these higher wages must go to payment for the training which has increased the value of the labor power as well as the value which it produces."

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substance bundle of goods that all workers must consume in order to reproduce themselves. Even if we claim that, due to ethnic background, age, occupation, or success in the class struggle, each worker, or group of workers, has a different substance basket, and hence a different value of labor power—and bring in the market as an average to transform values of labor powers into wages such that equally skilled labor earns equal wages—we have not introduced choice. Workers are still forced to consume a pre-determined basket of goods. Choice in consumption can only exist if workers have the ability to determine which commodities they will purchase with their wages.

Choice could be introduced into the theory by assuming a value of labor power or wage, and then allowing workers choice in spending by picking the contents of their subsistence baskets. But this involves using the value of labor power to determine the contents of the subsistence baskets, rather than vice versa, to say at this point that the value of labor power is an average of the values of the workers' subsistence baskets is now a tautology, since the values of the subsistence baskets are determined by the assumed value of labor power, and the theory of wage determination is lost.

In short, the Marxist theory of wages, since it links wages to a subsistence basket whose contents are determined outside of the economy, precludes choice as to the contents of this basket by workers. Since, once paid in money, the worker is not only permitted but the indeed forced to decide upon the contents of his "substance basket", the monetary character of the wage must be suppressed. If this

The concept of the value of labor power abstracts from the monetary nature of the wage in another way—by claiming that the worker's real wage is a command over commodities—it is set in the wage bargain. In fact, it is the real money wage is set in the individual wage bargain—the resulting real wage depends upon the picking decisions of the capitalists, which themselves reflect changes in money wages. See David P. Lavin, Economic Theory, V. 1 and V. 2, pp. 213-4, 220.

pace with the cost of any added necessities, such as training. Hence the social importance of work under capitalism is ignored; the fact that the worker works within a web of social relationships which construct and maintain his public identity is overlooked, except in discussions of the manner in which the growth of the firm unites workers and increases the possibility for revolution.

A second and related reason is that Marxists have ignored the worker's freedom and self-expression in the labor force. Marx foresaw the continual simplification and degeneration of the labor process and the laborer as skilled, craft labor was replaced with unskilled labor, tied to machinery. Jobs become more and more similar, and workers integrated into the other side of the wage bargain—the labor process.

Unfreedom in Production: Alienated Labor

The other side of the Marxist conception of the subsistence wage is the conception of labor as an alienating, degrading, unfree activity. Those deprived of means of production are forced to work hard, receiving for their efforts only the most basic necessities. Their only interest, then, in working is the subsistence wage which employers pay. The freedom and self-expression involved in the choice of a job and the performance in it are, again, without reality. Why

The first reason—the Marxist conception of freedom in labor is simply the means to the consumption of a subsistence basket—has already been discussed. A job is but the means to earning a wage to provide subsistence goods. The worker is virtually reduced to an animal, and laboring is little more than foraging for food. There is no incentive to work harder or acquire skills for job advancement—the wage increases thus earned will not increase the worker's discretionary income, but rather, will only increase to keep

moneous process—such labor is most consistent with the labor theory of value. Since, according to the latter, the value of a commodity is determined by the labor embodied in it, measured in hours, the labor of different workers must be comparable, if not homogeneous. Unskilled labor is virtually the same across industries—it is reasonable that an hour of unskilled labor anywhere would produce the same amount of value. What about skilled labor? In order to maintain the labor theory of value, Marxists have had to accept Marx's proposition that it is reducible to unskilled labor. The training acquired by a skilled labor worker increases the value he creates in an hour proportionately to the increases in the wage cost (which reflects the training cost). This again, is a tautological argument: if worker X receives a higher wage than worker Y, it must be because he is more productive, having had higher training costs (which is akin to Neo-Classical human capital theory). This mechanism for explaining wage differences begs more questions than it answers, in particular, can the productivity of labor really be measured as a physical or technological datum, abstracted from the process of the market? And, would Marxists claim that the higher paid, managers are more productive than the assembly line worker in their plants? Those theoretical problems have resulted in the virtual abandonment of skilled labor and wage hierarchies from rigorous Marxist discussions of surplus value, surplus value, capital accumulation, and the laws of capitalist development. In these dis
Capitalism, Freedom, and Unfreedom

This section presents a brief, revised framework for analyzing the economic freedom of the individual within capitalism. It is predicated on our critique of the Marxisan analysis as ignoring the freedoms that capitalism provides to the individual whom Marxists depict as unfree. Our criticism does not, however, mean that we accept the Neo-Classical interpretation of individual freedom because both the differentiated preferences of individuals, and their preoccupation with maximizing utility are assumed, rather than explained. The economy becomes nothing more than the sum of inalienable, irremovable gaps, and the concrete ways that they are put into confrontation with the scarcity of resources and aid by technology. To properly analyze the individual within capitalism we can not begin, as Neo-Classical theorists do, with the individual. For doing so we are taking as given what we wish to explain.

To grasp the content of individuality within capitalism we must build on the Marxian tradition, and look to the manner in which the individual is constructed in his social relations. As Marx and Marxists contend, capitalism is based on the centralization of ownership of the means of production in the hands of a few. Those individuals who do not possess capital adequate to undertaking the production of commodities are forced to sell the only commodity they own—their own labor power—to capital in exchange for money with which to buy consumer goods. However, this analysis of the economic determination of the individual omits one basic unfreedom—that created by the sexual division of labor—and ignores the freedom of self-expression demanded of the individual by both the labor force and in consumption. These three are briefly examined below, in turn.

The Sexual Division of Labor: One cannot properly analyze the individual within capitalism without taking into account the sexual division of labor.\(^14\) Participation in this latter differential capital brings into men and women, masculine and feminine roles. Work in capitalism is divided into women's work and men's work, assigned to females and males, respectively. This exclusion from the work of the opposite sex is accepted by individuals as nature-or God-given; this belief in the naturally different abilities of the sexes becomes a self-fulfilling prophecy as participation in the sexual division of labor actually differentiates the sexes into different social beings or genders.

The sexual division of labor in capitalism has two aspects: first, a division of spheres in which work in the home, defined as serving the family of women's work, and work in the economic and political spheres is men's work; second, jobs are sex-typed so as to conform with gender differences, hence reinforcing rather than undermining them. The sexual division of labor does not individuate social members—indeed, it denies individual freedom, essentially assigning them a given gender identity, and prohibiting them from doing the work of the opposite sex. However, within their spheres, both sexes experience considerable freedom.\(^15\)

"Marxist-Feminists have been trying to convince Marxists that capitalism can not be adequately analyzed without taking into account the sexual differentiation of the sexes, or patriarchy, into account. See Zillah Eisenstein, ed., Capitalist Patriarchy and the Case for Socialist Feminism (New York: Monthly Review Press, 1979), especially for the essay, "Developing a Theory of Capitalist Patriarchy"; Heidi Hartmann, "The Unhappy Marriage between Marxism and Feminism," Capital and Class, Summer 1978, and in Lydia Sargent, ed., Women and Revolution (Boston: South End Press, 1981), Annette Kolod and AnnMarie Wolske, eds., Feminism and Marxism; Women and Modes of Production (Boston: Routledge & Kegan Paul, 1978). However, most male Marxists have continued to see male workers as people, and to discuss women workers as a special class, if at all.


"The development of capitalism in the United States has brought the breakdown of the sexual division of labor, by drawing married women into the labor force and bringing the entrance of women into traditionally masculine jobs. For an analysis of this process see Julie A. Mathias, An Economic History of Women in America: Women's Work, the Sexual Division of Labor, and the Development of Capitalism (New York: Schocken Books, 1982).

The Effects and Efficiencies of Different Pollution Standards

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1. Introduction

A number of authors have devoted serious effort to proving that the tax approach to controlling pollution externalities under conditions of perfect competition is superior to a standards approach. Baumol and Oates (1975), Buchanan and Tullock (1975), and Maler (1974) all indicate that using pollution standards to attain Pareto efficiency is futile unless the output of the polluting industry is also controlled in a firm-specific way. Even when market imperfections exist, the tax approach has many virtues that could make it preferable to a standards approach to a pollution problem.4

Be that as it may, the U.S. Environmental Protection Agency is committed to the standards approach. Therefore, it is of theoretical and practical interest to consider what the nature of "relatively efficient" standards are in contrast to the relatively inefficient ones. Our concern will be to compare the efficiency of the firm's choice of input combinations when faced with different types of pollution standards. We will not concern ourselves with the determination of the relatively efficient level of such standards.5

Many authors have assumed that the pollution standard consists of an absolute limitation of the amount of pollutant a firm or industry can emit.6 An examination of some actual pollution standards indicates that they are virtually always relative standards, i.e., the limitation on pollution is made relative to some variable which reflects the scale of operations of the firm. In many cases, standards are essentially maximum pollution to output ratios. However, there are examples in which the allowed level of pollution is made proportional to the level of some input. Furthermore, since the legislation authorizing effluent standards for water pollutants is replete with requirements for the EPA to determine the "best practicable technology" or the "best available technology" for pollution control, it

In this regard, Harford and Opara (1981) have examined the efficiency condition for a pollution output ratio standard under conditions of perfect competition. Appropriately arranged this condition is

\[ MC = MD/1 - (MD/mP), \]

where \( MC \) is the marginal cost of pollution reduction, \( MD \) is the marginal damage of pollution, \( m \) is the tax of pollution to output, \( P \) is the price of output, and \( c \) is the (positive) elasticity of demand for the output.

The practical implications of this result are that the marginal damage of pollution reduction should exceed the marginal damage of pollution as these concepts are conveniently measured, and that the optimal pollution standard depends upon the elasticity of demand for the output of the polluting industry.

For example, the use of the concept of an absolute pollution standard for purposes of analysis has been done by Koorese and Bower (1963), and Harford (1978).

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The fact that capitalization sustains individual freedom as well as unfreedom and oppression neither deprives it of contradictions, nor eliminates the need for a radical restructuring of the economy. However, it does mean that the contradictions of capitalism are more complex than Marxists have envisioned, and suggests that the Marxist view of the socialist future must be revised if this future is to provide a higher degree of equality and freedom.

The work of David P. Levine is, to date, the most comprehensive and rigorous attempt to free Marx's theoretical framework from the confines of the labor theory of value. See his Economic Theory, 2 vols. (Boston: Routledge & Kegan Paul, 1978 and 1981).