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Comments

Comment on:
Simon Mohun
"Productive and Unproductive Labor in the Labor Theory of Value"

PRODUCTIVE-UNPRODUCTIVE LABOR: REST IN PEACE

It is with trepidation and misgivings that one must enter the debate over productive and unproductive labor in Marxian analysis. Over the years there have been many excellent papers and books written which explicate and critique this notion (Gough 1972, 1979; Laibman 1992, 1993; Miller 1986; Moseley 1986).[1] It is difficult to imagine what additional light can be shed here after so many torches have burned so brightly. But Simon Mohun's paper (Mohun 1996), appearing here (Vol. 28, No. 4, pp. 30–54), is so clear and focused that it enables one to see both the strengths and limitations of this idea. Foolishly, like so many others before me, I hope that this comment will settle the issue once and for all. In truth however I believe that this is not possible, as the question is one which I think is not subject to a true or false or yes or no answer. Rather, it is more the persuasiveness of the argument and your interpretation of the concept's relevance to a labor theory of value which will finally determine your position.

As will be obvious from the context, this analysis is, in the writer's view, set in Marxian theory and concerns the question as it applies to an advanced capitalist economy. This comment follows Mohun in asserting that value requires both its creation in capitalist production and its measurement in the market.

[1] Laibman's 1992 analysis is perhaps the most extensive wherein he identifies seven different uses of the term productive labor.

> The creation of value is not only a process of labor embodiment, or objectification of labor, in production; it is also, and crucially, a social process involving exchange in the market. (Mohun p. 33)

ALL WORKERS SUBJECT TO CAPITAL ARE PRODUCTIVE

To me the key place to join the battle is with the statement that "value can only be created within the sphere of production." This point is clearly elaborated in Mohun's paper and in my view serves as the basis for the distinction itself, that is the distinction between productive and unproductive labor.[2] Marx argues this in chapters 4 and 5 in Volume I of *Capital* (Marx 1967). In order to focus on exploitation, it is seen as necessary to distinguish the sphere of production from the sphere of circulation. Contrasting $C-M-C$, simple commodity exchange, with $M-C-M'$, the circuit of capitalist production and accumulation, he contends that no value is created in the first circuit since the C's are different qualitatively but not quantitatively. Value is created in the second circuit as the M's are qualitatively the same but quantitatively different $(M' > M)$. And the value must have been created in the act of production, since it is clear from the first circuit that it cannot be created in exchange since there was no quantitative increase.

However, simple commodity production and exchange are part of a system of social relations which are not capitalist, and abstract conclusions drawn from the $C-M-C$ circuit are not necessarily applicable to a different concrete, capitalism. Whatever the role of exchange and circulation in petty commodity production, it is hardly comparable to that of an advanced capitalist system. The egg farmer confronting the candle maker on market day bickering to determine the number of eggs per candle, or if money is in use, the price per candle, cannot, even with the most heroic abstraction, be compared to the wholesaling, retailing, and associated services, with their enormous investments in labor power and means of production, that accompany the same function or transaction in advanced capitalist relations. Similarly the farmer buying needed tools with money saved is not analogous to the transformation of money capital into productive capital in developed capitalist economies.

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2 In Mohun's formulation neither the labor process nor the relations governing that process are relevant in the determination of productive and unproductive labor, but only whether or not the labor processes are valorization processes, and this depends on their location within the circuit of capital. This arbitrary assignment of valorization to a particular part of the circuit of capital is at issue in this comment.

To answer the question of where and by whom value is created we must examine the full circuit of capital:

#1 $$M - P\begin{Bmatrix} LP \\ MP \end{Bmatrix}\ldots C - M$$

The traditional Marxian analysis would claim that value is created in the transformation of productive capital into commodity capital and C above would become C', indicating an increase in value. But the transformation of money capital into productive capital and commodity capital into money capital produce no new value. Finance capital and merchant capital are barren. The circuit would now look as follows:

#2 $$M - P\begin{Bmatrix} LP \\ MP \end{Bmatrix}\ldots C' - M'$$

Transforming M into P and C' into M' produces no value. Why must this be so? Why couldn't the circuit look as follows:

#3 $$M - P'\begin{Bmatrix} LP \\ MP \end{Bmatrix}\ldots C'' - M'''$$

where $M''' > C'' > P' > M$.

Now *all* workers employed in the circuit of capital are productive of value and surplus value. Without implying that all surplus value created in a particular sphere—financial, production, or mercantile—must remain in that sphere to be distributed only to those capitalists, that is allowing for unequal exchange which is always present with unequal organic compositions of capital, we can still recognize the productivity of financial and mercantile workers.

WHY?

What are the advantages of such a view? The most compelling may be realism. Transforming money capital into productive capital is not merely "necessary," it is productive in the sense that the capital as transformed is more valuable. It has been designated as ready to continue in the circuit. This transformation determines which productive capitals will be allowed to advance (silicon chips grown in outer space) and which will lie dormant (integrated steel mills created in the first half of the 20th century). This productive activity of transforming passive money capital into active loanable capital itself requires tremendous labor power and means of production. Indeed the so called FIRE sector (finance, insurance, and real estate) is one of the fastest growing sectors with respect to its productive capital, LP_M and MP_M. When we consider the role both quantitatively and qualitatively of all the labor and means of production engaged in the finance sector, it seems strange indeed to claim that they do not produce value while workers operating dilapidated sewing machines in warehouse sweatshops do.

Beyond this, the distinction between finance and production as separate functions blurs and breaks down in the most modern of capitalist transactions: takeovers, bankruptcy, cash cows, spinoffs are just ways of reorganizing both the financial and production relations within capitalist entities. It is difficult to imagine something like the Ford "world car" would not involve a staggering number of financial transactions and services integral to the production activities. These services are commodities which Ford must purchase, whether from their own internal finance capital operations or from independent financial service firms. Labor power as a commodity, value production, exploitation, surplus value are all part of this financial service production.

Innovations in financial forms and services, whether they be stocks, mutual funds, indexed mutual funds, or funds of funds, are the technological change which makes the labor subject to finance capital more productive and increases the surplus value produced. This is not to claim that every financial innovation will be or is even intended to be productivity enhancing. Just as there are many snake oil producers, there are many snake oil financiers.

To summarize then I am arguing that the transformation of money capital, M, into production capital, P, is itself a productive activity integral to advanced capitalist circulation. It is not merely "necessary," but the transformation itself, to the extent that it can be recognized, is value producing.

When we examine the other transformation which is said to be unproductive, commodity capital, C, into money capital, M, my argument is essentially the same. In late capitalism, consumption, which is this transformation, has assumed such proportions that it appears that the tail is wagging the dog. Realization of surplus value seems more important than the creation of surplus value. Those engaged in the $C-M$ transformation are creating surplus value which is enabling the realization of all surplus value including their own. The whole marketing sales function is like a great production itself requiring large amounts of productive capital, both labor power and means of production. Again we see the capital tied up in wholesaling, retailing, and associated services growing rapidly in contrast to other sectors, especially manufacturing. Greater investments are being made in spreading information, albeit sometimes misleading, about commodities and increasing their availability through the media and more outlets. The same pressures exist on merchant capitalists to extract as much surplus value as the conditions of labor will allow. Again technological change is expanding relative surplus value—the information highway seems almost unlimited in consumption possibilities and the workers so engaged are creating surplus value within mercantile production.

Since there is no need to establish that the workers who labor in the "sphere of production" are productive, we can then summarize the discussion so far: All workers taken as a whole employed by capital working under capitalist relations of production within the circuit of capital produce value, both the value of their own labor power and surplus value.

What other reasons are there for abandoning the traditional distinction between productive and unproductive labor? Accepting these categories means that you must be able to empirically specify them, a task that proved difficult for Marx (1967 chapter 6) and every other adherent following him. It requires an almost Talmudic or Jesuitical sensibility to distinguish among the worker who moves the carton of eggs to the cooler (productive, perhaps because of transportation?), the worker who records this move in the inventory account (probably unproductive), the worker who rings up your purchase of a dozen eggs (definitely unproductive), and the worker who sweeps up the floor so that the next day's consumers will feel as if they are the first shoppers (my guess is unproductive, but I need more training; I think this worker would be productive if working in a factory). Mohun points out that some think that if the cashier is unproductive, then the worker making the cash register was also unproductive, though he says that is wrong (ibid p. 43). I doubt that you could find two capable Marxist applied economists who, if they were to examine all the activities in the sphere of circulation, would agree on a high percentage of the assignments to productive or unproductive labor. Typically what has been done, by those of us who have attempted to measure this, has been to assign great masses of labor (e.g. banking, retailing) to one category or the other. This difficulty alone might make Marxists wonder if we have not created a House of Mirrors of our own within capital's House of Exploitation.

Another consideration might give us pause in accepting the traditional analysis when considering today's capitalism and its future forms. As "productive" labor shrinks in manufacturing, agriculture, and other goods producing activities, and "unproductive" labor and capital expand in financial and mercantile activities, we can imagine an inverted pyramid in which a relative handful of workers in the so-called productive sector produce value which includes not only all the value and surplus value required in their own sector but similarly for the other sectors which might employ many times the workers and capital needed in production. This could almost serve as a caricature of an apocalyptic postmodern slave economy or a world of a few worker bees and millions of drones.

Another way of thinking about the limitations of Marx's original formulation is to think of his work in terms of economic history and the history of economic thought. Marx's materialism was a definite advance in the development of economic analysis, but it was rooted in and limited by the history and ideas of the 19th century. At that time the economic problem seemed relatively simple and straightforward—food, clothing, and shelter for all—and a solution appeared to be near at hand. A century and a half later the economic problem seems vaguer and a solution far away. If one's materialism requires the physical transformations of things, then the recording of a transaction or the transaction itself cannot be seen as a material action, and if productivity is linked to this materialist view, then these actions cannot be productive. If we think of the Physiocrats and Mercantilists before him, Marx's materialism is a qualitative leap. But if "we are all materialists today," it is a materialism tempered by 150 years of philosophic rumination, Wittgenstein, and postmodern thought. A contemporary perspective on productive and unproductive labor may well need to reflect both our history and our thought.

SOME OTHER WORKERS

Consideration of productive and unproductive labor in Marxian analysis usually includes at least three other kinds of labor which must be classified. These will be dealt with briefly.

The first is labor hired by capital to enforce discipline and hopefully, from capital's perspective, extract more labor (value) from the worker. This is generally held to be labor unproductive of value. However, when we consider the extent of the division of labor and the accompanying complexity of the labor process, the distinction between "coordinating" labor and "supervising" labor becomes hard to maintain. Mohun's footnote 7 states:

> The labor which enforces the coercive capital relation is theoretically distinguishable from the labor which co-ordinates the specialised division of labor characterising the collective worker, for the latter is productive. In some cases, however, giving empirical content to this distinction might be impossible, and then it becomes a matter of judgment how quantitatively significant this is. (p. 37)

This seems again to be a place where a very fine instrument would have to be applied to make the distinction, and no doubt particular workers would be "enforcers" and "coordinators" at different moments. Because of the difficulty, if not the impossibility, of determination, it would seem to require a special study to assign this labor to the productive or unproductive category.

Workers employed by the state are another type of labor which is difficult to classify as productive and unproductive (Gough 1972, 1979; Miller 1986; Rose 1977). While there are many important relations between the state sector and value production and accumulation, since these workers are not hired by capital, not subject to the law of value, and not located in the circuit of capital, they are not productive. In this sense, they are similar to household labor, being outside the circuit, but having a significant impact on value, accumulation, and the rate of profit.

Finally, self-employed workers who produce a use value for the market in competition with capitalist firms are a third kind of labor that defies easy classification. Following the argument applied to state workers they are not productive as they are not subject to capital and its circuit.[3]

The claim here then is simply that all workers employed by capital are productive of value, and specifically surplus value. The vast number of waged workers not employed by capital (e.g. government, non-profit, self-employed) are not within the circuit of capital, but labeling them "unproductive" would offer no additional insights. Similarly for workers who do not receive wages, though performing socially necessary and useful work, the largest group being household workers. It is clear that all such workers would have to be analyzed with a method or in a context different from a value expanding circuit.

SUMMARY AND CONCLUSIONS

In his paper's penultimate section, "The Allocation Problem," Mohun attempts to establish the theoretical importance and empirical relevance of the productive/unproductive labor distinction. He distinguishes between conventional and Marxian profits and shows how these will differ and vary depending on the ratio of productive to unproductive wages. But this distinction does not advance either the theoretical or empirical issues raised by the productive/unproductive distinction.

[3] Mohun asserts that self-employed workers "... can be categorised as unproductive of value if they produce a marketed use-value in competition with capitals which employ wage-labor in circulation activities, and as value and surplus-value producing otherwise... (p. 39).

The profit or rate of profit which matters is the conventional one, not the Marxian one, at least not as it is developed here depending on the split between productive and unproductive labor. Capitalists who invest in means of production and labor power must receive returns on these investments regardless of the part of the circuit of capital they invest in.

What we have here in the last analysis is a completely arbitrary definition or accounting distinction, but not a behavioral or causal one. It is as if I said, "Today, only those workers who arrive in the city on the first twenty-five subway trains are productive. All other workers will be paid out of the surplus value produced by them." And lo and behold at the end of the day all workers get paid and firms employing them, taken as a whole, receive an average profit. The system will generate these results. The next day, assuming no change in technology or overall productivity, we apply the same rule, but different workers with different productivities and activities get to work early. Once again, the results would mirror those of the first day. There are many reasons why profits may rise or fall, but the proportion of "productive" and "unproductive" workers has nothing to do with this rise or fall.

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