On Joan Robinson’s Abandonment of Exploitation

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Abstract

After discussing and analyzing exploitation as an analytical category in The Economics of Imperfection Competition and An Essay on Marxian Economics, Joan Robinson hardly mentioned it in The Accumulation of Capital. Despite analyzing her contributions at length, the literature has completely failed to recognize this curious turn, let alone explain it. This paper explains the abandonment of exploitation by arguing that it was one way to resolve the tension between the inherently normative aspects of the concept and her increasing discomfort with conflation of ideology and analysis across the first two books mentioned above.

Key words: Joan Robinson, exploitation, theory of value, ideology

JEL Classifications: B50, B22, B31

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Marx, instead of saying in a well-bred manner: “If you would be so good as to give me your attention, I will tell you my assumptions,” falls down on his knees and begs and implores you to believe his assumptions, because they are the secret of the universe. Though less reprehensible in a moral light, the result is even more stupefying than Marshall’s tear gas.

– Joan Robinson (1953, 17)

1. Introduction

In Joan Robinson’s voluminous body of work, three books stand out and can be considered key moments in the evolution of her ideas: The Economics of Imperfect Competition (henceforth EIC), An Essay on Marxian Economics (henceforth EME), and The Accumulation of Capital (henceforth AC). There is a curious movement across these three moments. In the first moment there is an analysis of exploitation in the context of orthodox theory, with no reference to Marx. In the second moment, the analysis moves to a definitively Marxian context. By the third moment, exploitation as a conceptual and analytical category is abandoned altogether. This is a curious intellectual turn. There is little doubt about her appreciation of and intellectual debt to Marx, given her claim “that I have Marx in my bones and you have him in your mouth.” (Robinson 1953, 20) Nor is there any question about her continued interest in problems of growth and distribution. She had expressed enough early interest in exploitation and had invested time working on it. A change in approach or a different understanding of exploitation might be understandable, but why did the concept not appear in her later work on growth and distribution? It certainly might be expected to turn up in a “big picture” analysis of the accumulation of capital.

In this paper, I will try to explain Robinson’s curious abandonment of exploitation as an analytical and conceptual category by studying the way in which she conceptualized exploitation in the first and second moments. The transformation of her understanding of exploitation from the first to the second moment helps better understand her later abandonment of the concept. My thesis is that the abandonment is the result of an aversion to a conflation of moral or ideological commitments, and the practice of sound economic analysis – an aversion which presents itself in the first moment and becomes amplified in the second. In the third moment, Robinson’s struggle
to disentangle the ideological and analytical threads of exploitation resolves itself in the form of
the disappearance of exploitation from her analysis in AC altogether.

The paper is organized as follows. Section 2 will review the relevant literature to show that
while Robinson’s views on exploitation have been discussed at length, her abandonment of the
concept has not received explicit attention let alone been explained; the focus is instead on her
interpretation and critique of the labor theory of value, her interest in Marxian effective demand
theory, and her arguments against marginal productivity theory. Sections 3 will summarize and
analyze exploitation as discussed in EIC and EME. It will also draw attention to and analyze
Robinson’s rising uneasiness with conflation of ideology and analysis. In Section 4, I will explain
the absence of exploitation as a concept from AC, while considering and rejecting alternative
explanations. Section 5 will conclude the paper.

2. Literature Review

The literature on Joan Robinson’s work is extensive, and its variety reflects the variety of her own
contributions. Within this literature, some of the major and overlapping themes are: (1) her
engagement with and extension of Keynesian theory to the long-run, with a special interest in
effective demand [see, for example, Heller (1998)] and the possibility of under-consumption; (2)
her engagement with and appreciation of the Marxian vision and theory, especially Rosa
Luxemburg’s development of Marxian under-consumption theory; (3) her early critique of
marginal productivity theory and her role in the Cambridge capital controversies; (4) an
appreciation of her work on imperfect competition; (5) her philosophical and methodological
contributions, especially her insights about historical versus logical time; (6) her struggle with
theories of value, especially the labor theory of value; (7) her contributions to theories of growth
and distribution [see, for example, Skott (2004)]. Marcuzzo, Pasinetti and Roncoglia (1996), and
Gibson (2005) are collections of essays on Robinson’s work. The collected essays analyze the
themes enumerated above among others. None of the articles, however, observe the fact that AC,
which according to Harcourt and Kerr (2009, 76) “was intended to be Joan Robinson’s magnum
opus,” does not discuss exploitation. There is obviously no attempt within this literature to explain
why that might be the case. One of the essays in Marcuzzo, Pasinetti and Roncoglia (1996) by
Harcourt specifically discusses changes in Robinson’s ideas over her lifetime. Yet, there is no
mention of her abandonment of exploitation in that article either.
The analysis of Robinson’s work provided by Harcourt and Kerr (2009) is encyclopedic, with much attention to exploitation. However, Harcourt and Kerr focus on the way she wrestled with the Marxian labor theory of value, its connection with the notion of exploitation and the rate of exploitation. They go into great detail discussing problems with her interpretation of the labor theory of value, her correspondence with her colleagues over her alleged misreading of Marx and his method, her reductionism of Marx’s theories, her endeavor to translate Marx into a more contemporary, academic language, and other related problems. However, yet again the fact that AC does not employ exploitation as an analytical category of significance in the capital accumulation process goes completely unobserved. Perhaps it is not considered useful or important enough to mention. In which case, it may be that it is being taken for granted, with the explanation being thought to be obvious to all. This means, however, that it goes unexplained again. Thus, I have managed to clear the ground for the central argument that this paper wishes to make. In the next section, I now analyze Robinson’s treatment of exploitation in EIC and EME, with a special focus on describing the transition from the early signs of her aversion to the conflation of ideology and theoretical analysis in the first moment, to clear evidence of exasperation with this conflation in the second.

3. The First Two Moments: EIC and EME

The purposes and styles of EIC and EME could not be more different. In fact, the theoretical context of either one is different. In EIC the theoretical context is one of orthodox (marginal productivity) theory. In EME, the context is clearly Marxian (and hence heterodox). Is a comparison still possible? It is. Robinson’s ambition to bring the academic economists and Marxian economists into conversation by translating Marxian ideas into an accessible language and stripping them of their ideological baggage clearly helps establish a clear point of contact with her understanding of exploitation in the first, orthodox instance. (Robinson [1942] 1966, vi-vii, xxii) A second point of contact is the chapter on imperfect competition in EME.

In EIC, Robinson had meant to provide analytical tools for economists rather than provide a direct “contribution to our knowledge of the actual world.” (Robinson [1933] 1969, 1) The way to this knowledge would be through application of the provided tools. The central theme of the book is “the analysis of value.” (Robinson [1933] 1969, 6) In the preface to the second edition, she writes that the purpose was to challenge the notion that “wages are normally equal to the value of
the marginal product of labour” while still working within the orthodox theoretical framework. (Robinson [1933] 1969, xii)

The chapters of interest from this book are chapters 25 and 26, where Robinson discusses exploitation of labor under conditions of monopoly and monopsony, using perfect competition as the “standard of comparison.” (Robinson [1933] 1969, 11) The first sign that Robinson had an aversion to conflation of moral conclusions and analysis is her remark in the introduction of the book that in these concluding chapters on exploitation, the “temptation to stray from the path of analysis to offer reflections of a moral character here is too strong to be resisted.” (Robinson [1933] 1969, 11) Since reflections of a moral character are not problematic by themselves, it is reasonable to infer that the uneasiness implicit in this statement comes from the fact that reflections of a moral character are being offered in a text whose approach is definitively analytical rather than polemical.

In chapter 25 on the monopolistic exploitation of labor, Robinson analyzes the effects of removing exploitation in single industry cases. The price level is given, so money wages reflect real wages. She initially offers the following definition of exploitation. It is the “payment to labour of less than its proper wage”, or the employment of the factor “at a price which is less than its marginal net productivity.” (Robinson [1933] 1969, 281-282) Here, the main determinant of exploitation is not the bargaining power of trade unions but the elasticity of labor supply or commodity demand. Trade unions merely help bring about the perfectly elastic labor supply that prevents exploitation in perfectly competitive conditions.

She then broadens the definition of exploitation. Exploitation occurs if the wage paid is less than the marginal physical product of labor valued at the selling price. This allows exploitation to occur under imperfectly competitive conditions in the commodity market (i.e. $MR < P$) even if the wage is equal to marginal net productivity (which is in turn the product of the marginal physical product and marginal revenue). She presents cases of labor exploitation under three different conditions using the expanded definition. One further case of “quasi-exploitation” is also discussed, where firms do not enter the industry in response to higher than normal profits and exploitation under the revised definition does not occur. However, higher than normal profits lead to a wage that is “less than the average net productivity of labour, to which wages are equal in a perfectly competitive industry in full equilibrium.” (Robinson [1933] 1969, 289) This is the situation described as “quasi-exploitation.”
Two analytical conclusions arise from this discussion. First: “monopolistic exploitation cannot be removed by raising wages.” (Robinson [1933] 1969, 290) The second analytical conclusion is that quasi-exploitation under perfectly competitive conditions can be removed by raising wages but may cause unemployment. (Robinson [1933] 1969, 291)

From this analysis, Robinson draws a normative conclusion; that under laissez-faire conditions (to whatever degree their actual existence is possible), raising the wages to bring profits to the normal level overrides the resource allocation mechanism (the movement of actual profits around the level of normal profits), hence possibly causing “misdirection of resources and the waste of potential wealth on an extensive scale.” (Robinson [1933] 1969, 291) This normative conclusion brings about, in my view, an unavoidable tension. The tendency to think of the economy in terms of a natural and amoral mechanism independent of a notion of distributional – social – conflict (as if there is only one definitive perspective in society as to what constitutes a “misdirection of resources and the waste of potential wealth on an extensive scale”) is in conflict with inevitable negative connotations tied to the word “exploitation” (itself based on an inherently normative notion of a “proper wage”) in a discussion of matters which are inevitably political and tied to issues of power. This tension is expressed in the following passage which concludes the chapter:

There is a moral here, both for those who seek to patch up our present economic system by introducing profit-sharing schemes in particular industries and for those who complain, when losses are being made, that wages in a particular trade are too high. The system of the text-books perhaps never existed, and perhaps if it did it would not have been a very admirable one. But it has some merits. A system of uncontrolled private enterprise in which wages are more plastic than profits must entail the misdirection of resources and the waste of potential wealth on an extensive scale. (Robinson [1933] 1969, 291)

The conclusion of the discussion on exploitation in a fashion which allows for the possibility that a laissez faire system may have its advantages, and that the removal of quasi-exploitation may lead to unemployment, further complicates the tangle between an analysis of wage determination and the moral impulse driving a discussion of exploitation based on concepts such as “proper” wages and “normal” profits.¹

Despite a rather short discussion of exploitation, and only a few instances which suggest the presence of a discomfort with the conflation of ideological or moral commitments with deductive

¹ Chapter 26 discusses a number of different cases about the presence and possibility of reducing exploitation under conditions of monopsony. However, unlike the previous chapter on monopolistic exploitation of labor, Robinson does not draw any moral conclusions from this analysis.
analysis, the evidence from EIC is enough to establish the first case. EME provides the evidence for a second case, where the presence of this aforementioned discomfort is more pronounced. EME was originally meant to compare orthodox economic theory with Marxian economic theory, and also to bridge the gap between the two to allow mutual understanding and appreciation. (Robinson [1942] 1966, xii) Robinson includes criticism of the labor theory of value and also attempts to separate the theory of value from the theory of exploitation. In the original introduction, Robinson ([1942] 1966, 4) noted that the “modern theory of imperfect competition, though formally quite different from Marx’s theory of exploitation, has a close affinity with it.” In the preface to the second edition, the rate of exploitation is defined as the ratio of profits and wages. (Robinson [1942] 1966, vii) What is perhaps most significant in this book with regard to exploitation is Robinson’s ([1942] 1966, 33-34) dismissal of exploitation as an explanation of distribution. Rather, she considers it a different way of stating the problem of distribution.

There are a handful of passages in EME which deal with exploitation, and the aversion to conflation of ideology/morality and analysis is much more noticeable than in EIC. In these passages, it seems that Robinson was particularly troubled by the connection of the notion of exploitation with the labor theory of value, which she likened to incantations in a passage worth quoting at length, which concludes the chapter on the labor theory of value:

Professor Pigou uses the word *exploitation*, highly charged with opprobrious implications, for the differences between real wages under perfectly competitive conditions and under monopoly, so that the reader is unconsciously lulled into the conclusion, that as long as competition prevails, labour receives all that it can rightly claim. A hundred instances could be found in academic usage.

Marx was very much alive to the importance of suggestion. He shows that even an algebraic formula is not innocent of political implications. He insists that the rate of exploitation must be written \( s/v \), not \( s/(s + v) \). The two formulations express precisely the same situation, but they imply two different attitudes to the capitalist process. The ratio \( s/v \) expresses the “real fact” of the “exclusion of labourer from the product” of his work, while the ratio \( s/(s + v) \) presents the “false semblance of an association, in which the labourer and capitalist divide the product in proportion to the different elements which they respectively contribute towards its formation.”

Marx’s method of treating profit as “unpaid labour”, and the whole apparatus of constant and variable capital and the rate of exploitation, keep insistently before the mind of the reader a picture of the capitalist process as a system of piracy, preying upon the very life of the workers. His terminology derives its force from the moral indignation with which it is saturated.

I hope that it will become clear, in the following pages, that no point of substance in Marx’s argument depends upon the labour theory of value. Voltaire remarked that it is
possible to kill a flock of sheep by witchcraft if you give them plenty of arsenic at the same time. The sheep, in this figure, may well stand for the complacent apologists of capitalism; Marx’s penetrating insight and bitter hatred of oppression supply the arsenic, while the labour theory of value provides the incantations. (Robinson [1942] 1966, 21-22)

This is not to imply, however, that exploitation is not important to the analysis of capitalism. Rather it is the language of the labor theory of value in which exploitation is expressed by Marx which is the problem. In the passage above, Robinson wonders whether analysis and ideology are ever separable when she claims that “even an algebraic formula is not innocent of political implications.” If even an algebraic formula throws up normative issues to be dealt with, why even try separating ideology and analysis? Thus, by the end of this quote, she seems to embrace the importance of a normative point of view in helping Marx’s reader better understand a capitalist system. Also, she sees Marx’s ability to criticize capitalism’s apologists being grounded in his moral position on the oppression that is at the heart of capitalism. Does this mean that Robinson accepts the tie between ideology and analysis as being inevitable? Not quite. Earlier in the same chapter, Robinson writes:

According to Marx’s own argument, the labour theory of value fails to provide a theory of prices. He used it nevertheless to express certain ideas about the nature of the capitalist system, and the importance of these ideas in no ways depends upon the particular terminology in which he chose to set them forth.

First of all, Marx shows that the development of the capitalist system is founded on the existence of a class of workers who have no means to live except by selling their labour-power. Capitalism first expropriates the peasant and the artisan, and then exploits their labour. The possibility of exploitation depends upon the existence of a margin between total output and the subsistence minimum of the workers. If a worker can produce no more in a day than he is obliged to eat in a day, he is not a potential object of exploitation. This idea is simple, and can be expressed in simple language, without any apparatus of specialised terminology. But it is precisely these simple and fundamental characteristics of capitalism that are lost sight of in the mazes of academic economic analysis. (Robinson [1942] 1966, 17)

In this passage, Robinson shows how the idea of exploitation as found in Marx need not be tied to his special language in which he explains his theories, which itself is grounded in the labor theory of value. Note that Robinson’s description of what exploitation entails and what makes it possible in the first place is devoid of moralistic hand-waiving, and is expressed in a language that is simple and familiar enough to be understood by orthodox economists.
In a third instance, Robinson ([1942] 1966, 77) again brings up the issue of the conflation of normative and positive issues in a curious footnote on “a certain moral affinity between the modern theory and Marx’s analysis”:

It is curious to observe the transmutation of the notion of “exploitation” which takes place under the influence of the modern theory. In the orthodox scheme labour is “exploited” when (owing to the influence of monopoly) it receives less than the wage which would rule under perfect competition. In Marx’s scheme labour is exploited to the extent that capital earns a net return. In the modern scheme the whole, not only of interest and net profit, but also of overhead costs, is, in a formal sense, a monopoly profit, and therefore, in the orthodox sense, is the result of exploitation, though some part of it covers necessary costs of production. Moral and analytical considerations thus become inextricably confused. The trouble arises from attempting to apply the criterion of perfect competition to a world in which it is never found in its pure textbook form. (Robinson [1942] 1966, 77, fn. 1, emphasis added)

In this passage, Robinson describes the transformation of exploitation across three stages. While it is evident that she finds moral and analytical considerations to be confused in this transformation, it is not at all clear how that actually happens. It appears to be clear to Robinson, but she doesn’t explain it, or describe the transformation sufficiently well, to actually allow the reader to track the progressively greater confusion of moral and analytical considerations. Note, however, that this does not invalidate my thesis. My concern is with her unease with the conflation of the two, and this unease is clearly on display in this passage.

4. The Third Moment: The Abandonment of Exploitation in The Accumulation of Capital

In AC, exploitation as an analytical category has been entirely abandoned.2 In the early chapter on the Meaning of Wealth in AC, there is a statement of a clear vision of capitalist society as being characterized by inter-group conflict. (Robinson [1956] 2013, 16) There also instances in the book where she breaks away from formal deductive analysis to remind us that the object being investigated is still conflict-ridden capitalism.3 This makes it even more curious that exploitation should not be discussed, even if her contention from EME – that exploitation is not an explanation

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2 As far as I am aware, exploitation is mentioned only four times in AC in the following four instances: (a) in chapter 4, in the section titled “Morality and Viability” (Robinson [1956] 2013, 34), (b) in the concluding section of chapter 32 (Robinson [1956], 2013, 335), (c) in chapter 33, in the section titled “Economies of Scale”, subsection on “Economies of Uniformity” (Robinson [1956] 2013, 339), and (d) in chapter 35, in the section titled “Trade Between the Capitalist and Non-Capitalist Sector” (Robinson [1956] 2013, 368). None of these instances bears any relation to the exploitation of labor in any sense.

3 See, for example, the concluding paragraph of chapter 6 on The Meaning of Equilibrium. (Robinson [1956] 2013, 60)
of distribution between wages and profits but merely a description of it – is accepted. Why, then, was exploitation abandoned?

In the opening pages of the book, Robinson bemoans the preoccupation of economics with theories of value over the hundred years leading up to her book. She makes it very clear that she attempts to look at the “over-all development of an economy,” setting aside the problems of coming up with a theory of value and looking at the relationship between output and relative prices following Harrod. (Robinson [1956] 2013, xxxi-xxxii) Does this move away from the problem of coming up with a theory of value, explicitly stated in the preface of AC, mean that the notion of exploitation must be abandoned? Could this explain the curious absence of exploitation from her analysis? This does not seem plausible to me. In EME, Robinson ([1942] 1966, vii) clearly thinks that the theory of value and the theory of exploitation are separable, and goes about separating the two. Thus she should consequently be able to use exploitation in AC, even if AC stays well away from dealing with a theory of value.

As I have attempted to show in section 3, in her discussions of exploitation in the first and second moments, there is a struggle with untangling the conflation between normative and positive (or visionary/ideological and analytical) aspects of the concept. This does not necessarily mean an aversion to the normative or to value-judgments and polemics. Rather it means a preference for separation of the two. In the third moment, the aversion to conflation of ideology and analysis does not disappear. Instead, it manifests itself in a different way. In the first two moments, it had expressed itself as her struggle with the inherently normative aspects of any notion of exploitation. In the third moment, it manifests itself in the disappearance of exploitation from AC. However, there is a parallel appearance of Re-reading Marx (1953) – clearly more visionary and ideological than it is analytical, compared to the starkly deductive analytical style (minus the mathematics) of AC – only three years earlier than AC, and then of Economic Philosophy (1962a) in the same year as the publication of Essays in the Theory of Economic Growth (1962b), which was meant to be an introduction to AC, even though it was published after AC. The absence of exploitation from AC is coupled with the appearance of two other pieces of writing more directly concerned with polemics and morality. Thus, the aversion to conflating analysis and ideology is so strong that a pattern of publishing analytical investigations separately from philosophical investigations and polemics emerges.
Also, there is a point to be made about the general move of the profession from the political economy approach of the 19th century to the definitively positivist approach of the 20th century (with Friedman’s (1953) classic essay on the methodology of positive economics as its defining statement). Regardless of interpretations of Joan Robinson’s work being definitively “heterodox”, an influence of the general direction of the tide cannot but be perceptible on her work, even if in fact she was furiously swimming against it.\textsuperscript{4} Harcourt and Kerr (2009, 196), for example, seem to believe that “she had absorbed the pervasive language and the structure of the logical positivists.” This point is consistent with my main thesis.

The question about a possible “fourth moment” in Robinson’s work after AC remains. Is there a resurgence of exploitation as a concept? Certainly. There is, for example, Bhaduri and Robinson’s (1980) contribution on accumulation and exploitation. However, there are two points to be made about the significance of this possible fourth moment. First, that it is AC which is remembered as the peak of Robinson’s work, not the collection of writings after AC. Second, there is the following statement in Robinson (1965) which to me is the closest she has come to providing a clear statement of the problem of conflating ideology and analysis, and how it relates to exploitation:

Meanwhile the Marxians were having troubles of their own. Marx had dealt with the problem of an equal rate of profit in the prices of products with different capital/labour ratios by saying that the rate of exploitation (that is, the ratio of net profit to wages) together with the value of net output per head, determines the total net profit in the economy as a whole, while competition sees to it that this total is shared out amongst the capitalists in proportion to their respective amounts of capital. But how exactly are the prices of products related to the rate of exploitation? The rate of exploitation refers to the distribution of net income between wages and profits, but prices include an allowance for the replacement of raw materials and the use of equipment, whose prices in turn contain an element of profit. This is the famous question of ‘the transformation of values into prices’. It is obvious enough that it is not a problem about reality but a puzzle in analysis, which appears to be a problem only because ideology has got mixed up with algebra; it is a puzzle, however, that up till now was never satisfactorily solved. (Robinson 1965, 30, emphasis added)

\textsuperscript{4} An acknowledgment of this influence should not be taken to mean a denigration of her contribution, any more than her claim that “Marx’s intellectual tools are far cruder” (Robinson [1942] 1966, 2) than those of orthodox economists can be taken to mean that she was denigrating Marx’s contribution.
5. Conclusion

In this paper, I have argued that Joan Robinson’s abandonment of exploitation as an analytical category in AC can be explained by an increasing aversion to conflation of analytical and moral/ideological (or positive and normative) concerns. The tendency is observable in two major books published before AC, as I demonstrated in my comparison of EIC and EME. The extensive literature on Robinson’s work has not explicitly observed this abandonment of exploitation in her work, and hence has made no attempt to explain it. However curious the development might be, it is an important indicator of an intellect constantly in motion and constantly at effort. The analysis presented in this paper has focused on only three of Robinson’s many contributions. A discussion of her work between the publication of EIC and EME, and then between EME and AC is indispensable to a more complete explanation of her abandonment of exploitation in AC. The prospect of the fourth moment as the next stage in her work after AC also remains.

To conclude the paper, I do have to concede that the objects of discussion – ideology, value-judgments, suggestions, implicit positions – are of such a nature that it is very easy to read into the material something that is not really there. It is quite possible – though in my opinion not likely – that Robinson in fact had no such problem with conflation of analysis and ideology, and that exploitation simply slipped her mind when working on AC. In her own words: “Your plodding mind goes step by step, and has time to be careful and avoid slips. Your genius [i.e. Marx] wears seven-league boots, and goes striding along, leaving a paper-chase of little mistakes behind him (and who cares?).” (Robinson 1953, 21) Robinson might not have been quite the game-changer for the discipline that Marx was, but she was certainly not afraid of striding along, and it may just be that her abandonment of exploitation was one such oversight in the process of taking great strides. However, if the abandonment of exploitation had a purpose – conscious or otherwise – I am yet to find an explanation for it in her work or anyone else’s. It is this gap that I have addressed in this paper.
Bibliography


