Progressive Social Theory and Government Growth: The Labor Theories of Value and Property

Edward J. Martin
Graduate Center for Public Policy & Administration
California State University, Long Beach

Ariana C. Martin
Graduate Center for Public Policy & Administration
California State University, Long Beach

Abstract

This article points out the underlying value of progressive economic thought is not the individual but rather all the people in the society and the need to have an active government intervention to bring about social change that benefits the whole of society rather than just the wealthy. This value is articulated as the “labor theory of value.” It is built on the notion that capitalism in its pure form essentially permits and even facilitates the exploration of those who labor for their income.

Introduction

Class theories are essential group theories, in that they accord primacy to collective entities in their analyses, but unlike inductive group theories such as pluralism or corporatism, which will be discussed in the next section of this chapter, they tend to define their units of analysis in “objective terms and conduct their analysis in an explicitly deductive fashion. That is, class theories ascribe group membership on the basis of certain observable characteristics of individuals, whether or not the individuals involved see themselves in those terms, and they expect behavior that maximizes group interest to flow this orientation (Wilson, 2012; Thompson, 1984). According to current theory, “class” refers to groups differentiated in
various ways within a more inclusive category, such as, the category of social groups with common economic interests, or the category of groups whose members share economic conditions which are identical in a certain respect (Kraus, Piff, & Keltner, 2009). While there are several types of class analysis, such as those of Marx, Dukheim, Weber, Olson, the focus of this investigation will concentrate on the “Marxian” approach, which, because of its influence and comprehensiveness is by far the best known and theoretically developed (Durkheim, 1893; Weber, 1947; Olson, 1965). In this approach class membership is determined by the presence or absence of certain characteristics, usually, but not always, related to the economy.

Class Analysis

Marx exhibited various notions of social class in his writings. However, the one developed by Marx in his mid-nineteenth century Communist Manifesto, is best known and to a lesser degree Hegel’s Philosophy of Right. Here Marx argues that each society has two classes contesting political and economic power. In this material conception of history, human society has passed through a number of distinct stages - “modes of production” – each of which has a distinct set of technological conditions of production – “means of production” – and a distinct manner in which the various actors in the production process relate with each other through “class structure” or “relations of production” (Block, 1987; Domhoff, 1983; Cohen, 1980). Each mode of production entails a particular class system, which is ultimately determined by ownership (or non-ownership) of the means of production.

Based on the logic of this model, at least theoretically, each mode of production develops a
dichotomous class system consisting of those who own the means of production and those who must work for the owners, and the relationship between the two groups is inherently conflicted. Slaves resisted slave ownership in slave societies; serfs struggled with landlords in feudal society; and workers struggle with owners today in capitalist society. Continued class struggle leads to eventual collapse of modes of production and their replacement by another mode, which in turn is eventually replaced by yet another system. In practice, Marx expected that a dichotomous class system would occur only for a brief period at the tail end of a mode of production, although it would be possible to see its gradual evolution over time as a mode of production matures and developed. At other points in time, modes of production would have more complex class structures in which multiple classes would exist (Kolakowski, 1981). Marxist class theory interprets public policies in capitalist societies as reflecting the interests of the capitalist class. The capitalists’ dominance of the base – that is, the economy – affords them control over the state and what it does. Indeed, according to Marx, the state is merely an instrument in the hands of capitalists, who use it for the purposes of maintaining the capitalist system and augmenting profits – “surplus value” – necessarily at the expense of labor. Given its deductive nature, analysis of public policy from a Marxist perspective usually takes the form of demonstrating how a particular policy serves the interests of capital, which is assumed as a proof that the latter used the state to further its interest. This general set of assumptions about government is often referred to as the “instrumental theory of the state.”

While a popular form of analysis in many countries and colonies around the globe in the 1930s and 1940s, by the late 1960s in Western Europe this instrumentalist line
of analysis was beginning to be seen as problematic by Marxist analysts on two counts. First, even if it could be demonstrated that a policy serves the interest of capital, it cannot be concluded *ipso facto* that the policy was enacted at the behest of capital. To show this, one would have to demonstrate that capitalists issued instructions that were faithfully carried out by state officials, proof of which is usually lacking. Second, and more significantly, this approach cannot explain policies adopted over the opposition of capitalists. In most capitalist states, for example, the adoption of social welfare policies was vehemently opposed by many capitalists, something that cannot be explained from this perspective. The recognition of this theoretical problem forced a reappraisal of the role of the state in Marxist theory (Theron, 1986; Gans, 1971).

Much as was the case with public choice theory, in the traditional Marxist view the means of production constituted the basic structure shaping the state, law, and ideology. As we have seen, however, this conceptualization is problematic because the state has played a crucial role in organizing the economy and shaping the mode of production (Cox, 1987). The nineteenth-century promotion of natural resource sector production and the protection of inefficient import substitution industrialization in Canada, Argentina, Australia, Brazil, and Mexico, for example, had a decisive impact on those countries’ economic structures and class relations and continue to shape the various classes interests, the policy outcomes they desire, and the policy responses they elicit (Clark-Jones, 1987). Similarly, the proliferation of Keynesian policies in the 1950s and 1960s in many countries occurred over the opposition of entrenched business interests and cannot be understood without reference to ideological factors influencing state behavior, just as policies promoting privatization and deregulation in
many of the same countries in the 1980s cannot be traced entirely or directly to the interests of capitalists (Wolff, 2005).

Like rational choice theory, which in its later phases recognized to a much greater extent the independent effects of institutions and social structures on individual behavior, class analysis in the 1960s and 1970s placed an increased emphasis on institutional or structural factors to account for state activities and behavior. To account for the state devising policies opposed to capital, for example, the notion of “relative autonomy” of the state was developed. While numerous neo-Marxists are associated with this line of reinterpretation, the view offered by Poulantzas argues that conflicts among the various fractions of capital, coupled with the existence of a bureaucracy staffed by individuals drawn from non-capitalist classes, permitted the state some level of autonomy from capital (Poulantzas, 1978). This autonomy, in turn, allowed the state to adopt measures favorable to the subordinate classes if this was found to be politically unavoidable or necessary for promoting the long-term interests of capital in social stability.

While such measures may adversely affect the short-term interests of capital, and may even be vehemently opposed by capitalists, economists such as Wolff, Resnick, and Amariglio, have argued that they were always in their long-term interest (Amariglio, Resnick, Wolff, 1993; 1988). This is because the structure of capitalism requires that certain essential functions be performed by the state if capitalism is to survive. Such functions include enforcing property rights, maintaining peace and order, and promoting conditions favorable to continued accumulation of profits. Hence, in the “structural” version of neo-Marxism, policy-making was still viewed as serving the
interests of capital discussed, but not in the same instrumental sense as conceived by early Marxists (Thompson, 1978). The rise of the welfare state, for example, is explained not as a direct response to the needs of capital, but as the result of political pressures exerted by the working class on the state (Korpi, 2006; Esping-Andersen, 1990). The structural imperatives of capitalism are not ignored, however, because they impose limits on what the state can do in response to working-class demands. Thus, it is argued, the welfare state established by capitalist governments in response to working-class demands was designed in a manner that did not undermine fundamental property rights or profits.

Explanations of Government Growth

Liberals today harken back to the New Deal and other intervals of major growth in government activity by increasing the economic security of people and restoring stable, economic growth. Generally, conservatives view government growth as the result of having been, from their perspective, too sensitive to societal pressures to societal pressures to undermine, distort, and otherwise mismanage the natural workings of the market system. Their point is that the correct response to economic distress is to allow market forces to sort themselves out; government intervention will only result ultimately in more severe economic distress and restrictions on personal freedom. Conservatives tend to be skeptical about such periods of government “growth” as the Progressive Era, New Deal, or post-World War II efforts to manage macro-economic policy and to reduce socioeconomic inequality through the Great Society programs.

Marxists reject both liberal and conservative views of the growth of government, especially as regards
government responses to economic distress. In a kind of irony, however, Marxists share with conservatives a form of skepticism about government growth in capitalist societies, albeit for profoundly different reasons. Conservatives tend to be skeptical regarding the effectiveness of government interventions that they believe should be left to the market, citizens, and private organizations to remediate. They believe that such action is a form of government intrusion into people’s lives and therefore has a negative effect on personal liberty. Marxists, on the contrary, tend to believe that most important government interventions in market societies in market societies are primarily designed, not for the popular majority or the downtrodden, but, rather, to perpetuate patterns of power and inequality. Although Marxists are far from being in agreement about explanations for the causes of government growth, particularly during such dramatic periods as World War I, or during severe economic downturns like the Panic of 1893, the decade of the Great Depression, and the current Great Recession, they do share some common insights into the causes of these problems. Skocpol and Feingold state:

As for Marxism, its various adherents would all tend to agree on one conclusion: Capitalists as a class should benefit most from politics in capitalist society. Some Marxists would attribute this to capitalists’ direct control over the state or political resources; other neo-Marxists would say, instead, that the state can be expected to intervene “relatively autonomously” for the objective interests of the capitalist system (and class), regardless of whether or not capitalists control political decision making. Either way, however, political outcomes (short of revolution) should work disproportionately to the benefit of capitalists (1982, p. 259).
Similarly, others such as Greenberg would argue that the transformation of U.S. government from 1789 to the present time, can be explained in terms of serving the interests of political leaders and their need to respond to the numerous issues thrust upon them by a constantly evolving capitalist economy and its cyclical nature which manifests itself in both the accumulations and annihilation of wealth (1985). In short, Marxists are in agreement that the changes in the scale and scope of government in market societies are generally in the direction of preserving the well-being of the capitalist social order and the status, power, and privilege of the capitalist class.

Although it is easy to locate simplistic formulations by some Marxists, in which governing bodies and officials are seen as nothing more than direct appendages of a monolithic, smoothly functioning ruling class, it would be unfair to characterize most contemporary Marxist analysis in that way. In fact, Skocpol (1980) identifies three types of Marxist theory regarding the growth of the state: (1) instrumentalist; (2) political functionalist; and (3) class struggle. Instrumentalist approaches are characterized by an emphasis on the direct control by a monolithic capitalist class. Those emphasizing the instrumentalist approach argue that capitalists have crucial advantages either when they take on official positions or in their private capacities. Many important government officials, it is contended, tend to have capitalist backgrounds or aspire to careers in the private sector, and even professional government workers are inculcated with strong commitments to the legitimacy and inevitability of market system values. Furthermore, it is argued that the accumulation of a host of other advantages directly controlled by the capitalist class provides a set of winning resources in its competition with other social classes; higher status, solidarity, and money
give capitalists a winning edge over their working-class competitors. Instrumentalists claim that while capitalists do not always appear to win or operate in concert, when it counts, during times of crisis, they will function as a distinct, mobilized class. As Skocpol states, increasing government intervention during periods like the Progressive Era and the New Deal involve “the deliberate extension of state action by a class-conscious vanguard” (1980, p. 161). A vanguard of proletariat Marxists would disagree.

Political functionalist Marxists developed partly out of concern for the manner in which instrumentalist viewpoints apparently oversimplified the complexities of class competition. Instrumentalist viewpoints have been criticized for ignoring the fact that capitalists do act in concert, are not monolithic, and sometimes are obliged to make significant concessions to non-capitalist classes. Moreover, the instrumentalists view of the government as a mere reflection of the capitalist will and whim ignores the evidence of state autonomy. According to functional Marxists, the regime often operates in a manner that is contrary not only to the expressed demands of the general public or working classes, but also to the expressed interests of the capitalist class. Functionalists Marxists see the state as sometimes rising above the pettier, self-interested demands of capitalists and non-capitalists. The state in functionalist formulations is compelled instead to adopt policies that presumably further the workings of capitalism, occasionally requiring policy to be in conflict with the demands of extant groups, capitalist or otherwise. In characterizing the functionalist view of government interventions like the New Deal, Skocpol states, “… New Deal economic policies were not simply a response to the demands of capitalists; rather they addressed the interests of competing groups both within the ranks of the capitalist
class and between capitalists and non-capitalists” (1980, p. 171). Indeed, a host of reforms during the Progressive Era and during the New Deal were adopted by the state over substantial opposition by important capitalist interests. Whereas instrumentalists tend to claim that intervention in private society is primarily a consequence of the agitation by a monolithic, mobilized capitalist class, functionalists see the state as adopting policies that are contrary to the demands of many capitalist groups. Instrumentalists and functionalists do agree, however, that public policy in market societies will operate in the long-term interest of capitalists.

What Skocpol refers to as the class struggle perspective is perhaps more aptly characterized as a state management perspective. In a sense, this perspective is an elaboration on the functionalist perspective. It attempts to identify the processes and mechanisms whereby the state in a market society will operate, sometimes in considerable conflict with capitalists, to facilitate the workings of capitalism. Very important to this perspective is the idea that there is a division of labor between the managers of capital and the managers of the state, the latter including elected officials as well as the bureaucracy. In market systems, capitalists are assumed to be incapable of acting on behalf of the long-term interests of capital. The class struggle or state manager view, then concentrates on how one explains: (1) the manner in which state managers often adopt policies opposed by important components of the capitalist class; and (2) why it is that such policies in the long run are constrained to be in the general interest of capitalism. The explanation goes something like this: In market systems, particularly those with widespread political participation and in a more fitful way in less democratic market systems, officials are held responsible for performance of the economy and for managing other
social ills (e.g., crime and the environment). State managers are motivated to maintain their positions which requires them to avoid serious socioeconomic distress, since society’s members will tend to blame them by replacing them with other state managers. Moreover, the salaries and budgets of state managers and the agencies they run depend on a growing market economy, just as does the profit and well-being of other institutions in a market society. Most often, intervention in the private sector by state managers is resisted, especially among the capitalist class. Skocpol states:

… [C]apitalists are almost by definition too short-sighted initially to accept, let alone to promote, major reforms or extensions of state power. Such changes come primarily in opposition to capitalist preferences. And they mostly come when, and because, state managers are strongly prodded to institute reforms by the working class … [According to class struggle theorists], the biggest spurts forward in state activity come during major crises such as wars or depression. During wars capitalists cannot easily undercut state managers, and during depressions the decline of business confidence is not such a potent threat. Moreover, especially during economic crises, class struggle and pressures from below are likely to intensify. Thus state managers may find it expedient to grant concessions to the working class. Yet they will do so only in forms that simultaneously increase the power of the state itself. What is more, over the longer run, especially as economic recovery resumes or a wartime emergency ends, the state managers will do the best they can to shape (or restructure) the concessions won by the working class in order to make function
smoothly in support of capital accumulation and existing class relations. Thus it can come to pass that reforms and extensions of state power originally won through “pressure from below” can end up being “functional for” capitalism … (1980, pp. 183-184).

The major differences among the three approaches are: (1) the degree to which they concentrate on mediating factors that operate between class conflict and government growth; (2) the degree to which capitalists operate directly and decisively to control policy, and (3) the degree to which government institutions and officials are accorded any independence as a source of policy and action.

With the exception of a strictly instrumentalist application of Marxism, government is not viewed as a mere extension of the will of the dominant economic class or as some conspiratorial outcome of the machinations among a putative ruling class. Rather, government responds to “the tensions and contradictions that threaten the system’s stability (Greenberg, 1985, p. 42). The degree of payoff to non-capitalist classes, how well new government actions perform, either as mechanisms for capitalist accumulation or as “bribes” for working class acquiescence, and whether genuine social progress can occur within the capitalist setting are matters of some considerable dispute among Marxists (Skocpol, 1980; Skocpol and Feingold, 1982; Barrow, 1993, 2007; Nordlinger, 1981). Moreover, it would be inaccurate to suggest that Marxists view social dynamics as the simple interplay between two cohesive and opposing classes. Marxists understand, moreover, that intraclass composition can vary dramatically and that there can be substantial oscillation in levels of conflict within and across class categories.
During the latter half of the nineteenth century, there merged in the United States a number of major social challenges, rivaling the unrest that existed in the years after the Revolutionary War. There appeared the great waves of growing agrarian and industrial unrest, the initial government efforts to regulate the economy, the emergence of the modern business cycle, the need for mass war mobilization, and the task of managing deep, chronic economic depression, especially during the Panic of 1893 and the onset of worldwide depression in 1929. In explaining the growing government role in dealing with these problems, Marxists saw government’s increased role in managing business activity and economic performance as primarily a function of maintaining the capitalist order in the face of changing and threatening conditions. Although the precise conditions and the relative power and privilege of the dominant classes vis-à-vis the mass of society might vary, “Marxian social theory understands the capitalist state as an institution that attempts to maintain the system of unequal distribution of power and benefits, and thereby advances the general interests of the owners of the means of production” (Greenberg, 1985, p. 42).

Consequently, the following all operated to create discontent among the populace generally and among certain traditional sources of social reform: the social unrest of the late nineteenth century; the increased severity of social distress wrought by the gyrations of the business cycle; the vulnerability of agriculture to the fluctuations of national and world commodity prices as well as its discontent at the high, often “fixed” prices of transport and credit; the very hard conditions imposed on industrial workers and urban residents; the excesses in production practices among certain businesses; and the inability of corporations to manage privately the coordination of prices, profits, and product quality.
It is often suggested that these sources of reform were successful as a political movement in promulgating and enacting a number of important policies, including such things as the Sherman Anti-Trust Act, the Meat Inspection Act, the Pure Food and Drug Act, and the Federal Reserve Act. These policies, which were all enacted by 1914, are often regarded as major achievements of the Progressive Era. Marxists, while occasionally conceding that the Progressive Movement was in some sense important in creating the impetus for a growing state apparatus, still view these “achievements” of the reformers as manifestations of capitalist hegemony. As Greenberg states, “The Age of Reform was primarily an effort by leading members of the business community to bring order, stability, and predictability to the competitive chaos of the emerging industrial order, to incorporate labor into the business system through conservative unionism, and to prevent social revolution through the distribution of minimal relief benefits of the poor” (1985, p. 75).

Similarly, the New Deal, which involves another ratcheting-up of the role of government in the society, is understood by Marxists as primarily directed to the preservation of capitalist dynamics. So the establishment of the Federal Deposit Insurance Corporation was enacted to manage the banking crisis and enhance trust in the financial community; the Agricultural Adjustment Act was provided to stabilize and ensure the well-being of the major agricultural producers by creating scarcity and raising prices; industrial unrest was addressed by the National Industrial Recovery Act and the consequent National Recovery Administration; and the enactment of the Social Security Act and the Wagner Labor Relations Act were designed to reduce the drift by many of the working class toward anti-capitalist action and to ameliorate labor-management strife. In words similar to those
characterizing the “achievements” of the Progressives, Greenberg states:

… [T]he New Deal is best understood as a series of attempts to save a faltering and depressed capitalist system by further regulating and rationalizing the economy, by bringing important elements of the labor movement into established political life, and by staving off social disruption and revolution through expansion of the welfare role of government … the New Deal represents, paradoxically, a conservative expansion of government activities. While it is traditional to define any expansion of government activities as “liberal,” I would argue that since this expansion was directed toward preserving and cementing the position of capital and maintaining the social class system, it must, in the end, be judged “conservative” (1985, p. 93).

Contemporary Marxists understand the many anomalies that traditional Marxism finds difficult to explain – such as the tendency of capitalists to operate in ways that conflict with one another or that are actually detrimental to capitalist institutions. Consequently Marxist work sometimes departs from traditional concerns, especially in its focus on explaining the decline of communist states or in its efforts to understand macro-economic policymaking in competitive democracies (Wolff, 2012; 2005; Skocpol & Pierson, 2007; Wright, 1997; Gilbert & Howe, 1991; Wallerstein & Hopkins, 1982; Mills, 1958).

Conclusion

A solution to the conflict between labor and capital and the prioritization of profits over people might be
understood in terms of the “labor theory of value” and the “labor theory of property.” It could potentially identify what capitalists and socialists have in common. Orthodox or neoclassical economists in the late eighteenth and early nineteenth century held the view that private property and ownership of the means of production would ultimately prove beneficial to all. Labor would be a secondary concern to the overall growth in the economy. This is still generally understood today by neoclassical and neoliberal economists. Keynesians have sought to manage the negative outcomes of this form of economics through public policy. Marxians, on the other hand, have maintained that any system treating labor as a commodity was inherently immoral and that as a result, labor was subordinated to an unregulated process whereby capital created servile conditions of workers. The emancipation of labor therefore required the abolition of capitalism and its replacement by collective ownership. The basis for this rests on the “labor theory of value” which maintains that workers have the inherent right to the profits they create (Devine, 2000). This, then, is the basis of Marx’s theory of exploitation and the remedy for this is to: (1) prioritize labor as the sole factor of the production of wealth; (2) recognize and acknowledge that exploitation is an inevitable component of employer-worker relations in an economy based upon private ownership; and (3) understand that the internal contradictions within capitalist arrangements would bring about its own self-destruction.

The first proposition – the labor theory of value - has a long history extending at least to Locke, who in *The Second Treatise on Civil Government* (1690) states:

> The labor of his body and the work of his hands, we may say, are properly his. Whatevsoever, then, he removes out of the state that nature hath provided
and left it in, he hath mixed his labor with it, and joined to it something that is his own, and thereby makes it his property. It being by him removed from the common state nature placed it in, it hath by this labor something annexed to it that excludes the common right of other men. For this labor being the unquestionable property of the laborer, no man but he can have a right to what that is once joined to, at least where there is enough, and as good left in common for others (Locke, 1690, p. 17-18).

Here it is important to note that while Locke’s position typically defined as the “labor theory of property,” attempts also to justify how labor is the sole factor in the production of wealth, Locke nevertheless was attempting to justify the claim to private property, and that labor, defined by Locke gave title to owning property much like that of socialists such as Ricardo and Marx’s “labor theory of value” (Elster, 1978; Ashcraft, 1980; Gilpin, 2000; Geuss, 2004). Locke’s labor theory of property in this context, however, is understood as the labor of a proprietor or land owner in defiance to the King of England who alone granted title to land. Wage labor was not seen as the creator of value, but it does nevertheless lay the foundation for a common theoretical foundation with socialists such as Ricardo and Marx. For Locke, Ricardo, and Marx, the fruit of their labor entitles them to profits and land depending on the context (Ricardo, 1817; Lowenthal, 1911). It was Ricardo who took Locke’s labor theory of property (property rights) and applied it to the wage laborers’ right to their productive labor defining it as the labor theory of value (labor rights). Thus in both contexts - labor theory of property or the labor theory of value - exploitation took place when wage laborers were denied the just profits derived from their labor in the same way that serfs were exploited when they were denied the right to the land that they cultivated and
worked on. This was Ricardo’s attempt, by utilizing Locke’s conceptual framework, to explain why and how workers take issue with the capitalist class for living off the proceeds of the workers’ manual labor (Platt, 2003; Ryan, 1980).

Nevertheless, Ricardo and Marx went beyond Locke’s argument for property rights by arguing that workers not only have claims on the property and wealth they create, but that capitalism, by its very nature, results in the exploitation of labor. Ironically, the same idea was suggested in Adam Smith’s *The Wealth of Nations* (1776), when Smith claimed that rent and interest are deductions from an output, which in its entirety, should be considered the product of labor. Thus Ricardo and the Marx’s view of the employers’ functions in the “capitalist exchange” were, i.e., to furnish workers with tools, raw materials, and means of subsistence. The employers then receive these advances back with a profit that is part of the workers’ industry. Hence, Ricardo and Marx argued for three fundamental propositions that: (1) labor is the only source of wealth; (2) the value of all commodities can be represented in terms of the labor hours embodied in them; and (3) labor itself as a commodity under capitalism is immoral. As a result the capitalist exchange, workers are robbed by the market mechanism of the difference between the labor value of their product and the labor value of the amount of work invested in that product. The difference consists of various types of property income, ultimately reducible to profit in which its size measures the degree of exploitation. Suffice it to say, the existence of such a difference is not due to simply “cheating” or “robbery” (although these may occur), but, rather, to the inherent logic built into a capitalist economy (Roemer, 1996; 1982; 1981).
End Notes

1. Throughout this symposium I have hinted at the remedy for the abuses of the economy that resulted in the Great Recession, such as, FDR’s “Economic Bill of Rights,” Truman’s “Fair Deal,” and understanding the economy in Elinor and Vincent Ostrom’s terms as a “Common Pool Resource.” Here I also argue for common ground between two historically divergent ideas such as labor rights and capital, and argue that one, the “labor theory of property” is exactly the basis for the “labor theory of value.” This “common ground” is the theoretical basis, I believe, for the above three remedies for which I argue.

References


