

of methodological individualism with reference to Davidson's case for the autonomy of mind and the priority of intention. I didn't intend to take up a position on the issue of whether Elster was right to try and associate himself with Davidson in this way, and I think Smith's interpretation of my use of the word "follows" in this context borders on the pedantic. Notwithstanding this, I find myself in full agreement with him when he says that Davidson's philosophy could actually constitute the basis for a repudiation of methodological individualism. Smith could also have pointed out that Davidson (1980) contains the basis for a criticism of the rational choice device which Elster uses to make sense of individual decisions, once these have been made the locus of social theory. In one of his early essays on intention, Davidson offers convincing grounds for skepticism about the idea that we could ever find a "matrix of decision" sufficiently subtle to account for the myriad complexity of human motivation.

Smith objects to my suggestion that Cohen has to narrow the scope

DAVIDSON, D. 1970. *Essays on Actions and Events*. Oxford: Oxford University Press.
Quine, W. V. 1959. *Word and Object*. Cambridge, Massachusetts: MIT Press.

Science & Society, Vol. 58, No. 4, Winter 1994-1995, 489-494

UNPRODUCTIVE LABOR AND PROFIT RATE TRENDS: A REJOINDER

The response by Michael Dawson and John Bellamy Foster (1994) to my recent challenge (Smith, 1993) to the conventional practice of subsuming socially necessary (to capitalism) unproductive labor (SNUL) costs under social surplus value succeeds only in underscoring the theoretically tenuous status of this convention and in revealing the main source of its influence in custom and uncritical appeals to authority. Indeed, what is most striking about the Dawson and Foster (henceforth D&F) piece is its lack of

real *theoretical* engagement with my arguments against the conventional view and in favor of treating SNUL as a component of the constant capital flow. A cursory, and often inaccurate, rehearsal of my argument is followed by its casual dismissal as both “idiosyncratic” and “antagonistic to the basic structure of Marxian political economy.” At the same time, the reader is reassured that an “allocation problem” with respect to SNUL does *not* exist, since the great majority of practicing Marxist political economists subscribe to the conventional view! (It doesn’t appear to perturb D&F in the least that most of the latter, for whatever reasons, have never even addressed the proposed alternative!) D&F’s method of argument thus relies primarily upon a) unsupported *assertion* and b) appeals to custom and authority.

It is not surprising that the first response to my challenge to the convention in question should have emanated from that theoretical school within Marxist political economy which is most firmly wedded to it. D&F register some surprise that I “took pains to contrast [my] empirical results not so much with the work of [Weisskopf, Wolff and Moseley] . . . as with the tradition of thought” associated with the monopoly capital/stagnation school and more generally with underconsumptionism. But as they know, an explicit contrast of my empirical findings with those of other “TRPF” and profit-squeeze theorists had already been elaborated in a previous article, to which they refer (Smith, 1991). Moreover, *one* of the purposes of my more recent article in *Science & Society* was to demonstrate to my fellow “fundamentalist” advocates of Marx’s law of the falling rate of profit that their practice of subsuming everything but the kitchen sink under an expanded concept of “gross surplus value” reveals some unfortunate and *unnecessary* conceptual influences of a rival school of Marxian crisis theory. I remain convinced that when proponents of “Marx’s law” sustain the bogus distinction between “gross” and “net” surplus value they only provide grist for the mills of underconsumptionism as well as for the reformist politics often associated with this version of crisis theory. Clearly, this is not lost on D&F, since they are quick to assert that an “enormous gulf . . . separates [Smith’s] analysis not only from that of monopoly capital/stagnation (MCS) theorists like Baran, Sweezy, Magdoff and ourselves, but also from that of most classical-Marxist exponents of the tendency of the rate of profit to fall.”

The sum and substance of D&F’s “theoretical” response to my thesis consists in trying to construct an opposition between it and a certain exegesis and interpretation of Marx with respect to the costs of circulation, including SNUL. Invoking the holy writ of the conventional approach to SNUL, Marx’s “famous” passage in *Capital II* where he states that “all circulation costs that arise simply from a change in form of the commodity cannot add any value to it” and then defines such costs as “a deduction of

surplus-value or surplus-product” (1981a, 225–226), D&F suggest that “Marx himself” is unequivocally committed to subsuming SNUL and related costs under surplus value. But there is an elementary logical problem with this that seems to have escaped D&F. How can a cost — any cost — be both a “deduction from surplus value” and a (non-profit) *component* of surplus value? What could be more “curious” or “idiosyncratic” than to insist that a “deduction” from surplus value is still, in some sense, a *part* of it? It was just this logical difficulty that propelled me on a search for some clue as to what Marx *meant* by a “deduction from surplus value.” And in the *Grundrisse* I found a passage that comes closer than any other to revealing Marx’s actual *meaning*, a passage that strongly points to a “relative” rather than an “absolute” conception of “deductions from surplus value”:

... the actual *circulation costs* increase the *value of the product*, but decrease the *surplus value*. . . . The costs of circulation generally, in so far as their merely economic moments, circulation proper are concerned . . . are to be regarded as deductions from *surplus-value*, i.e. as an increase of necessary labour in relation to surplus-labour. (1973, 548.)

This passage clearly contradicts Marx’s *Capital II* statement that circulation costs cannot add any value to the commodity (although one should note that he refers here to “the actual circulation costs” while in the *Capital II* passage he refers to “all circulation costs that arise simply from the change in form of the commodity,” the distinction between the two not being entirely obvious, at least to me). However, the *Grundrisse* passage is entirely consistent with many passages in *Capital III* where Marx speaks of the exchange of SNUL labor with *capital* and where he affirms that the costs of circulation form a component of the “capital advanced” (1981b, 413). All of this seems to suggest that there is a need to render the vaunted *Capital II* passage consistent not only with “Smith’s position,” but with *Marx’s own* as well!

D&F chide me for “some rewriting and a good deal of creative interpretation of Marx’s text.” Perhaps so. But why is this less acceptable than ignoring an obvious contradiction in Marx’s text and enshrining a passage from *Capital II* that clearly runs counter to the burden of Marx’s discussion in *Capital III*? D&F thunder that I am “unable to find a single explicit statement in the thousands of pages on economic theory written by Marx that suggests that unproductive labor should be subsumed under constant capital.” Yet, not surprisingly, they tenaciously cling to a “single explicit statement” from Marx which seems to support their own approach — even though, on closer inspection, even this statement fails to really support the “subsumption” of SNUL under surplus value.

Contrary to D&F's contention, I never sought "to establish that it was Marx who first argued that unproductive labor should be treated as constant capital." While I pointed to considerable exegetical support for the proposition that Marx saw commercial wages as exchanged with a "variable capital *sui generis*" and viewed SNUUL costs as involving an "addition of previously existing value" (in the manner of constant capital), I made it clear throughout both of my articles on this question that Marx is at best ambiguous on how this problem should be handled and that a "constant-capital" conceptualization of SNUUL is only *implicit* in his writings.

What is ultimately more important than exegetical support in Marx for the constant-capital allocation of SNUUL, however, is whether such an allocation conforms to the theoretical structure and method of Marx's political economy. It was in this connection that I sought to show the relevance of Marx's critique of capital fetishism to the erroneous conventional treatment of constant capital as an aggregation of "physical means of production." Once constant capital is conceived as a *social relation*, capable of taking many forms in the process of capitalist production and reproduction, a good solution to the SNUUL allocation problem seems to be in hand — and by a "good solution," I mean one that does indeed take into account the valid insights of all those Marxist crisis theorists who affirm that the growth of SNUUL constitutes a substantial overhead cost on the social capital as a whole and a "supplementary source" of profitability crisis. To most of this, D&F maintain a determined silence — except for their asseveration that my approach is somehow "antagonistic to the basic structure of Marxian political economy."

In the end, D&F have provided only a stale defense of an even staler orthodoxy. Since the best and fullest responses to their arguments will be found in the articles that they ostensibly "critique," all that remains to do here is to correct a few of the more egregious errors of fact and interpretation:

1. D&F state that "only Shane Mage . . . and Smith himself, we are told, have correctly understood the problem of allocation." I made no such claim; indeed in my 1991 article, I identified a number of Marxist writers who have sympathetically entertained the constant-capital allocation. What I *have* said is that to the best of my knowledge only Mage and myself have undertaken empirical Marxist analyses informed by a constant-capital specification of SNUUL.

2. D&F observe that "[Smith's] empirical results are . . . bound to be similar to those of [profit-squeeze] theorists, whose definitions of the numerator and denominator of the profit rates are quite similar to his own." This is simply untrue, since profit-squeeze theorists like Weiskopf (1979) frequently define surplus value as the volume of profits "gross" of taxes. Furthermore, my results for the rate of surplus value and the organic

composition of capital indicate a secular upward trend for both of these ratios. By contrast, Weiskopf found a declining rate of surplus value and an organic composition of capital which "displayed no significant long-run trend in the postwar period" (1979, 370–371).

3. D&F argue that "[Smith's] respecification of the value categories] would seem to present as close an example of a breakdown thesis as one could find today within Marxian political economy." But my reference to "increasingly severe crisis tendencies" does not amount to a "breakdown thesis"; rather it supports the view that capital itself will seek extreme "solutions" to its worsening crisis tendencies and that labor, the oppressed and socialists must therefore resist suicidal *reformist* approaches that seek a resolution of the crisis within the framework of capitalism.

4. D&F suggest that the "high overhead associated with the class management of the economy" is "a problem that one cannot even begin to understand in terms of the classical law of [the tendency of the rate of profit to fall]." Yet such an understanding is precisely what I have sought to elaborate in the articles which D&F have criticized, as well as in a forthcoming book (Smith, 1994).

In connection with the last point, the following passage from my 1991 article may serve as a convenient and useful conclusion to this reply:

... the difference of opinion [between studies that distinguish between productive and unproductive labor income and those that do not] is a striking conceptual reflection of a certain "adulteration" of Marx's law of the tendency of the rate of profit to fall. For if the growth of constant capital in relation to newly created value once signified a growth in the productivity of labor, it now *also* signifies a relative diminution of productive labor in relation to socially necessary unproductive labor. If Marx argued that the rate of profit would fall cyclically (and perhaps secularly) due to progressive increases in the technical and organic compositions of capital, profitability now seems to be subject to a downward pressure stemming both from technical changes enforced by capitalist competition *and* from the circumstance that a diminishing percentage of the working class is involved in surplus value production, as distinct from realization. If capitalism's tendency to promote the "objective socialization" of labor and of production once reflected its historically progressive role in developing the forces of production, it now *also* reflects a hypertrophy of the capitalist state and the sphere of circulation — a hypertrophy which impedes the advance of the productive forces by diverting enormous economic resources *away from* production. (Smith, 1991, 182.)

MURRAY E. G. SMITH

Department of Sociology
Brock University
St. Catharines, Ontario
Canada L2S 3A1