

## Comment on ‘About Waged Labour: From Monetary Subordination to Exploitation’

David Ellerman, University of California at Riverside, University of Ljubljana, Slovenia

[david@ellerman.org](mailto:david@ellerman.org)

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### 1. Introduction

To analyse this paper, I have to alternate between two perspectives: first, as a defender of neoclassical orthodoxy against attacks, and second, as a critic of waged labour (Ellerman, 1993; 2015; 2016). From the first point of view, I do not think that Cartelier has successfully breached the neoclassical fortress – although there are some promising beginnings.

In the Introduction, and elsewhere in the paper, Cartelier states that neoclassical theory views the wage relationship as ‘an exchange relation ruled by equivalence’ and then argues in various ways that there is no ‘equivalence’. However, ‘equivalence’ is never defined, but it seems to be a paraphrase for an ‘exchange relation in a competitive market,’ e.g., as found in the Arrow-Debreu model. But the neoclassicals are, of course, aware that labour markets are often non-competitive and imperfect in many ways, and they even have their own theory of ‘exploitation’ when workers are paid less than the value of their marginal productivity in non-competitive markets. In any case, a critique based on ‘inequivalence’, or non-competitiveness of wage labour markets, is not even close to a critique of wage labour *per se*, but a call for greater ‘equivalence’ or competition – which is a constant refrain in neoclassical theory.

In the Abstract, Cartelier also makes the statement, with the idea repeated later in the text, that ‘wage-earners are not responsible for the consequences of their activities when they comply with entrepreneurs’ orders’ (Cartelier, 2017, p. 27). It is a promising beginning, to at least mention the word ‘responsible’, but there is no hint of the crucial distinction between factual/*de facto* responsibility and legal/*de jure* responsibility. Wage-earners (in a non-criminal activity) have no legal or *de jure* responsibility for the positive and negative results of production (Ellerman, 2016), but they do still have the usual factual or *de facto* responsibility that is the usual basis for juridical imputation.

The concepts of who is *in fact* responsible for a tort or crime, versus who the Law holds *legally responsible*, are not so difficult to understand. For instance, a criminal trial tries to determine if the accused was, in fact, responsible for the crime, and if the court decides that they are, then the legal responsibility is imputed accordingly. Whenever two concepts should match (factual and legal responsibility) there are two ways it can go wrong – like type I and type II errors in statistics. Thus, justice is served if the factually responsible party is held legally responsible, and there is an injustice if the factually responsible party is not held legally responsible, or if the party held legally responsible was not the factually responsible party.

These standard juridical concepts are the conceptual battering-ram to breach the neoclassical fortress using the labour theory of property (not the fallacious ‘labour theory of value’), but Cartelier shows no awareness of that whole tradition. Even within the narrowly French tradition, it might be noted that Pierre-Joseph Proudhon’s main work was entitled ‘What is property?’, not ‘What is Value?’.

In attempting to respond, Cartelier's message gets even more confused when he says that he is referring to 'economic responsibility' and that '*Inside* the firm, the wage-earner is not economically responsible' (Cartelier, 2017, p. 27, fn. 2). Conventional economics, in the Austrian or neo-classical varieties, eschews the usual notions of factual and legal responsibility since they can only apply to persons – and not to capital goods, land, or other non-human inputs.

'If it is the moral imputation that is in question, then certainly no one but the labourer could be named. Land and capital have no merit that they bring forth fruit; they are dead tools in the hand of man; and the man is responsible for the use he makes of them' (Wieser, 1930, p. 79).

Hence the usual juridical notions of responsibility do not serve the social-apologetic role of the 'science of economics' to apologise for wage labour, so those concepts must be ignored in favour of a metaphorical notion of 'economic responsibility' that is identified with marginal productivity, and can be applied to all causally efficacious factors – human or not.

'In the division of the return from production, we have to deal similarly... with an imputation, – save that it is from the economic, not the judicial point of view' (Wieser, 1930, p. 76)

In case anyone misses the point, Wieser repeats the point as the header on the next page.

'The Economically Responsible Factors' (Wieser, 1930, header on p. 77).

Hence Cartelier perfectly plays into the conventional Austrian/neoclassical story of marginal productivity by saying he is not concerned with the ordinary, juridical notions where 'no one but the labourer could be named', and is only concerned with 'economic responsibility'. As we say, he has 'jumped from the frying pan into the fire'.

## **Section 1**

Section 1 of Cartelier's paper is entitled "'Human labour" does not belong to the commodity space if not with the human beings who perform it'. Cartelier takes the Arrow-Debreu model – which has a whole set of problems of its own (Ellerman, 1993, p. 188) – as the standard of neoclassical thought, which accounts for the over-stylised question of whether or not human labour belongs to the 'commodity space'. Why not just formulate the question as to the legitimacy of the market for wage labour, or the employment contract, or the human-rental relationship, instead of a question of what can or should be represented in an one-dimensional space – the 'commodity space' of the Arrow-Debreu model? Is Cartelier trying to criticise wage labour, or just the Arrow-Debreu model?

Cartelier makes a promising beginning by considering the difference between a person as truck-owner, a truck, and truck-services, bought and sold in the rental market for trucks. In the employment relation, there is the worker as a 'self-owning' person, the worker as the asset (like the truck providing the flow of services), and the person's services that are bought and sold in the rental market for persons. In the case of trucks, there is both the market for the trucks as assets and the market for the flow of truck-services. In the case of humans, if there was a market for the underlying asset, that would be a slave market, which is

assumed to be ruled out in neoclassical economics. Instead of delving deeper into the difference between trucks and persons – focusing on the capacity for imputability or responsibility – Cartelier just falls back on an *obiter dicta*: that if the humans cannot be marketed like trucks, then human services don't fit 'in the commodity space' of the Arrow-Debreu model.

'The mere fact that it is generally assumed that there is a choice between *buying* the "truck" in order to get its services or *hiring* the "truck" for a given duration confirms their common presence in the commodity space. What is true for "trucks" should also be true for "workers"' (Cartelier, 2017, p. 29).

Moreover, the neoclassicals are well aware of this peculiar difference between trucks and people. Indeed, in Alfred Marshall's list of the peculiarities of labour, it is the very 'First peculiarity: the worker sells his work, but retains property in himself' (Marshall 1961, p. 560). Recent neoclassical texts make the same point.

'The labour market trades a commodity called "hours of labour services". The corresponding price is the hourly wage rate. Rather loosely, we sometimes call this the "price of labour". Strictly speaking, the hourly wage is the rental payment that firms pay to hire an hour of labour. There is no asset price for the durable physical asset called a "worker" because modern societies do not allow slavery, the institution by which firms actually own workers' (Begg et al., 1997, p. 201).

Cartelier goes on to note how the flow of services is inseparable from the underlying asset.

"Workers" and "human labour" are *physically* related as are "trucks" and "truck services". ... Mainstream economists not only ignore slavery, but they also expel "workers" from the commodity space, pretending nevertheless to keep "human labour" as an element of it. By virtue of the *physical bind* alluded to above, expelling "workers" means expelling "human labour" as well' (Cartelier, 2017, pp. 29-30).

Again Cartelier supplies no argument for his *obiter dicta* that 'expelling "workers" means expelling "human labour" as well' from the commodity space. Indeed, Cartelier has just discovered Marshall's "Second peculiarity. The seller of labour must deliver it himself" (Marshall, 1961, p. 566). I am afraid it takes a lot more than a few such *obiter dicta* to breach the fortress of neoclassical apologia.

## Section 2

Section 2, entitled 'The Wage Relationship is a Monetary Subordination; Means of Payment Circulation Makes it Clear', tries to develop a somewhat bizarre monetary argument against wage labour. Cartelier argues that, in some sense (never explained), entrepreneurs, or firms in general, have access to a 'minting process' and since wage-earners do not have such access, the wage relationship is characterised by 'monetary subordination'. Since I cannot make sense out of any such 'minting process', I must pass over that part of the argument.

It is, however, a common critique of wage labour, particularly on the basis of civic republican thought, that it involves subordination or domination ('monetary' or otherwise). It is hardly a revelation to conventional economists that the employer-employee relation, traditionally called the master-servant relation, involves subordination. The standard response is: 'Of course, it does; that's one of the reasons employees are *paid* for their work.' They acknowledge that undoubted subordination adds to the disutility of labour, and that such unpleasantness may account for part of the compensating wage payment. Like in any resource-supply contracts, the original resource owners are free to try to renegotiate the contract, go elsewhere to sell their resources, or to use the resources for their own uses. Thus, throwing in the word 'subordination' does not really get anywhere for the would-be critic of neoclassical economics.

In fact, the neoclassicals do not argue that being a wage-labourer, particularly in its blue-collar form, is a desirable position in society. Of course, one might desire some form of non-subordinated work, such as being a family farmer, shop-keeper, or independent producer – if not an entrepreneur or employer who could use the voluntary human rental contract to legally appropriate the positive and negative fruits of the labour of the rented people. In the end, the neoclassicals only argue that there are no normative grounds to *outlaw* 'capitalist acts between consenting adults' (to use Nozick's phrase) such as the voluntary human rental contract.

At least Cartelier does not indulge in the shallow, left-wing parlour-game of just escalating one's own definition of 'involuntariness' or 'coercion', so that all – or most – wage-labour is, by definition, 'involuntary.' For instance, it is argued that most workers are not born with access to any means of production (remember the warhorse examples: clearance of the Scottish Highlands and enclosure of the commons) so that they cannot be independent producers, and thus they are 'forced' into wage labour contracts. One might similarly argue that most city-dwellers are not born with access to any means of consumption (unlike those born on a family farm) so they are 'forced' into market contracts with grocery stores or supermarkets in order to survive. Indeed, collectively-bargained, human-rental contracts would seem more voluntary than the take-it-or-leave-it contracts of adhesion between the consumer and supermarkets.

Later in the section, Cartelier points out that human labour is represented as a cost in firms, and contrasts that with an 'exchange economy' (apparently of independent producers with no wage labour).

*'That some human beings – wage-earners – appear to be (and are) a cost for others (firms and entrepreneurs) is the most significant and specific characteristic of a market economy when embedded in a wage relationship. This is probably the essential feature which distinguishes a market economy from an exchange economy – where everybody is in a symmetric position vis-à-vis anybody else'* (Cartelier, 2017, p. 33, italics in original).

Yes, human services, like all input services, are a cost item in a wage-labour firm – which only restates that fact that they are purchased as an input by the employer-firm in the wage-relationship – in contrast to being independent producers. I am afraid that the neoclassicals will find the discovery that independent producers are rather different from wage labourers as rather underwhelming.

Cartelier also, oddly, takes Ronald Coase's well-known idea of the firm as the 'legal relationship normally called that of "master and servant" or "employer and employee"' (Coase, 1937, p. 403) as if that were definitive of *firms* as opposed to *markets*. But, here again, there

is no recognition of firms such as worker cooperatives or democratic firms (Ellerman, 1990) where there is still hierarchy but it is based on a delegation ('*concessio*') of authority in the cooperative membership contract, as opposed to the alienation ('*translatio*') of decision-making rights in the employment contract (Ellerman, 2010).

Cartelier seems as unaware as the neoclassicals of the whole tradition of democratic political theory where the fundamental division is *not* whether or not government is based on the consent of the governed, but whether the consent is to a contract of *alienation* (traditionally called the *pactum subjectionis*, wherein the citizen explicitly or implicitly voluntarily agrees to be a subject) or to a contract of *delegation*, where the governors/managers only exercise authority delegated to them by the governed/managed (see, Gierke, 1966; Skinner, 1978). All the functionaries in the Church of Neoclassical Economists are required by their 'sacred professional obligations' to be blissfully unaware of *that* democratic theory since their most basic defence of the institution of renting of human beings is the fact that it is voluntary – and since even the most slavish of the intellectual 'Hirelings of the [neoclassical] Church' (Milton, 1957[1659]) would not try to argue that the employer was the delegate, representative, or trustee of the employees.

Of course, understanding the distinction between on the one hand contracts of person-alienation – such as:

- the outlawed, voluntary-self-sale contract,
- the outlawed, voluntary Hobbesian *pactum subjectionis*,
- the outlawed, voluntary coverture marriage, and
- the not-yet-outlawed, voluntary human rental or employment contract

and on the other hand, contracts of delegation – does not yet 'seal the deal'. That requires an analysis showing that there is something inherently wrong with those person-alienation contracts. And that requires recovering the largely forgotten, or ignored, theory of inalienable rights (Ellerman, 2010; 2015) that descends from the Reformation doctrine of the inalienability of conscience – down through the Enlightenment (e.g., in the Scottish, Dutch, and German variants) – to the present day, in the abolitionist, democratic and feminist movements.

Perhaps it would help to understand this inalienability critique of the employment contract by considering the analogous feminist analysis of the coverture marriage contract which is now outlawed in democratic countries (as opposed, say, to Saudi Arabia). Normally, to establish a legal guardian relationship of one adult (as guardian) over another (as dependent), there must be some *factual* condition on the part of the dependent, such as some mental disability or senility, that needs to be certified.

Yet the coverture marriage contract established the husband as the 'Lord and Baron' or, in less flowery language, guardian over the *femme covert*, who had no independent legal personality and, thus, could not make contracts or own property except in the name of the husband. In an adult woman of normal capacity, that factual capacity is factually inalienable – in the sense that the woman cannot, by voluntary agreement, actually alienate that capacity – and factually become a person of diminished capacity, i.e. a dependent, suitable for a guardianship relation. Yet the coverture contract gave her precisely that legal position (once again, the point is this contrast between the factual and the legal situation). Since the woman is just as much a *de facto* capacitated adult as before voluntarily agreeing to the contract, the coverture contract was essentially an institutional fraud, sponsored by the legal system in patriarchal society, that allowed the reduction of married women to the status of legal dependents to parade in the form of a legal contract.

The critique of the human rental or employment contract is entirely analogous using the usual notions of factual and legal responsibility as applied to the appropriation of the liabilities and assets created in production. The legal authorities are fully aware that an employee who commits a crime at the command of the employer is jointly factually responsible for the crime, and the legal responsibility is imputed accordingly.

‘All who participate in a crime with a guilty intent are liable to punishment. A master and servant who so participate in a crime are liable criminally, not because they are master and servant, but because they jointly carried out a criminal venture and are both criminous’ (Batt, 1967. p. 612).

Unless one wants to argue that employees suddenly become robots, or some sort of non-responsible instruments, to be ‘employed’ by the ‘employer’ when the venture ‘they jointly carried out’ was ‘non-criminous’, then the employees (and working employer) in an enterprise are jointly, factually responsible for using up the inputs (i.e., creating the input-liabilities) and producing the products (i.e., the output assets) that make up the negative and positive components in the usual ‘production vector’ representing the results in a productive opportunity.

Thus, by the usual juridical norm of imputation, they should jointly have the legal liabilities for using up the inputs and the legal ownership of the produced outputs. Yet, the employees, *qua* employees, have 0% of the input-liabilities charged against them and 0% of the produced outputs owned by them – which is exactly the legal role of a rented, non-responsible instrument. The employer, typically a corporation, holds 100% of the input-liabilities and owns 100% of the produced outputs. Yet the employees are as inextricably and inalienably co-responsible (in factual terms) – as in the case of the criminal venture. The employees cannot, by any voluntary act, turn themselves into *de facto* non-responsible instruments, just as the married woman cannot voluntarily alienate her adult capacity to become a *de facto* dependent. The whole contract to rent human beings is another institutional fraud, legally sponsored by a society based on renting (instead of owning) other humans, so that the positive and negative fruits of the rented people can be appropriated by the employer. But, unlike the coverture marriage contract, the human rental contract is still legally valid.

### Section 3

In Section 3, entitled ‘Exploitation of Wage-earners by Entrepreneurs is Inherent in the Wage Relationship’, Cartelier first sets aside the exploitation theories, based on some norms of wage payment – such as marginal productivity in the neoclassical case of non-competitive payments, or such as labour-value expended in the Marxist case. This is another promising beginning, since exploitation theories based on the charge that ‘wages are too damned low’ (by whatever account) are not a critique of wage labour *per se*. Cartelier also applies a few blows to the long-dead horse of the Marxian labour theory of value and exploitation, but that is overkill, since the Marxian theory is, at best, only a theory that labour ‘is paid below its value’.

‘It will be seen later that the labour expended during the so-called normal day is paid below its value, so that the overtime is simply a capitalist trick to extort more surplus labour. In any case, this would remain true of overtime even if



the labour-power expended during the normal working day were paid for at its full value' (Marx, 1977, p. 357, fn. or Chap. 10, Sec. 3).

Cartelier goes on to point out a couple of obvious differences between entrepreneurs or independent producers on the one hand, and wage-earners on the other hand – and then again simply asserts: 'In this double difference lies exploitation' (Cartelier, 2017, p. 35).

Cartelier is on seemingly more promising ground by referring to Marc Fleurbaey's notion of:

'the exploitation inherent in the wage relationship is the one he calls *M-exploitation*: any human being utilised by another human being as a means oriented to his/her own ends' (Cartelier, 2017, p. 35).

Perhaps we have here some substance – at least in the phraseology, reminiscent of one form of Kant's categorical imperative:

'Act in such a way that you always treat humanity, whether in your own person or in the person of any other, never simply as a means, but always at the same time as an end' (Kant, 1964, p. 96).

Perhaps Cartelier and Fleurbaey will tap into the neo-Kantian tradition of the Marburg School (Keck, 1977; Linden, 1988; Ellerman, 1988) that developed ethical theories for a non-capitalist or 'socialist' economy. But that expectation is severely disappointed as Fleurbaey points out that in all market relationships, one party uses the other as a means to one's own ends since:

'in standard economic models of trade and strategic interaction, one can think that each agent sees the other agents as means to the pursuit of his own objectives' (Fleurbaey, 2014, p. 662).

After all, as Adam Smith famously pointed out: 'It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own self interest' – and the market relationship between the consumer and the butcher, brewer, or baker does not involve wage labour.

Fleurbaey does not seek any deeper sense in which the renting of human beings might be seen as treating 'persons' as 'things'. Indeed, Fleurbaey's own development of 'M-exploitation' has no particular relationship to wage labour at all. It is a species of any 'situation in which some take an unfair advantage at the expense of others' (Fleurbaey, 2014, p. 655). In this case, of M-exploitation, one party may own a resource, like a mine, that has unknown or unexpected mineral resources – and then sell it at a low price to another party, who would thus take 'unfair advantage' of the original, benighted resource owner 'when the reserves prove to be greater than expected' (Fleurbaey, 2014, p. 662).

In addition to being utterly trite, this sort of 'normative' analysis unsurprisingly has nothing in particular to do with the institution of the voluntarily renting of human beings – and, thus, is typical of what one finds in the 'better' neoclassical literature on 'normative economics' and 'social welfare analysis'.

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### SUGGESTED CITATION:

Ellerman, D. (2017) 'Comment on "About Waged Labour: From Monetary Subordination to Exploitation".' *Economic Thought*, 6.2, pp. 37-44.  
<http://www.worldeconomicsassociation.org/files/journals/economicthought/WEA-ET-6-2-Orrell.pdf>