

The Utility of Disutility

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Bill at Impossibleist Blog raises some interesting questions about my version of the labor theory of value, rooted in the disutility of labor.

Now — I can heartily agree the value of labour — i.e. of work done — is the labour time invested in it. I can further happily agree that one basis for this is the disutility to the worker of performing the labour.

The question arises though — does this vary according to the nature of the work, or is it in fact a generalised disutility common to all workers. Is it a scalar or binary matter. If the latter, then Marx is right, we cannot discern the value of a type of labour performed through the market value of the goods.

To elucidate the question, he proposes a hypothetical example:

A village — small — an homogenous population where everyone shares a common set of core skills and everyone can basically do everyone else's job.

Thus, everyone could do the work, but for a variety of reasons they don't — they specialise. Some might be good at certain tasks. Some might not like certain tasks. Some might have a favoured location. It might be hereditary tradition. When they exchange, though, they know they could have made the product themselves. They know roughly how long it would have taken them; and how long it is generally taken to perform that task. They can then exchange goods to what they consider to be an equal value — if only after haggling.

In that case, Bill says, the disutility of labor would be binary—that is, “labour time would resolve down to an equal general equivalent between economic actors.”

Now, according to Mises, the disutility of labor as such has a binary quality to it; specific forms of work may be more unpleasant or repugnant than others, but all labor carries some disutility by its very nature, regardless of the pleasantness or unpleasantness incidental to the work. Indeed, part of the pleasure incidental to some forms of skilled work, associated with the sense of craftsmanship, involves satisfaction at minimizing superfluous or unnecessary efforts.

But despite the binary nature of this basic level of disutility, common to all labor, the total disutility of labor experienced by a worker has a scalar quality, resulting from the greater or lesser unpleasantness of particular forms of work.

Marx may have been right that it is impossible to get, ex post, from the exchange-value of specific goods to the value of the labor embodied in them. Even leaving aside the scalar or binary quality of labor's disutility, it's impossible to tell from a snapshot of current prices how far a specific price deviates from the equilibrium value.

But from the disutility of labor, combined with other a priori assumptions about the nature of human beings as utility maximizing beings, we can deduce that all exchange values are a combination of labor value and scarcity rents. Some of the scarcity rents are for naturally inelastic goods, like economic rent on land and natural resources. Others are short-term rents on elastic goods, whose supply hasn't yet adjusted to demand. But most important is the category of rent on artificially inelastic goods, like vacant land to which access is controlled by a landlord, usurious interest rates resulting from banking market entry barriers, and monopoly prices to the consumer resulting from state-enforced cartels.

So even though the labor theory of value, as explained in terms of subjective disutility, has little use for empirical analysis of specific prices, it has a great deal of value as an a priori tool of analysis. The central insight of classical political economy, that price moves toward cost, unless impeded by secondary factors, is a vitally important one. The other major insight developed by Ricardo's radical disciples, equally important, concerns the role of "artificial rights of property" and other state-created scarcities, in causing deviation from the cost principle. Taken together, they can be put to revolutionary conclusions. And a labor theory of value founded on the disutility of labor ties in well with both of these insights: As Tucker said, "under free competition there is no price where there is no burden." And as a corollary, "is there anything that costs except labor or suffering (another name for labor)?" [*Instead of a Book*, 1973 Gordon Press facsimile edition, 214, 403]

The scalar quality of the disutility of labor, likewise, may scuttle Marx's identification of exchange value with straight labor-time. Similarly, Bill has in the past, in other venues, raised the question of identifying the discrete labor-contribution of an individual worker in production that requires collective labor. The answer: in a free labor market, the individual worker can withdraw his labor from the production process when his wages are insufficient to compensate his experienced disutility. When labor, collectively, receives its full product without paying scarcity rents to the owners of capital and land, the product of labor will be distributed among laborers individually according to their disutility—through, as Hogskin put it, the higgling of the market:

Each labourer produces only some part of a whole, and each part having no value or utility of itself, there is nothing on which the labourer can seize, and say: "This is my product, this will I keep to myself." Between the commencement of any joint operation, such as that of making cloth, and the division of its product among the different persons whose combined exertions have produced it, the judgment of men must intervene several times, and the question is, how much of this joint product should go to each of the individuals whose united labourers produce it?

I know no way of deciding this but by leaving it to be settled by the unfettered judgments of the labourers themselves. If all kinds of labour were perfectly free, if no unfounded prejudice invested some parts, and perhaps the least useful, of the

social task with great honour, while other parts are very improperly branded with disgrace, there would be no difficulty on this point, and the wages of individual labour would be justly settled by what Dr Smith calls the “higgling of the market.” Unfortunately, labour is not, in general, free; and, unfortunately there are a number of prejudices which decree very different rewards to different species of labour from those which each of them merits.

Bill’s picture, in his hypothetical example above, of the disutility of labor evening itself out through self-selection in a largely worker-controlled labor market, reminds me of Franz Oppenheimer’s idea that under the inducements of a truly free labor market, labor would distribute itself among employments until incomes became “equal”—in my terms, equal in relation to given quantities of subjectively perceived effort. He quoted with approval Adam Smith’s claim that

[t]he whole of the advantages and disadvantages of the different employments of labour and stock must, in the same neighbourhood, be either perfectly equal or continually tending to equality.

He also cited, with similar approval, von Thunen’s equilibrium at which “labor of equal quality is equally rewarded in all branches of production...”

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