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# Exploitation and time

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## Abstract

This paper analyses exploitation and class formation in a dynamic context. An intertemporal model of a subsistence economy is set up and, among other results, it is proved that, in an interior equilibrium, *Differential Ownership of (Scarce) Productive Assets* is an inherent feature of a capitalist economy, while exploitation tends to disappear in the long run. Asset inequality is therefore proved to be a normatively secondary (though causally primary) wrong. It is also argued that these results raise several doubts about the possibility of providing robust micro-foundations to Marxian concepts by means of Walrasian general equilibrium models.

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## 1. Introduction

Since *A General Theory of Exploitation and Class* [12], John Roemer has developed an original interpretation of Marx's economic theory [13–17]. From a methodological point of view, Roemer's main contribution concerns the possibility (and, indeed, the necessity) of providing microfoundations to Marxian economics. The concepts of class and exploitation are modelled as the product of individual optimisation, and the full class and exploitation structures of a society are derived from agents' constrained rational choices. From a substantive point of view, Roemer rejects Marx's definition of exploitation based on surplus value as a relevant normative concept. According to him, all relevant moral information

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is conveyed by the analysis of *differential ownership of productive assets* (DOPA) and the resulting welfare inequalities. Roemer develops an alternative game theoretical definition of exploitation based on DOPA which is meant to be a generalisation of Marx's theory that captures its essential normative content.

Due to the scope and relevance of the issues analysed, Roemer's theory has generated a vast literature. Several critiques have been expounded on his methodology and on his conclusions, mainly based on issues of interpretation of Marx's theory (e.g., [4,7–9,11]), but surprisingly little attention has been devoted to his models.<sup>1</sup> In this paper a priori problems of interpretation are left aside, while both methodological and substantive issues are discussed by means of an intertemporal generalisation of Roemer's subsistence economies.

From a methodological viewpoint, a formal dynamic model proves extremely useful in the analysis of the *possibility* of providing *neoclassical* (and more specifically, *Walrasian*) *microfoundations* to Marxian economics. In particular, a model that aims to provide microfoundations to Marx's concepts of exploitation and class must be able to account for their persistence, since, according to Marx, they are inherent features of a capitalist economy.

Roemer himself acknowledges this; "The economic problem for Marx, in examining capitalism, was to explain the *persistent* accumulation of wealth by one class and the *persistent* impoverishment of another, in a system characterized by voluntary trade" [12, p. 6, italics added]. However, his models (both subsistence and accumulating economies) are essentially static in that there are no intertemporal trade-offs; they can be interpreted as describing either a succession of one-period economies [12, p. 45] or an infinitely lived generation, but in either case *intertemporal* credit markets are absent *and* savings are impossible. Thus, they do not seem suitable for analysing the persistence of exploitation and classes in a competitive economy. In particular, while the absence of intertemporal credit markets is consistent with the subsistence hypothesis, the impossibility of savings seems very restrictive. Moreover, savings and the intertemporal allocation of labour are particularly relevant, both because of the positive and normative importance of inter-class mobility, and because the introduction of a savings decision enlarges the set of choices available to agents. Thus, a dynamic model with savings is more realistic and it offers a more general framework to evaluate the possibility of providing microfoundations to Marxian economics.

From a substantive viewpoint, a dynamic model allows one to assess the *causal and moral relevance of DOPA*, focusing in particular on its role in generating exploitation and classes as persistent features of a competitive economy in which agents can save and the distribution of productive assets can change over time.

Given the importance of dynamics, the focus on Roemer's subsistence economies (in which agents minimise labour expenditure, provided they reach a minimum amount of consumption), rather than accumulating economies (in which agents maximise revenues) might seem contradictory. However, firstly, it is unnecessary to set up a detailed intertemporal model to prove that the results obtained in accumulating economies are not robust with respect to the introduction of time. In the case of a Leontief technology, even if the economy is in equilibrium with positive profits in a period, accumulation drives profits to zero in the next period. Thus, in the accumulating economy exploitation persists only if

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<sup>1</sup> Devine and Dymski's article [2] represents a partial exception. However, the lack of a formal model makes some of their arguments not entirely compelling (see footnote 2).

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