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Capitalists Are Dispensable, Laborers Are Not

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Abstract
This essay works out the implications of a neglected asymmetry in a capitalist economy between the capitalist's *separability* from capital and the laborer's *inseparability* from his working capacities. Capitalists organize production because they own capital; if they lack the skills or inclination to organize production, they can hire managers to do so. On the other hand, workers—lacking capital—cannot rent or borrow capital to organize production; this forces them to hire themselves out to capital. At the same time, since workers are inseparable from their working capacities, the capitalists eager to extract a maximum of labor services from the workers, gain control over the worker's person and working capacities in the workplace. As a result, capitalists in a capitalist economy gain control over society per se and over the workplace. The asymmetry we have identified also offers an escape from capitalist-centered production. The separability of capitalists from capital creates the possibility of transferring capital to workers, thus enabling them to establish worker cooperatives (WCs) to organize production. An economy consisting of WCs will dramatically alter the dynamics of the society and the workplace. Inside the enterprise, workers will put in place a democratic governance; they will also establish democratic governance at the national level that serves the needs of society as a whole, not the interests of capitalists and accumulation.

"If you set to work to believe everything,
you will tire out the believing-muscles of your mind,
and then you'll be so weak you won't be able
to believe the simplest true things."
Lewis Carroll

Capitalists—*qua* owners of capital—are dispensable, but laborers are not.[1]

This thesis flows from a neglected asymmetry between capitalists and laborers. The capitalist does not stand in the same relation to capital and the services of capital as a laborer does with respect to his laboring capacities and the services of these capacities. This distinction goes unacknowledged by neoclassical economists as well as economists of other persuasions.[2] If this is because they have concluded that this is of no consequence, we offer some arguments to the contrary.

There is irony in this thesis even as capitalism threatens to render laborers 'useless,' that is, replace them with intelligent machines faster than it creates new jobs. But this is not the place to address this irony.

1 For the purposes of this essay, laborers (or workers) in a capitalist economy include all persons who make a living from selling their labor; this includes all employees.

2 David Schweickart, a philosopher, makes this distinction in his book, *Against capitalism* (Boulder, CO: Westview Press, 1996): 12-13.

1. Why are capitalists dispensable?

Consider a series of relations moving from a capitalist to his capital, and from capital to the services of capital. Next examine another series moving from a laborer to his laboring capacities, and from these capacities to the diverse services of these capacities, also known as the services of labor. There exist important differences between the two series.

There exists no integral—or, if you prefer, visceral—connection between the capitalist and his capital or between the capitalist and the services of capital. Capital and the services of capital are wholly external to the capitalist *qua* owner of capital; their relationship to the capitalist is *merely* legal so that a capitalist can be physically separated from his capital and the services of his capital. If the capitalist prefers leisure to work or lacks the requisite managerial skills, he can delegate the task of running his enterprise to hired managers.[3] Once the capitalist appoints a manager to run his enterprise, he could be soaking the sun inside one of the many craters on the moon while his enterprise continues to produce goods or services somewhere in Agawam, Massachusetts.[4] All this notwithstanding, at the end of every year or every quarter, this capitalist will receive the profits or carry the losses of his enterprise. This is his return for risking his funds to organize production.

Now consider an economy whose capital has been transferred to the workers in each enterprise. The workers in each enterprise form a worker-cooperative; they *collectively* own its capital, vote to elect a workers' council who then appoint managers, or elect the managers directly. In addition, each WC is free to borrow funds from deposit banks or tax-funded investment banks. Each WC is also free to sell some fraction of its fixed capital should this not be needed; the proceeds from this sale may be used to pay off loans, deposited in a bank as a reserve fund against rainy days, or allocated to research and development.[5]

Each worker cooperative may choose its modus vivendi and its goals. At first, therefore, a variety of worker cooperatives may emerge, with different goals and structures; they may be more or less egalitarian; some may work primarily with fixed wages, others with a combination of fixed wages and shares in the coop's residual. Some may give greater weight to steady employment, others to higher wages. It is difficult to say, which types of cooperatives may emerge as winners. Collectively, the cooperatives may set some limits to the goals, and the governance and the reward structures of the coops to ensure the viability of the system as a whole.

In one stroke then, we have created a market economy *without* any capitalists as the term is understood in a capitalist economy. Production in this economy is organized by worker cooperatives, whose policies are formulated by a management periodically elected by workers. The workers in each enterprise are free to set the rules under which they work; they are also free to leave one WC and join another.

3 Should the capitalist manage the factory or business he owns, he will compensate himself for this managerial service. The capitalist may also invest his capital—*qua* funds—in an established or new enterprise by buying bonds issued by this enterprise.

4 Alternatively, nothing will change in the enterprises they own, if all the capitalists in United States were placed in a spaceship, equipped with all the comforts that this class has become accustomed to, and sent to another planet in a distant galaxy.

5 We draw upon David Schweickart's (1996: 60-77) 'economic democracy' for defining the basic features of our WC.

However, the capital of any enterprise is not traded, nor does it move when any worker leaves the enterprise.

In a splendid piece of circular reasoning, neoclassical economists justify private ownership of capital on the ground that it is the capitalist who organizes production. This is a *non sequitur*. The capitalist organizes production precisely because he is a capitalist: he commands his own or borrowed funds that allow him to do so. In an economy consisting of worker cooperatives, teams of workers could organize production with funds borrowed from deposit banks or tax-funded investment banks.

It may be argued that the co-ops cannot match the performance of corporations because they have no skin in the game. This is not true. Unlike workers who receive fixed wages, the members of WCs may receive all or some fraction of their income that is tied to their co-op's residual. Since they share in the coop's decision-making, co-op members are more likely than wage-workers to identify with their enterprise. In themselves, these factors may help to reduce shirking. In addition, shirkers in co-ops are likely to come under moral censure from non-shirkers. If free-riding is seen as a problem, the WCs can empower the management to monitor the performance of members and work out rules for dismissing habitual shirkers. Collectively, co-ops may discourage shirking by discounting the earnings of new members who have a record of shirking. Shirkers may also be given the chance to expunge their record by improving their performance.

Since the capitalist is physically separable from his capital, this creates the possibility of separating *ownership* of capital in an enterprise from control over it. In medieval times, we observe trade partnerships in the Middle East—known as *qirad* in Arabic—where some partners advanced capital to traders who managed the task of conducting the trade. In 1932, Adolph Berle and Gardiner Means showed that ownership and control of most large-scale enterprises in the United States had ceased to reside in the same hands.[6]

In activities without significant economies of scale and high costs of supervision, the capitalist may lend and/or rent his capital to workers and let them organize production. In agriculture, we find landlords who rent their lands to peasants instead of hiring wage-workers to organize production. During the late eighteenth and nineteenth centuries, capitalists in Britain set up textile factories with work benches that workers could rent to produce yarn and cloth on their own account.[7] It is also common for laborers lacking capital to rent cars, trucks and rickshaws to produce transport services. Others rent space in commercial buildings to organize retail businesses.

[6] Adolf Berle and Gardiner Means, *Modern corporation and private property* (New York, The Macmillan, 1932).

[7] Gregory Clark, "Factory discipline," *Quarterly Journal of Economics* 54, 1 (March 1994): 128-163.

2. A laborer cannot be physically separated from his working capacities or the services of his working capacities.

A laborer's working capacities include his body, the metabolism that converts food into energy, his cognitive powers, memory, will, emotions, skills, intuition, and his powers of reasoning, sight, speech, hearing, taste and touch. The execution of any task by a worker in real time—whether this entails digging a trench, a sitar recital, performing surgery, crafting a violin, or time spent solving a yet unsolved mathematical conundrum—is the joint product of various manifestations or services of his working capacities.

Under a wage-contract, however, a laborer may sell the services of his working capacities to an employer. In addition, a self-employed person with access to some capital may employ his working capacities to produce services (such as haircuts) that he sells directly to buyers. Alternatively, as a carpenter, he may employ his working capacities to saw, bend, carve, plane, sand, screw together, and polish timber into chairs, and then sell the chairs for a profit. In both cases, the laborer, will likely receive the market wage for his labor and a similar return on the capital he employs in his enterprise.

Some exceptions to the inseparability of a laborer from his laboring capacities may also be noted. If medical technology permits, he may sell or donate his organs or tissues for transplantation to another person. However, a person is unlikely to consent to such transplantations, except when this promises to save the life of a loved one. Of course, without the living person's consent, or after he dies or is killed, the possibilities become endless.

3. The first asymmetry we have just described leads to another.

The separability of the capitalist from his capital nudges us to explore egalitarian re-arrangements of the ownership of capital. Should such rearrangements occur, the capitalists will only lose their claim to the surplus of capitalist enterprises, but they will retain all their rights as citizens and as members of WCs in the new economy. Should they also possess some valuable skills, the WCs will recognize and reward these skills without any prejudice arising from their past history as capitalists.

On the other hand, a laborer cannot be separated from his laboring capacities without also losing his freedom. The capitalist can take ownership of the laboring capacities of legally free laborers only *after* he takes ownership of their persons for some part of a day, that is, by turning them into wage-slaves.

Importantly, the absence of any integral or visceral connection between the capitalist and his capital points to the potential for reorganizing the ownership of capital on an egalitarian basis. It would be disingenuous to think that the capitalists themselves are not aware of this potential for egalitarian rearrangements of the ownership of capital. In addition, we may surmise that the capitalists know that the workers too—perhaps, with help from their protagonists in the intellectual classes—are aware of this vulnerability.

Given all of the above, we may surmise that capitalists have always been at work—no doubt with help from self-serving economists—to obfuscate this vulnerability and, simultaneously, to harness the coercive powers of the state to protect their pivotal position in the capitalist system. Since the actual use of coercion is costly, the capitalists employ all the forces at their command to convince the workers of the superiority of an economic system based on the private ownership of the means of production. However, should the workers start questioning this 'natural order,' the capitalists are prepared to call on the machinery of the state—especially the courts, police and prisons—to knock the workers until they back the capitalist narrative.

4. Which of the two classes—capitalists or workers—is likely to organize production in a capitalist economy?

In the 1950s, after nearly a century of mathematical 'modling,' neoclassical economists concluded that they had worked out the contours of an imaginary economy that would serve as the ideological fortress of capitalism.[8] Markets in this economy instantaneously reach an equilibrium that is unique, stable and efficient in the sense that no person can be made better off without making at least one person worse off. Capital and labor in this economy receive their just deserts: that is to say, there is no exploitation of labor. In the words of Paul Samuelson, in this economy "it really did not matter who hires whom; so have labor hire 'capital.'"[9]

The message of the neoclassicals to the capitalists is: Don't let your hard work as bosses give you a bad conscience. It gives you no advantage. The message to the workers is: Why bother with organizing production; let the capitalists worry about this. Enjoy your hassle-free life as workers; you have nothing to gain from losing your chains.[10] These charming results hold only in perfectly competitive markets in which capitalists can costlessly write and enforce complete employment contracts.

In the real world, however, production is nearly always organized by capitalist bosses. Hurling what he thinks is a challenge to Karl Marx, David Landes asks "if [capitalist] bosses make (cream off) so much money, why shouldn't boss-free enterprises (cooperatives, collectives, small self-employed workers, and the like) be able to outdo those capitalistic units that pay so heavy a toll to owners and managers?"[11] Landes imagines that he is setting up a test of the feasibility of workers organizing production. He is challenging boss-free enterprises to organize production in capitalist economies under property rights, institutions and rules established by capitalists. Now, since worker co-ops do not—with rare exceptions—organize production in capitalist economies, this supposedly 'proves' that they cannot compete with capitalists in organizing production.

Landes forgets that workers cannot organize production because they have been stripped of the means of production. Since they cannot offer any collateral, they also cannot borrow money or rent capital. Moreover, financing the establishment of WCs is not only a financial issue. The economic and political

8 For the etymology of 'modl,' see Lex Leijonhufvud, "Life among the econ," *Western Economic Journal* (Sep. 1973): 327-337. Arrow and Debreu are the two economists who completed the mathematical edifice of neoclassical economics. See Arrow, Kenneth and Gérard Debreu, "Existence of an equilibrium for a competitive economy," *Econometrica* 22 (1954): 265-90; Arrow, Kenneth, "An extension of the basic theorems of classical welfare economics," in *Proceedings of the Second Berkeley Symposium on Mathematical Statistics and Probability* (Berkeley: University of California Press, 1951).

9 "…*in a perfectly competitive market it really doesn't matter who hires whom: so have labor hire capital*…" Paul Samuelson, "Wages and Interest: A Modern Dissection of Marxian Economic Models," *American Economic Review* (1957): 894; quoted in Michael Perelman, *The perverse economy* (London: Palgrave Macmillan, 2005): 153. What this means is that the core model of neoclassical economics cannot explain why capital hires labor.

10 Pierre Fleckinger and David Martimort, "Contract Theory in the Spotlight: Oliver Hartand Bengt Holmström, 2016 Nobel Prize Winners," *Revue D'économie Politique*, 2018, Vol.128 (4): 493-533.

11 David Landes, "What do bosses really do?" The Journal of Economic History 46, 3 (Sep. 1986): 585.

power of capitalists is built around their *class monopoly* over production. Why would they dilute this class monopoly by lending capital to workers? It is unlikely that capitalist guilt over exploitation of workers ever reaches the point at which they become willing to commit hara-kiri.

5. Is the separation of capitalists from capital unjust?

Can any economic system be considered just that has a tendency to place—and often ends up placing—the means of production in the hands of a tiny minority of capitalists, thereby endowing them with the power to organize production not in the interests of the workers or society but exclusively in the interests of the capitalists.[12] Depending on conditions in the labor market, and driven by the profit imperative, the capitalist may hire and fire workers at will. In addition, he may demand that his hired hands put in long hours of work, six days a week, quicken their pace of work to keep up with the machines, and take no breaks in the workplace, even if they have to piss in a bottle or wear diapers.

In a capitalist economy, moreover, workers are disposable, unless they have acquired skills specific to the enterprise in which they work; they may be laid off or fired whenever they are not needed. Can an economic system be just that nearly always fails to provide some workers with employment, and during a depression may fail to provide employment to as much as a third of the workers; when it does provide employment, many of these jobs may not offer the workers a living wage. Can an economic system be humane whose commitment to profit-making demands that workers be fired when they fall sick or are injured even when the sickness and injury are caused by hazards of the work and the workplace? It is ironic that while wage-workers in capitalist economies are legally free and wage-work is considered to be superior to slavery, the capitalists do not have any intrinsic interest in the livelihood and health of their workers that slave-owners have in their slaves and their families.

Similarly, while wage-workers are legally free, they lose their freedom the moment they enter the workplace. The neoclassical economist will predictably protest that a wage-worker remains free even at work since he is free to leave his present job whenever he wishes; if he does not quit that is because he *chooses* to stay. Sorry: this is a flawed inference. The neoclassical economist is always liberal in making assumptions; when he needs a can opener he just *assumes* that he has one. Hence, neoclassical economics assumes that workers face no costs in moving to another job that he prefers over his current job.

However, the ability to switch jobs at will does not overcome the lack of freedom at the workplace. A worker cannot escape the lack of freedom at the workplace because this is an unavoidable condition of capitalist employment, unless the nature of a job makes monitoring of work very costly. The lack of freedom at work cannot be blamed on technology; the capitalists have been choosing technology, layout of factories and offices, and work organization that truncate worker autonomy.[13] Bosses can monitor their employees' pace of work, even when they work remotely.

12 This tendency proceeds from economies of scale and scope. In turn these economies arise from large initial investments in fixed capital—such as building, machinery, and software—combined with low marginal costs, so that average fixed costs decline over a wide range of output.

13 Stephen Marglin, "What Do Bosses Do? The origins and functions of hierarchy in capitalist production, Part I." *The Review of Radical Political Economics* 6, 2 (1974): 60-112.

6. Conservatives and liberals are likely to view with alarm any talk about the rearrangement of capitalist property rights in the means of production.

Although such alarm is to be expected from the historical beneficiaries of capital accumulation over the last half a millennium, this shows societal amnesia about the horrendous crimes against humanity that attended, and still attend, the expropriation of great masses of humans—men, women, children and the unborn—to finance and support the creation of capitalists and capitalist power in Western Europe and North America. Karl Marx applied the moniker of ‘primitive accumulation’ to the “historical process of divorcing the producer from the means of production.”[14]

The capitalist organization of British agriculture, which began in the late fifteenth century, was accomplished over the next three centuries through successive expropriations of the peasantry either by force or through laws passed by the largest landowners—formerly feudal lords—in the British parliament. The free peasantry that had emerged in England by the late fourteenth century earned a living from cultivating strips of arable land, but they also depended crucially on access to commons for firewood, pasturing their cattle, gathering berries and mushrooms, and catching game and fish. Once the growth of woolen manufactures in Flanders raised the price of wool, English landowners began to privatize the commons, either by force or passing enclosure acts that denied peasants access to the commons, and converted them into sheep pastures; this forced some peasants to seek wage-work in agriculture, while others abandoned their lands to seek wage-work in the towns. In addition, the large landowners also began to enforce gaming laws to ride roughshod over the farms of peasants resulting in losses to their crops.[15]

Next consider a historical rearrangement of property rights during the nineteenth century that is more germane to the subject of this essay. I am referring to the large-scale separation—in the Americas during the nineteenth century—of a very important class of capitalists from their capital invested in slaves. In August 1791, the black slaves in Saint-Domingue—a French colony that was a source of immense profits to France—began a successful rebellion against slave-owning capitalists—who after defeating two massive invasions ordered by Napoleon Bonaparte in 1801 and 1802, declared the establishment in 1804 of the Republic of Haiti ruled by former black slaves. Do we object to this transfer of property rights in slaves from plantations owners to the slaves themselves?

In the nineteenth century, we encounter several more examples of the separation of capitalists from their capital invested in slaves. In 1833, Britain transferred the ownership rights of capitalists in humans to the humans themselves in nearly all its colonial possessions. Some of the northern states in the USA, following the War of Independence in 1776, began passing laws that effected similar transfers of ownership rights in slaves. In 1861, in the midst of the American Civil War, slavery was also abolished in the Southern States. Brazil, perhaps the largest slave-based economy in history, abolished slavery in 1888. In general, where slavery was abolished under law, the cash compensation was less than the market value of the slaves.

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[14] Drawing on the literary resources available in the library housed in the British Museum, Karl Marx has documented eloquently and in graphic details the history of primitive accumulatio in British agriculture and globally down to the mid-nineteenth century. It is worth noting that primitive accumulation does not end once ‘capital accumulation’ has created a society in its image. It continually invents new mechanisms for the “dispossess of capital” in the centers of capitalism and around the world. Karl Marx, *Capital: A critique of political economy, volume one*, translated by Ben Fowkes (London: Penguin Classics, 1990/1867): 875.

[15] Marx (1990): chapter 27; Perelman (1990): xx.

7. The principal results of this essay are easily summarized.

The capitalist is physically separable from the capital that he owns, but the laborer cannot be parted from his laboring capacities.

The first part of the previous statement establishes the feasibility of separating the capitalist from his capital. Indeed, the capitalist (*qua* capitalist) is a rentier since he does not contribute the services of any of his *present* working capacities to the enterprise in which he owns capital. The capitalist's claim to profits is rooted in a *legal* relationship, not an economic relationship.

Au contraire, the services of a laborer are inseparable from his person. This means that in order to maximize his profits, the capitalist who hires labor must gain control over the laborer's person and his working capacities in the workplace and—if necessary and feasible—off the workplace. In other words, the capitalist logic demands that the laborer be stripped of his autonomy once he enters the workplace. Although the worker is free in theory to choose his employer, this freedom does not restore the autonomy that he enjoyed in his work and workplace as a self-employed peasant, artisan, peddler or shopkeeper.

A clear-eyed focus on the asymmetry in the two binaries—the separability of the capitalist from capital and inseparability of the laborer from his working capacities—suggests significant gains that are likely to flow from an alternative organization of production that transfers ownership and control over capital from capitalist enterprises to worker cooperatives.[16]

A detailed discussion of these gains is a subject for another essay. However, broadly speaking, these gains are likely to flow from two forms of democratization that will attend the transfer of capital from the capitalists to the workers. First, there is the political democratization that will flow from the transformation of the capitalist enterprises to worker cooperatives. A political system that grows out of the interests and actions of workers and worker co-ops is unlikely to be hijacked by sectional interests.

Secondly, there is the democratization in the workplace. A variety of benefits are likely to flow to workers from the establishment of co-ops. These may include sharing by members in policy-making, creation of a culture of egalitarianism, improvements in working conditions, equal access of all members and their families to education, health and social services, less hierarchy in the organization of work, sharing and phasing out of tedious work, and greater income inequality. An economy consisting of worker co-ops will nurture cooperation, in the workplace and outside it. Once profits are dethroned as the only or chief objective driving production and technological change, the economy will have a chance to redirect its focus from endless capital accumulation towards a thousand improvements in the quality of life for everyone.

[16] Moreover, the transfer of capital from the capitalist to the workers may occur without any prejudice to the capitalist's rights as a citizen or a laborer in an economy where production is organized by workers.

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