
REVIEW

Envisioning Real Utopias by Erik Olin Wright

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INTRODUCTION

This review of Erik Olin Wright's *Envisioning Real Utopias* (2010) will focus on his understanding of 'capitalism,' his conception of worker cooperatives, and the general issues surrounding markets, the Left, and Marxism.

THE FUNDAMENTAL MYTH OF 'CAPITALISM'

The disagreements run very deep—even to the very designation of “the system” to be changed, i.e., “capitalism,” and the system to replace it, i.e., “socialism.”

So let's start with Wright's definition of “capitalism” as the target of his critique.

In capitalism, the means of production are privately owned and the use of those means of production is controlled by those owners or their surrogates. The means of production by themselves, of course, cannot produce anything; they have to be set in motion by human laboring activity of one sort or another. In capitalism, this labor is provided by work0rtalized voluntary exchange by privately contracting parties—or what is generally called “free markets”—through which the prices and quantities of the goods and services produced are determined...

The combination of these two features of capitalism—class relations defined by private ownership and propertyless workers, and coordination organized through decentralized market exchanges—generates the characteristic competitive drive for profits and capital accumulation of capitalist firms. (Wright, *Envisioning Real Utopias*, 2010, p. 22-3) [unless otherwise indicated, all quotes are from the June 2009 version freely

available on the internet and thus unencumbered by “capitalist intellectual property rights” (p. 232)]

Wright's article in *Jacobin (Online)* (12.2.2015) was a bit more concise.

Capitalism as a way of organizing economic activity has three critical components: private ownership of capital; production for the market for the purpose of making profits; and employment of workers who do not own the means of production.

Thus attacking “capitalism” is assumed to involve attacking: (1) “private ownership of capital” or more broadly in Marxism, the private property system, (2) “coordination organized through decentralized market exchanges”, and (3) “employment of workers who do not own the means of production.” The alternative of “democratic egalitarian socialism” would thus negate these three features.¹

In attacking “private ownership of capital” or “private ownership of the means of production,” it behooves the critics to at least understand those legal notions in the “capitalist” system (also a misnomer; see below). The concept is inherited straight from Marx whose notion of “private ownership of the means of production” was one of his biggest blunders. Marx understood that in the feudal system, the rights to govern the people living on the land and the right to appropriate the fruits of their labor were all part and parcel of the “dominion” of the “Lord” of the land. As Frederic Maitland put it: “ownership blends with lordship, rulership, sovereignty in the vague medieval *dominium*,....” (Maitland, 1960, p. 174) or in the words of Otto von Guericke: “Rulership and Ownership were blent” (Gierke, 1958, p. 58). But then Marx blundered by carrying over that notion with capital replacing land in the modern era.

It is not because he is a leader of industry that a man is a capitalist; on the contrary, he is a leader of industry because he is a capitalist. The leadership of industry is an attribute of capital, just as in feudal times the functions of general and judge were attributes of landed property. (Marx, 1977 (1867), p. 450-1)

Hence the title of Marx's *opus magnum* and the very name of the system "capitalism." The standard form of this conceptual mistake might be called the:

Fundamental myth: that the legal rights to appropriate the product of production and the governance rights over the production process are part and parcel of (i.e., "an attribute of") the "ownership of the means of production."²

This myth is one point of total agreement between Marxists and many "capitalist" thinkers—which is why Marxists have for some time functioned as 'capitalist tools' (Ellerman, *Marxism as a Capitalist Tool*, 2010). However, one of the most philosophically astute and careful defenders of the current system, Frank Knight, pointed out that the Marxist label is a misnomer since capital can be rented out and the legal party undertaking a production process (Knight's "entrepreneur") might not actually own the capital goods or "means of production."

Karl Marx, who in so many respects is more classical than the classical themselves, had abundant historical justification for calling, i.e., miscalling—the modern economic order "capitalism." Ricardo and his followers certainly thought of the system as centering around the employment and control of labor by the capitalist. In theory, this is of course diametrically wrong. The entrepreneur employs and directs both labor and capital (the latter including land), and laborer and capitalist play the same passive role, over against the active one of the entrepreneur. It is true that entrepreneurship is not completely separable from the function of the capitalist, but neither is it completely separable from that of labor. The superficial observer is typically confused by the ambiguity of the concept of ownership. (Knight, 1956, p. 68)

However, Wright's view of the "capitalist" system and even his view of worker cooperatives (!) is totally imbued

with the fundamental myth. For instance, he sees the private ownership of capital as including the:

rights to control the use and allocation of the surplus generated with the use of the means of production (i.e. the net income generated by the use of the means of production). (Wright, 2010, p. 75)

The footnote on the same page includes:

The right to control the surplus generated through the use of means of production is very close to what economists refer to as "residual claimancy"—i.e. the right to all of the income generated in some economic process that remains after all expenses are paid. (2010, p. 75)

Or concerning the governance rights over workers, Wright also considers that as part of the rights of capital ownership:

At the core of the institution of private property is the power of owners to decide how their property is to be used. In the context of capitalist firms this is the basis for conferring authority on owners to direct the actions of their employees. (2010, p. 34)

But the basic point is that in the misnamed "capitalist" economy, capital goods are just as rentable as people. If any legal party *rents* the necessary capital goods (perhaps from different capital owners) and buys the other inputs, then that party will be the residual claimant, even though the owners of the capital goods are *still just that*. Hence the residual claimant rights are not part and parcel of the ownership of capital goods. The residual claimancy role is a contractual role, and one does not 'own' a contractual role in a market economy.

There is a common confusion among both critics and defenders of market economies about what is in fact owned and what is determined by the pattern of market contracts—by who rents what or whom. For instance, a conventional corporation has owners (the common stockholders) and a corporation may own capital goods, but it is the pattern of market contracts that determines who is the 'firm' in the sense of the going-concern business using that capital. And market contractual-patterns are not 'owned'. This holds even when the owner of the capital is a corporation and the capital good is a whole factory.

For instance, after the merger of the Studebaker and Packard companies in the early 1950's, the Studebaker-Packard Corporation for a few years produced Packard car bodies in a plant leased from the Chrysler Corporation (Wikipedia). During that lease arrangement, Chrysler "owned the factory", but it was neither the residual claimant nor the manager of the employees producing Packard car bodies in its factory due to the market contract leasing the factory to the Studebaker-Packard Corporation. The common phrase "ownership of the firm" is fundamentally confused. The Chrysler shareholders "owned the firm" in the sense of the owning the Chrysler corporation, and the corporation "owned the factory," but Chrysler did not "own" the going-concern business using those "means of production." These simple points of conceptual clarity should not be hard for both critics and supporters of markets to understand.³

This misunderstanding of the ownership of capital was no small mistake in Marx. It determined the whole focus of his theoretical efforts (e.g., the name and topic of his main work) and it led to the disastrous call for the abolition of the "private ownership system" and to the general use of "private" as a swear word on much of the Left. The real distinctive feature of the current private enterprise system is the legal contract for the hiring, employing, or renting of human beings.

Referring to the employment relation as the 'renting' of persons is not common usage but it is technically correct. In America, common usage is to "rent a car" and "hire a person" but in the UK, rental cars are called "hire cars." Regardless of the language, it is the buying of the services provided by an entity as opposed to buying the entity itself. As the first American winner of the Economics Nobel Prize, Paul Samuelson, put it:

Since slavery was abolished, human earning power is forbidden by law to be capitalized. A man is not even free to sell himself: he must *rent* himself at a wage. (Samuelson, 1976, p. 52 (his italics))

Or as other neoclassical economists have put it:

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, Fischer, & Dornbusch, 1997, p. 201)

Marxism has both in theory and in practice nationalized rather than abolished the human rental system so that private employees become public employees instead of becoming the owner/members in firms such as worker cooperatives where the people who work in a firm are jointly working for themselves renting or owning the necessary capital. This brings us to Wright's treatment of worker cooperatives.

ON THE LEGAL STRUCTURE OF A WORKER COOPERATIVE

Wright is so imbued with the fundamental myth that he even uses it to try to characterize worker cooperatives. The workers in a worker cooperative or self-managed firm (an older variant) are said to have the residual and governance rights *because* they are the owners of the means of production. For instance, in the *Jacobin* article, Wright writes:

In a worker-owned cooperative, all of the assets of the firms are jointly owned by the employees themselves, who also govern the firm in a one-person-one-vote, democratic manner. (12.2.2015)

In an essay written before (1979) workers' self-management had collapsed in Yugoslavia and when the younger Wright was more committed to using Marxist buzz-words to signal his membership in the "ideal speech community" (Gouldner) of Marxists, he put the same idea using that jargon.

Workers' self-management constitutes production in which the workers in a particular enterprise own the means of production and control the production process, and thus exercise rights over the disposition of the surplus produced by themselves within that enterprise. The mechanism of appropriation of the surplus labor can thus be designated "private-collective self-appropriation." The direct producers appropriate their own surplus labor, and they do so through a collective process of management and control over the production process. But this collective process remains essentially private in that the means of production are fully alienable and thus the surplus is appropriated by the workers in individual enterprises rather than by the working class as a whole. The mechanism of appropriation thus contains within itself both capitalist and commu-

nist elements: it is communist in that it is collective selfappropriation rather than exploitation; it is capitalist in that it is private rather than social. (1994, p. 142)

In the book under review, he expresses essentially the same idea without all the Marxist jargon.

A stand-alone fully worker-owned cooperative firm in a capitalist economy is a form of social capitalism: the egalitarian principle of one-person one-vote of all members of the business means that the power relations within the firm are based on voluntary cooperation and persuasion, not the relative economic power of different people. Jointly they control through democratic means the economic power represented by the capital in the firm. (2010, p. 91)

Or:

At the other end of the spectrum are firms characterized by two principles: they are *fully owned by their employees* and they are *democratically governed by their members* on a one-person-one vote basis. Such firms are called worker cooperatives or producer cooperatives. (2010, p. 167)

As an aside, it might be noted that in the American usage, “producer cooperatives” refers not to worker cooperatives but to agricultural marketing and processing ‘cooperatives’ (e.g., Land O’Lakes, Ocean Spray, Sunkist, etc.) which are completely conventional from the viewpoint of the employees and whose members are mostly agri-business corporate ‘producers.’

Or again the same idea:

If they [the workers] were owners of the firm, for example in the form of a worker-owned co-op, then their individual interests would be much more strongly aligned with those of the firm in which they worked, and fewer resources would have to be devoted to the tasks of social control. Since in general workers would work harder with less monitoring when they own the means of production, the heavy social control apparatus of capitalist production is a source of inefficiency. (2010, p. 41)

It is not difficult to conceptually separate being the residual claimant in a firm such as a worker cooperative from being the owner of the means of production. For instance, a family farm (as a one family worker cooperative) or an agricultural worker cooperative may well lease the land they work on, e.g., from a neighbor who can no longer work the land or from a land trust.

Moreover, it is important, particularly for Marxists wielding capitalist notions of the “ownership of the firm,” to realize that there are other types of rights afoot than property rights. The other major type of right, sometimes called “personal” or even “human” rights, are assigned to fulfilling a certain functional role—such as the voting rights attached to residing in a democratic living community. It makes no sense to treat these rights as alienable in a market transaction since the buyer may not have the qualifying functional role, and if she or he did, then they would not need to buy the rights. The litmus test to differentiate property rights from personal rights is inheritability (or bequeathability). When you die, all your personal rights are extinguished but your property rights pass to your heirs.

The members of a worker cooperative do not get their *membership* rights (net income and self-governance rights) as part of the property rights such as “ownership of the means of production” or as “ownership of the firm.” Instead they are personal rights attached to the functional role of working in the firm—just as one’s municipal voting rights are attached to the functional role of residing in the municipality. This has been spelled out quite clearly in the literature on worker cooperatives for at least 40 years, e.g., the pamphlet (ICA, 1978) published by the oldest organization in the country devoted to worker co-ops, the Industrial Cooperative Association (now The ICA Group). The legal structure of a worker co-op has been spelled out repeatedly over the years, e.g., in the 1982 collection of essays called *Workplace Democracy and Social Change* (Ellerman, *On the Legal Structure of Workers’ Cooperatives*, 1982), or in the 1984 collection of called *Worker Cooperatives in America* (Ellerman, *Workers’ Cooperatives: The Question of Legal Structure*, 1984) as well as in academic journals, e.g., (Ellerman, *Theory of Legal Structure: Worker Cooperatives*, 1984) or (Ellerman & Pitegoff, *The Democratic Corporation: The New Worker Cooperative Statute in Massachusetts*, 1982-3), and in a host of other papers and books. It is not clear how anyone modestly familiar with the literature on worker co-ops has to fall back on the idea that the members of a worker co-op have the residual and governance rights *because they “own the means of production.”*

If Marxists have trouble grasping the concept of having personal rights attached to the role of working in a worker cooperative, then it is best not to delve into the whole matter of the worker-members' *property rights* in a worker co-op in the form of internal capital accounts (or "divisible reserves") (Ellerman, 2007) which were pioneered in the Mondragon cooperatives and were completely unmentioned in Wright's whole discussion of Mondragon. That is just too much complication for those thinking within the framing of who "owns the means of production."

IS WRIGHT IN FAVOR OF WORKPLACE DEMOCRACY?

In his very definition of democracy, Wright uses what has been called the *affected interests* principle.

The second normative principle underlying the diagnosis and critique in this book concerns individual freedom and democracy. These two ideas are linked here because they both concern the power of people to make choices about things which affect their lives. This is the core principle: people should control as much as possible those decisions which affect their lives.

"Freedom" is the power to make choices over one's own life; "democracy" is the power to participate in the effective control of collective choices that affect one's life as a member of the wider society. The democratic egalitarian principle of political justice is that all people should have equal access to the powers needed to make choices over their own lives and to participate in collective choices that affect them because of the society in which they live. (2010, p. 12)

This is the core reason why Wright is actually *not in favor of workplace democracy* at the firm level as in a worker cooperative or democratic self-governing firm. Say, a worker co-op produces computers or cell phones that may be used all over the country or all over the world. Then all those users are "affected" by the potential decision by the worker co-op to raise prices or to change the design, so they are all "stakeholders" who need a "say" in the decision.

The term "stakeholders" is a contrast with the term "shareowners". Share owners are the set of people with private property rights in the means of production.

Stakeholders are all those with a "stake" in the means of production because their lives are affected by how those means of production are used. The idea that social ownership of specific means of production should extend to all stakeholders is the principle most consistent with the normative ideals of radical democratic egalitarianism discussed in chapter 1. Recall that the democratic egalitarian principle of political justice is that all people should have equal access to the means necessary to participate in decisions which affect their lives as individuals and as members as communities. This corresponds to the expansive notion of social ownership in which all "stakeholders" have ownership rights. (2010, p. 77)

Aside from characterizing (supposed) democratic rights as "ownership rights", the point is the usual socialist one that "democratic control of the means of production and distribution" must involve potentially everyone or at least all the "stakeholders" in "society." Thus, there can be no workplace democracy at the firm level—although "society" may *delegate* certain minor decisions to the workers in a firm in "democratic egalitarian socialism". The expression "extending democratic rights to the workplace" has the usual socialist twist to mean not democracy in the workplace but extending the reach of social-political democracy or "democratic social power" to include otherwise private workplaces.

What is the alternative definition of democracy? The usual non-socialist definition of democracy is self-government of, by, and for *those who are governed*, not those who might just be affected. This uses the rather basic distinction between positive-direct-decision-making rights (e.g., within an organization) and negative-indirect-decision-constraining rights (e.g., in the marketplace). The rights of those who are only affected are usually enforced by their negative-indirect-decision-constraining rights such as their veto power in the marketplace (don't buy the product!) or by consumer protection legislation in the overall political democracy.

But socialists are driven by their goal to largely eliminate the market so they disregard the usual indirect control rights exercised in the marketplace and thus have to extend "social democratic power" to include all workplaces. The suppliers of capital and other things to a productive firm, the buyers of the products, and the local residents are all not *governed* by the management of the firm. They are all only potentially affected by the decisions of the firm and thus should have *effective* indirect control rights through the

market or otherwise to protect their affected interests. That is the real import of the affected interests principle.

It might be noted that Robert Dahl also conceptualized democracy in terms of the affected interest principle and he also tended to buy the fundamental myth that control (and residual) rights are part of the “ownership of economic enterprises” (Dahl, 1985, p. 62)—as noted in the review (Ellerman, 1985) of his book *A Preface to Economic Democracy*. Wright quotes Dahl approvingly.

Robert Dahl has argued, in an important book on the meaning of democracy, that there is no logical reason why rights to private ownership confer rights to dictatorial power over employees. (2010, p. 34, fn. 15)

After noting that Dahl is against the fundamental myth as if it were a legal fact, Wright goes on to paraphrase a very different argument against the *real* legal source of the governance rights over the workers, namely the human rental or employment contract.

Just as we have abolished slavery even in cases where a person might want to voluntarily enter into a contract to be a slave on the grounds that people should not be allowed to permanently give up their rights to autonomy (or “self-ownership” as some philosophers call it), we could prohibit people from giving up their right to autonomy within the employment contract of capitalist firms. People could still invest in firms, but this would only give them rights to a stream of earnings from the investment, not any rights to control the activities of people within the firm. [reference to (Dahl 1985)]. (Wright, 2010, p. 34, fn. 15)

An argument against a voluntary contract to give up one’s “right to autonomy within the employment contract” is normally called an inalienable rights argument. Prior to Marx, Hegel clearly spelled out the inalienable rights argument against allowing a person to “voluntarily enter into a contract to be a slave” in the *Philosophy of Right* (Hegel, 1967, p. Sec. 67) and that argument clearly also applied to the human rental contract—but it all sailed right by Marx. In fact, Marx went on to ridicule such arguments against the wage-labor contract itself by characterizing the sphere of exchange as the “very Eden of the innate rights of man” (Marx, 1977 (1867), p. Chap. VI) and Marxists have ever since only snickered at the very mention of inalienable rights. Hence Wright does not follow up on Dahl’s promis-

ing lead and instead, at least in his earlier and more intense Marxist phase, appealed to Marx’s labor theory of value and exploitation (Wright, 1994, p. 128)

Fortunately, Dahl’s use of the affected interests principle is innocent since he does not draw the usual socialist conclusion that all non-governmental firms (of any size) should fall under the political-social democratic governance. He ignores the socialist arguments when it comes to his “Sketch of an Alternative”. Instead Dahl comes out in favor of straightforward workplace democracy in the form of “worker’s cooperatives or examples of self-management or industrial democracy; but I prefer the term *self-governing enterprises*.” (Dahl, 1985, p. 91)⁴

A LABOR THEORY OF ‘WHAT’?

In commenting on what is *in* a book like *Envisioning Real Utopias*, one might also note “some dogs that didn’t bark.” In addition to Marx’s misunderstanding the basic structure of legal rights in a “capitalist” private property market economy, Marx spent most of his massive theoretical efforts in developing the inchoate “labor theory” inherited from Locke, Smith, and particularly Ricardo into a labor theory of value and exploitation. This theory ended up being a major train wreck in addition to being inherently superficial even if it had been a plausible theory of value. That is, as a theory of value it could at best only be a proof that wage-labor was systematically underpaid. For instance, in Marx’s discussion of overtime work, he said that even if the labor during the normal work day was “paid for at its full value”, there would still be unpaid labor extracted in overtime. In his own words:

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 (1867), p. 357; Chap. X, sec. 3)

While Marx was no doubt personally against the institution of wage-labor *per se* as evidenced by his “moralistic inductive,”⁵ his *theory* (even assuming it was valid) was only a theory trying to show that wage-labor is not “paid for at its full value.” In this respect, Marx can hold hands with neo-classical economists who have their own equally superficial “bourgeois” wages-are-too-damn-low exploitation theory

that under non-competitive conditions, wage-labor is also not “paid for at its full value”, i.e., is not paid at the value of its marginal productivity (Ellerman, *The Labour Theory of Property and Marginal Productivity Theory*, 2016). Since the Marxian labor theory of value and exploitation was a train wreck as a theory of value and was in any case superficial—like its bourgeois brother—one wonders why so many Marxists have one of two reactions:

1. cling to the labor theory of value and exploitation as one’s ‘badge of Red courage’ to signal membership in the dwindling band of Marxists, or
2. just drop it altogether without understanding that there was another labor theory that might be valid.

John Locke, Adam Smith, and David Ricardo bequeathed to the 1800s an inchoate set of ideas which might be called “the labor theory” based somehow on the special status of human labor among the other factors of production. Those who saw their social role as finding a ‘scientific’ apology for “the system” needed to find some alternative theory where human labor would play no distinguished role. That was only accomplished towards the end of that century with marginal productivity theory as part of the whole marginalist revolution. But the critics of “the system” tried to develop the labor theory as a criticism of the system. Marx made the crucial decision to develop “the labor theory” as a labor theory of value and exploitation—and to target the

system as “the capitalist system.” But that was not the only way to develop that inchoate set of ideas nor the only way to identify the system.

The alternative path was to develop it as the *labor or natural rights theory of property*, e.g., (Schlatter, 1951), and to identify “the system” as the human rental system. That was essentially the path taken by the small band of political economists sometimes called “Ricardian socialists” although they were neither. Some of the principals in the school were Thomas Hodgskin and Pierre-Joseph Proudhon.

There are many Marxists who have taken second option of wisely dropping the labor theory of value and exploitation, and thus who have to get their Marxist membership ticket punched on the basis of some other theory like historical materialism, crisis theory, class analysis, or just a postmodernist word-cloud of the right buzz-words. What I at first found puzzling was why they didn’t cross over to the labor theory of property? That theory delivers a critique of the institution of wage-labor *per se* and is independent of any theory of value or wage rates. In the vernacular, Marx ‘brought a knife to a gun fight’, i.e., he brought a value theory to a property theory fight, so, of course, he lost out even if it had been a plausible value theory.

But how is a Marxist to find that alternative labor theory? It is not in Marx as some true-blue Marxists have testified.

None of this, by the way, implies that Marx intended the labor theory of value as a theory of property

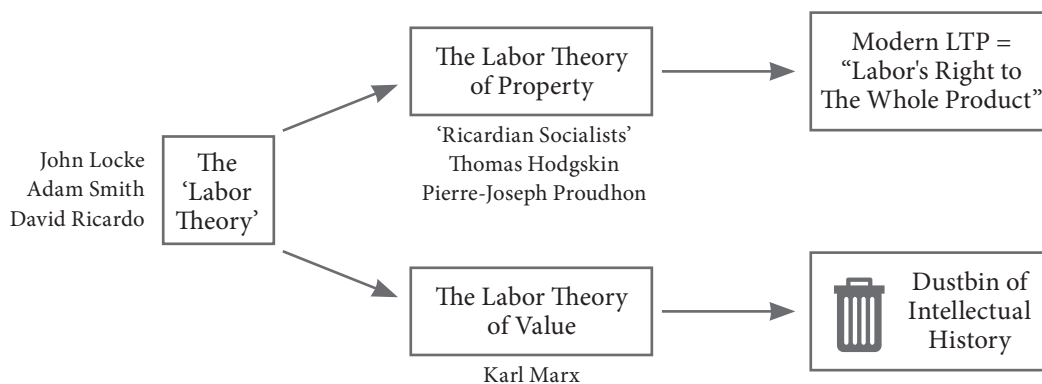


Figure 1: The fork in “the labor theory” road

rights, a la Locke or even Proudhon. (Shaikh, 1977, p. 121)

Marxists might discover the alternative “labor theory” by at least reading the titles of the other labor theory books such as:

- Proudhon’s main book, *What is Property?* (Proudhon, 1970 (1840)),
- Hodgskin’s book, *The Natural and Artificial Right of Property Contrasted* (Hodgskin, 1973 (1832)), or
- Anton Menger’s book about the core tenet of that school, *The Right to the Whole Produce of Labour: The Origin and Development of the Theory of Labour’s Claim to the Whole Product of Industry* (Menger, 1970 (1899)).

That is, in the labor theory of ‘what?’, the alternative ‘what’ is *property*.

But Marxists cannot adopt the labor theory of property because it is the normative basis for private property (“getting the fruits of your labor”). Marxists are dedicated to the “abolition of private property” (for the fallacious reasons outlined above concerning the fundamental myth)—as well as to the “social appropriation” of the product of industry. In short, Marxists are inherently *against* the people working in each enterprise privately and jointly appropriating the positive and negative fruits of their labor. Hence Marxists are not going to drop the labor theory of value in favor of the labor theory of property.

An interesting case of a potential crossover Marxist is the late G. A. Cohen. Cohen was one of the founding and leading members of the Analytical Marxism group which includes Wright and seems to be his main reference group; see the Prologue in (Wright, 1994). At some point, Cohen had the brainstorm that the core critique actually had nothing to do with value!

And it is this fairly obvious truth which, I contend, lies at the heart of the Marxist charge of exploitation. The real basis of that charge is not that workers produce value, but that they produce what has it. (Cohen, 1981, p. 219)

One would think it might occur to Cohen at this point that if the “fairly obvious truth” is not about value, then the “labour theory” might really be the “labour theory” of something else. But Cohen was not able to find that other labor theory—which, in any case, would not deliver the *sine*

qua non of Marxist socialism, the “social” appropriation of the product of industry. Hence Cohen goes on to argue that all the inputs are “socially produced” and thus appropriation must take place at the “social” level.

It is a shame that Cohen did not understand that the direct implication of his “fairly obvious truth” is that the inputs in one enterprise are what the workers produce in a supplier enterprise. For instance, the drill presses used to produce the product in one enterprise are the products produced not by “society” but by the people working in a drill press enterprise. And the appropriate notion of “product” that the people in an enterprise produce is the whole product (i.e., the production vector of output-assets and input-liabilities) which includes not only the output-assets but also the liabilities for the inputs they use up, e.g., the liabilities for using up the services of the drill presses to be satisfied by buying or leasing the drill presses.

By the labor theory of property, the people who work in one enterprise should:

- jointly own the assets they produce as outputs, *and*
- jointly owe the liabilities they also create by using up the inputs.

Those liabilities would be satisfied by buying the necessary inputs from the supplier firms. But that would typically be a market transaction—which is another reason why this whole train of thought is not available to someone whose pre-analytical predilection is abolishing market relationships.

The non-development of the labor theory of property and the condemnation of the “private property system” is perhaps the greatest gift of Marxism to the professional apologists for the human rental system. That is why Marxism now functions as a capitalist tool.⁶ The human rental system gives the people (“employees”) working in each firm:

- zero percent of their negative product (the liabilities for using use the inputs), and
- zero percent of the positive product (the assets produced as outputs).

That is, it gives them zero percent of the whole product (positive + negative product). Instead of the Marxist (and conventional) picture of the workers getting part of the product with the employer appropriating the “surplus product,” the legal facts are that the employer appropriates the whole product (all the produced outputs and all the liabili-

ties for the inputs) and the workers none. As an economic sociologist, Wright should appreciate the accurate statement of the legal facts by another sociologist in the early 20th century.

The laborer at no time owns any part of what is passing through his hands or under his eye. Never can he say, “This product, when finished, will be mine, and my rewards will depend on how successfully I can dispose of it.” There is much theoretic discussion to the “right of labor to the whole product” and much querying as to how much of the product belongs to the laborer. These questions never bother the manufacturer or his employee. They both know that, in actual fact, all of the product belongs to the capitalist, and none to the laborer. The latter has sold his labor, and has a right to the stipulated payment therefor. His claims stop there. He has no more ground for assuming a part ownership in the product than has the man who sold the raw materials, or the land on which the factory stands. (Fairchild, 1916, p. 65-6)

Instead, the employees are treated as suppliers of the commodity labor, and thus as the party to whom the labor liability (the labor costs) is owed. That liability and the other input-liabilities are paid off by the employer, who is thus the residual claimant.

By being against “the private property system” and by eschewing the whole labor theory of property as the only legitimate basis for private property, Marxism has delivered a priceless gift to the apologists for the human rental system. The apologists can pose as the defenders of “the private property system” –when in fact the human rental system is directly based on denying rented people (“employees”) the appropriation of the positive and negative fruits of their labor.

As for the dogs that didn’t bark in the case at hand, Wright in this book and elsewhere in his writings studiously eschews any of the “bourgeois” language or concepts of the labor theory of property (e.g., getting the fruits of your labor or, in juridical terms, imputing the positive and negative legal responsibility for the results of production to those who are *de facto* responsible for producing those results) from the whole discussion and critique of the current system. Instead Wright espouses the collective or social appropriation by “the working class as a whole” or, in this book, by a vague mélange of “social associations.” In either case, from the history of real-existing Marxist socialism in

the 20th century, one does not have to wonder what institution would end up doing the actual “social” appropriation.

In conclusion, we might quote the genuinely radical proposals of the democratic classical liberal and yet Conservative MP (who was dubbed “Minister for Thought”), Lord Eustace Percy, who remarked when considering the post-WWII reconstruction:

Here is the most urgent challenge to political invention ever offered to the jurist and the statesman. The human association which in fact produces and distributes wealth, the association of workmen, managers, technicians and directors, is not an association recognised by the law. The association which the law does recognise—the association of shareholders, creditors and directors—is incapable of production and is not expected by the law to perform these functions. We have to give law to the real association, and to withdraw meaningless privilege from the imaginary one. (Percy, 1944, p. 38)

NOTES

- 1 It is often said the Marx did not elaborate on his vision of an ideal society. But when one condemns “the system” because it has X (e.g., X = private ownership of capital or X = market relations), then one has clearly stated that one’s ideal at least does not have X.
- 2 This is a statement about legal rights, not about “social power” which, everyone knows, is typically in the hands of the employer/capital-owner.
- 3 The attempt to clarify Marxian thinking about the structure of legal rights is usually met with the Foucauldian response: “How can you be so superficial to worry about legal rights? It is all just congealed power relations.”
- 4 And Dahl footnotes a non-socialist source: “In clarifying my ideas on this question I have profited greatly from a number of unpublished papers by David Ellerman, cited in the bibliography,” (Dahl 1985, p. 91, fn. 1)
- 5 Albert O. Hirschman’s verdict was that Marx’s “works exhibit a simple juxtaposition of scientific apparatus and moralistic invective, wholly *unversöhnt*” [i.e., unresolved] quoted in: (Adelman 2013, p. 570).
- 6 For instance, when conventional economists want to “take on the opposition,” they typically search out the

nearest Marxist to lecture on the deficiencies of the labor theory of value. A perfect example of this genre is Robert Solow's scolding of Marxist Duncan Foley in (Solow, 2006).

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