

Towards abolishing the institution of renting persons: A different path for the Left

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Abstract

This paper is a brief analysis of how the Left has been side-tracked for about a century and a half by Marx, Lenin, and the Russian Revolution. It is as if the central question was whether people should be publicly or privately rented – with the Great Capitalism-Communism Debate and Cold War being like a “Peloponnesian War” over whether slaves should be publicly owned (Sparta) or privately owned (Athens). Although Marx would have *personally* favored abolishing the (private) wage-labor relation, the deficiency was in his theories. He had:

- no theory of inalienable rights to critique wage-labor *per se*;
- no labor theory of property about workers appropriating the whole product (positive and negative fruits of their labor); and
- no theory about democracy in the workplace (or elsewhere).

The major fork-in-the-road started with the inchoate “labor theory” of Locke, Smith, and Ricardo. Marx tried to develop it as the labor theory of value and exploitation, and the so-called “Ricardian Socialist” (such as Thomas Hodgskin and to some extent, Proudhon) developed it as the labor theory of property – while modern economics bypassed it entirely with the marginalist revolution. We argue that the Left should take the branch indicated by the labor theory of property.

What is the name of today’s work relation?

Today almost all working people are employed as private or public employees. The employer-employee relationship is usually described by various euphemisms such as hiring, employing, giving a job to, place-holding, and so forth. But from the economic viewpoint, it is the renting of a person similar to renting a car (called “hire-cars” in the UK) or an apartment, i.e., buying the flows of services of an entity instead of buying the entity itself.

This rental terminology is not controversial. As the first American Economics Nobel winner, 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 emphasis)).

Other prominent economists agree:

“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 and Dornbusch, 1997, p. 201).

What are the facts of the matter?

To analyze this legal relationship of renting persons, we have to look at the facts of the matter regardless of the legal superstructure. The facts are that all the people who work in an enterprise, employees and working employers, are jointly de facto responsible for using up the other inputs and producing the products. But due to the human rental contract, which operates as if that human responsibility can be alienated and transferred, allows the employer to appropriate 100% of the positive and negative product, which means the employer owns all the assets produced and owes all the liabilities created in production, i.e., the employer legally appropriates the “whole product” (Menger, 1970 [1899]).

But that human responsibility cannot in fact be alienated and transferred by any voluntary acts of the employees. Since this is about the 500th anniversary of the Protestant Reformation, by the doctrine of the inalienability of conscience, “No one can believe for another” (Cassirer, 1963, p. 117). Just as a person cannot in fact alienate the decision about what to believe to another, so they cannot alienate the decision to do this or that to produce a widget in a productive process. All people can do voluntarily is to, say, follow another’s orders to do this or that, which means they are inextricably co-responsible for the results.

A simple example on inalienability

The factual inalienability of a person’s responsible agency is non-controversial and perfectly well recognized by the Law when the person commits a crime – even as a slave or an employee. As one of the abolitionists put it:

“The slave, who is but ‘a chattel’ on all other occasions, with not one solitary attribute of personality accorded to him, becomes ‘a person’ whenever he is to be punished” (Goodell, 1969 [1853], p. 309).

The person’s inalienable responsible agency is similarly recognized by the legal system when the person is only rented instead of being owned by a master. A standard British law-book on the employer-employee relation notes:

“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).

Now what happens when the employer and employee “jointly carried out a [non-]criminal venture”? Do the employees suddenly turn into machines being “employed” by the all-responsible employer? No, the inalienable co-responsibility of the employees is the same as before. It is the response of the Law that changes. No crime has been committed so no need to hold a trial to explicitly implement the *juridical principle of imputation*; to assign the legal responsibility in accordance with the factual responsibility. The employer pays off 100% the input liabilities (the expenses) and thus has 100% claim on the produced outputs, and the employees qua employees have 0% of the negative and positive fruits of their labor.

Since there is no actual transfer of responsible human agency from the labor-seller to the labor-buyer, the whole contract to buy-and-sell labor, i.e., to rent persons, is a legalized fraud

on an institutional scale, and thus should be abolished along with the self-sale contract. Ernst Wigforss, one of the founders of Swedish social democracy, thus argued for the invalidity of the human rental contract.

“There has not been any dearth of attempts to squeeze the labor contract entirely into the shape of an ordinary purchase-and-sale agreement. The worker sells his or her labor power and the employer pays an agreed price... But, above all, from a labor perspective the invalidity of the particular contract structure lies in its blindness to the fact that the labor power that the worker sells cannot like other commodities be separated from the living worker... Here we perhaps meet the core of the whole modern labor question...” (Wigforss, 1923, p. 28).

Wigforss is making an inalienable rights argument that the labor “that the worker sells cannot like other commodities be separated from the living worker.” The modern political theorist, Carole Pateman, makes the same point in her 1988 book *The Sexual Contract*:

“The answer to the question of how property in the person can be contracted out is that no such procedure is possible. Labour power, capacities or services, cannot be separated from the person of the worker like pieces of property” (Pateman, 1988, p. 150).

Responsible human action, i.e., “labor,” cannot be separated from the person – unlike the services of any thing that is rented out, e.g., a mule, truck, or apartment.

How the Left lost its way

Some of what John Stuart Mill said in the middle of the 19th century still sounds radical today.

“The form of association, however, which if mankind continue to improve, must be expected in the end to predominate, is not that which can exist between a capitalist as chief, and workpeople without a voice in the management, but the association of the labourers themselves on terms of equality, collectively owning the capital with which they carry on their operations, and working under managers elected and removable by themselves” (Mill, 1970 [1848], Bk. IV, Chap. VII).

How has the Left managed to make so little progress since that time? The answer is that Marx, Lenin, and the Russian Revolution have set back the Left for over a century and a half. It is as if the central question was whether people should be publicly or privately rented – with the Great Capitalism-Communism Debate and Cold War being like a “Peloponnesian War” over whether slaves should be publicly owned (Sparta) or privately owned (Athens). Although Marx would have *personally* favored abolishing the (private) wage-labor relation, the deficiency was in his theories. He had:

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Marx did have a labor theory of value and exploitation – which, even if it were not otherwise flawed, would only imply that workers were not paid the full value of their labor power. As Marx himself put it:

“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, Chap. 10, sec. 3 (emphasis added)).

In the American vernacular, Marx “brought a knife to a gun fight.” He brought a value theory to a property-theoretic fight. Even if it had been a sound theory of value, it would not have been a critique of wage-labor *per se* but only of labor not being “paid for at its full value.”

But that is not Marx’s greatest blunder. By misunderstanding the basis for the employer’s appropriation (i.e., the human rental contract), he ended up attacking the idea of private property! This allowed the employers (“capitalists”), who are the beneficiaries of the whole fraudulent human rental system,

- to appropriate the positive and negative fruits of other people’s labor by renting them; and
- to parade as the defenders of private property that is supposed to rest on the principle of people getting the fruits of their labor!

How hopeless is a so-called “critique” that allows those, who defraud people out of the fruits of their labor by renting the people, to parade as the “defenders of private property” – the system that is supposed be based on the principle of getting the fruits of your labor. Although they lacked the power of Marx’s systematic thinking, not to mention his rhetoric, there were others, such as Thomas Hodgskin and Pierre-Joseph Proudhon, who during or preceding Marx’s time correctly understood that it was a property-fight to get private property refounded on a just basis. Indeed, one need look no further that the titles of their main books: Hodgskin’s *The Natural and Artificial Right of Property Contrasted* (Hodgskin 1973 [1832]) and Proudhon’s *What Is Property?: An Inquiry into the Principle of Right and of Government* (Proudhon, 1970 [1840]).

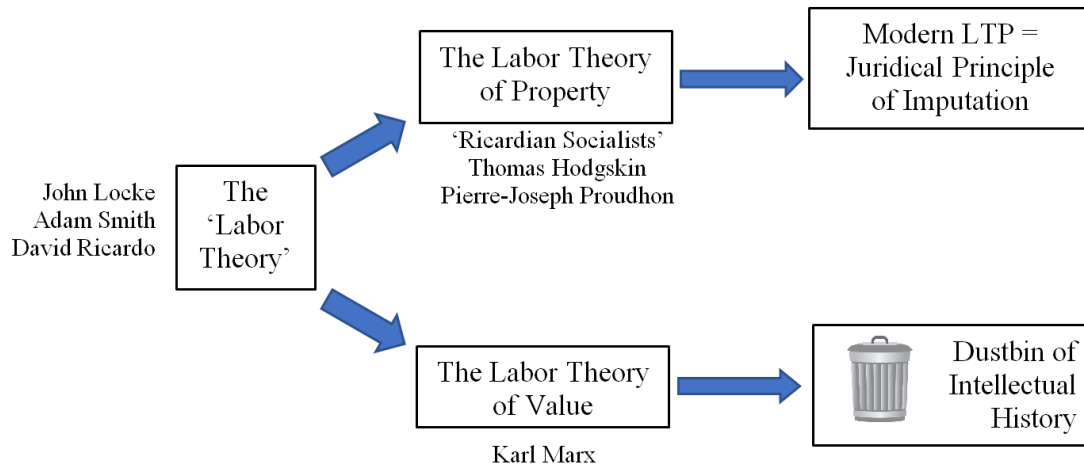
The conclusions of these arguments are that, contrary to Marx and Marxism, the Left should be arguing for the abolition (not nationalization or ‘socialization’) of the whole system of renting human beings:

- In the name of inalienable rights (abolishing the human rental system);
- In the name of private property (getting the fruits of one’s labor); and
- In the name of democracy (in the workplace).¹

¹ For further development of these arguments using the labor theory of property, the theory of inalienable rights, and democratic theory, see (Ellerman 1992) or (Ellerman, forthcoming).

That is the Neo-Abolitionist call for the abolition of the renting of people that follows the historical Abolitionist call for the abolition of the system of the (involuntary or voluntary) owning of people. The alternative to the human rental system is the genuine system of private property and non-fraudulent market contracts where everyone is a member of the democratic enterprise where they work so all people are jointly working for and governing themselves in the workplace – and jointly appropriating the positive and negative fruits of their labor.

Figure 1 Two roads from the “Labor Theory”



Democratic firms

In a remarkable post-WWII passage, the Conservative thinker, Lord Eustace Percy, put the fundamental task as follows:

“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).

With the renting of persons abolished, each firm would be “the association of workmen, managers, technicians and directors.” Labor would be hiring capital, instead of the owners of capital renting the people working in “their” firm to appropriate the (positive and negative) fruits of their labor. Each firm would be democratic community of work, an industrial republic, with the industrial cooperatives in the Mondragon system in the Spanish Basque country being an existing example (Whyte and Whyte, 1991). The vision of abolishing the wage system in favor of a commonwealth of cooperatives was a goal of the 19th century Labor Movement (Gourevitch, 2015). But then the Left was side-tracked for over a century and half by Marx, Lenin, and the Russian Revolution and the ensuing Great Debate about whether people should be publicly or privately rented.

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