



The ABCs of Capitalism

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In early 2015 the Gallup Agency polled Americans on what they thought was the most pressing concern for the United States. The winner? A cluster of issues labelled “economic problems,” which at 38 percent, topped all other issues by a factor of more than 2 to 1. If we add concerns such as health care (10 per cent), education (7 per cent), and poverty/joblessness (4 percent) — matters of economic welfare were the biggest concern for 60 percent of the respondents.¹ A few weeks later, the Pew Charitable Trust queried Americans on their sense of financial security. It found that 50 percent of those polled declared that they felt acutely insecure about their financial situation. An astounding 71 percent declared that they could not pay

¹ “Most Important Problem,” accessed March 7, 2015, <http://www.gallup.com/poll/1675/most-important-problem.aspx>.

their bills and 70 percent said they did not have enough saved to retire. The feeling of insecurity about their future weighs so heavily on the minds of Americans that a whopping 92 percent said that they would give up economic mobility in exchange for economic security. It is not that the respondents don't wish for mobility — rather, they view their situation as being so precarious that they would forego future economic gains for a sense of stability here and now.²

Things are not this bad for everyone. In fact, for those at the apex of American society, life has never been so good. For America's richest families, the last forty years have been something like a non-stop party. Even as incomes have stagnated for the vast majority, the richest 10 percent have gotten richer and fatter. In the United States, 88 percent of all the increase in personal wealth between 1983 and 2016 went to this group, while none went to the bottom 80 percent. If we turn to income growth, about 83 percent of increases in income since 1982 went to the top 10 percent, while the bottom 80 percent only got 8 percent of the total.³ So, even as the economy has gotten better and more efficient since 1980, almost all of the direct benefits have gone to those who were already rich.

Any decent person would agree that there is something fundamentally wrong with this situation. How can it be that in a society with such enormous resources and wealth, a thin layer of the population at the top gets to have everything, while millions upon millions experience life as a daily grind, a struggle just to make ends meet?

Well, mainstream media and talking heads do have an explanation, and it tends to be of two kinds. The first one places the focus on individuals. It's exemplified in what Republican presidential

2 Pew Charitable Trust, *Americans Financial Stability — Perception and Reality*, March 2015.

3 Edward Wolff, "Household Wealth Trends in the United States, 1962 to 2016: Has Middle Class Wealth Recovered?" NBER Working Paper, November 2017, <http://www.nber.org/papers/w24085>.

candidate Herman Cain said in his 2012 Primary campaign: “If you don’t have a job and you’re not rich, blame yourself!”⁴ What Cain meant is that the only thing standing between you and a decent life is your willingness to work hard. So if you are in poverty, stuck in a bad job, or simply unemployed, it is because you cannot or will not put in the effort to succeed. You either refuse to put in the hours, or you refuse to accept the wage and the hours that the job comes with. You are either too lazy or too precious. But then, if this is so, of course you have no one to blame but yourself.

The second explanation blames the government. The basic idea is that social problems arise because the government keeps interfering in the market, preventing it from functioning the way it is supposed to. If left to itself, the market is both fair and maximally efficient. As long as people want to work, everyone will find a job; if they have special skills, the market will recognize and reward them for it; if they have an idea that will make money, banks will give them the credit to start their own business and become rich. Markets spontaneously tend toward full employment and they reward people for their talents. The problem is that governments won’t leave them alone. Politicians and special interests pile on regulations that squelch entrepreneurial initiative; they launch welfare schemes that get people hooked on welfare; they don’t let goods flow freely across borders, and so on. The solution, therefore, is to get the government out of the economy and let the market do its magic.

It’s easy to see that this is the view from the mansion. It is the ideology of the winners, those for whom the system works fantastically well. On this view, if someone is rich it must be because of their hard work, not because they have the advantage of class; their money reflects their skills and talents, not the power they wield

⁴ “Cain to Protesters: ‘If You Don’t Have a Job and You’re Not Rich, Blame Yourself,’” accessed May 26, 2017, <http://thehill.com/video/campaign/185671-cain-to-protesters-if-you-dont-have-a-job-and-youre-not-rich-blame-yourself>.

The problem is the system, and if we're going to do anything to make the situation better, it is important to understand how that system works.

over their workers. There is no oppression and no exploitation, only free choice and opportunity.

For the last few decades, this explanation for people's misery didn't face much of a challenge. For what seemed like a lifetime, it looked like people saw no choice but to hunker down and try to just get through, even if they had doubts about what their TVs and their teachers told them about how society works. The idolatry of the market seemed to drown out every other voice.

But in the past few years, it's become pretty clear that people aren't buying the message any more. Whereas it seems it was only yesterday that Margaret Thatcher proclaimed there was "no alternative" to the market fundamentalism that she espoused and implemented — that ideology is now in shambles. The signs are everywhere, but most evidently in the explosive success of new left-wing political candidates in the Atlantic world — Bernie Sanders' campaign in the 2016 Democratic Party Primary in the United States, Jeremy Corbyn's amazing success in Great Britain, Jean-Luc Mélenchon's garnering of 20 percent of the vote in the first round of the French presidential elections, and the emergence of Podemos in Spain. On the flip side is the significant decline of the traditional parties of the center and the right, from France to Spain and Greece. An "alternative," to use Thatcher's language, is exactly what people

seem to want. In 2015, the most frequently entered query in Google's search engine was "socialism"!

Socialism is back in the air because there is a growing sense among working people that the problems they face aren't the doing of this or that party or politician, but stem from the way the system itself works. And in fact this intuition on the part of billions of people is correct — the problem is the system, and if we're going to do anything to make the situation better, it is important to understand how that system works.

This is a long essay. It might be useful to summarize in advance what it says. The five big points to take away from it are as follows:

- 1. Capitalism isn't just a collection of individuals, but individuals grouped in social classes.** People don't come to the market as individuals competing on a level playing field. They are grouped into different classes and face very different economic conditions. The basic fact that differentiates the people into these classes is whether or not they own their means of production — land, factories, banks, hotels, etc. The vast majority of people don't. The only way they can survive is by working for those who do own the means of production, called capitalists. So most people in capitalism are simple workers, and they have no choice but to sell their labor effort to capitalists; capitalists, in turn, sell the goods and services that they produce by hiring the workers. Both groups are forced to sell on the market, but what they sell is very different.
- 2. Capitalists and workers have very different interests.** Capitalists are driven to maximize profits. But in order to succeed, they typically have to wage constant war on their own employees. What every employer tries to achieve is to produce as cheaply as possible and to squeeze as much as she can out of her workers for every dollar she gives them. This naturally means

that each employer tries to keep her employees' wages as *low* as she can, while also getting as much work *out* of them as she can in return. This runs against what workers desire. Whereas the employer wants to keep wages low, the worker wants to set them as high as she can; and while the employer wants to set the pace of work as high as she can, the worker wants to keep it at a reasonable level. But because the employer is the stronger party, workers have to accept the terms, even though it undermines their wellbeing.

- 3. Capitalists aren't motivated by greed but by market pressures.** Capitalists don't cause harm to their employees out of malice or greed. Their motivation comes from the brute reality of market competition. If a capitalist doesn't produce at the lowest price, she knows that she will lose customers, and if that continues, her firm will start bleeding money. So she has to keep her selling price as low as possible. But if she's going to lower her selling price, she also has to lower her costs, or she won't make any money. Hence, she tries to pay out as little as possible for her inputs — the machines and raw material that she buys, and the wages she's paying to her workers. So every capitalist constantly tries to get the most out of every dollar she spends, including from her workers. *This is how firms survive in the market.* It has nothing to do with greed.
- 4. This system creates enormous wealth but also great misery for the majority.** This is why, even though capitalism creates enormous wealth, its benefits are so lopsided. Workers would be better off if every time productivity went up, it meant higher wages and shorter working days. This doesn't happen in a free market. Even while productivity is increasing, employers respond by demanding more effort and longer hours. But just as importantly, even as profits go up, there is no guarantee that they'll

come back to the employees as higher wages — the employer will prefer to keep the increased profits herself, either to pay out to shareholders, or to reinvest it, or put it in her pocket. This means that even as the economic pie expands, workers don't necessarily benefit from it. They can be stuck with stagnant wages, job insecurity, long hours, and ill health. If left to its own, the system itself creates enormous wealth for some, and misery for the many.

- 5. Workers only advance if they act collectively.** The reason you get fantastic riches on one side and mass misery on the other is very simple — workers are dependent on their employers, so they have to accept the terms they are offered. The boss gets to call the shots. Even though capitalists and workers need each other, they aren't equals. Yes, a factory owner has to have workers, and workers need to find a job. It sounds like a good bargain for both. But in fact, the worker will always be more desperate than the employer. She typically has very little savings to tide her over, is living hand to mouth, and knows that if she doesn't agree to the wage being offered, there are lots of other equally desperate people who will take those terms. What makes her weaker is the fact that she is easily replaced if she turns down the offer. The only solution to this for workers is to make it harder to be replaced if they choose to refuse the employers' offer, and the only way to consistently do this is by banding together. In other words, individual workers defend their interests by forming collective organizations. This is the lesson they have learned over the course of two centuries, and it is as true today as it was two centuries ago.

With this summary as a guidepost for our basic argument, we can work out the details.

WHAT IS CAPITALISM?

Capitalism is a kind of *economic system*. It is a particular way of organizing the production of goods and services in a given population. Now, to suggest that capitalism is *one* way of organizing economic activity implies that it is not the *only* way of doing so. There have been other kinds of economic systems — two well-known examples are the slave economy of ancient Rome and feudalism in medieval Europe and Asia. So what sets capitalism apart? How do we know it when we see it?

The simplest way to identify capitalism is on the basis of something called *market dependence*. In a capitalist society, the vast majority of people depend on the market to make a living. What this means is that when people try to acquire the basic necessities for their well-being — such as food, clothing and shelter — they have to buy or rent them from someone else. They don't have the option of making the essentials themselves. A system in which everyone is market-dependent has several important characteristics.

- 1. All production is carried out for selling on the market, not for self-consumption.** What this means is that when producers make something, it is not for their own use. The main aim is the *sale* of that product to someone *else*. This has a profound effect on all aspects of production. Those people who organize and carry out economic decisions now have to focus single-mindedly on finding a buyer for their goods. It doesn't matter if the good or service is something they personally like or have a use for. All that matters is that that someone *else* finds it desirable and wants to buy it.
- 2. The labor that goes into production is by people working for a wage.** Another way of saying this is that the typical form of employment in capitalism is wage labor. For most of human

history, most people were self-employed. They worked on their own plots of land as peasants, or in their own establishments as craftsmen. In capitalism, self-employment is the exception, not the rule. What is most common is for people to work for someone else. They work under their employer's direction, for an agreed-upon amount of time and at an agreed-upon rate of compensation. The most common is an hourly rate, which is called a wage.

- 3. Productive establishments are privately owned.** What this means is that the places that hire wage laborers — like factories, warehouses, restaurants, and hotels — are owned by individuals who have full and exclusive authority over what to do with them. They also have authority over whom to hire, how many people to employ, what to produce, whether or not to expand production, and so on. These owners are called *capitalists*, and the assets that they own are called *capital*.

These three elements are foundational to a capitalist system. It is important to note that while all three are important, it is really private ownership that gets the ball rolling. Wage labor was present to some extent in many economic systems — it existed in Ancient Rome and in every kind of medieval system in Europe and Asia. It was also very common to have trade and exchange, and, in fact, virtually every society with settled agriculture has had trade both within and outside its boundaries. But in all such cases, wage labor and trade were pretty minor phenomena. People worked for wages, but usually just to supplement what they produced on their own landholdings; there might have been some people who relied mainly on wage labor, but their numbers were small.

Similarly, trade has been around for centuries, even millennia, but family units very rarely *depended* on exchange for their survival. What they took to the market was usually a surplus left over

after their basic consumption needs had been satisfied. Hence, they didn't organize their production with the *goal* of selling on the market. What they made therefore remained geared toward personal consumption. So the mere fact that there exists some wage labor is not evidence of capitalism, nor is the existence of trade and exchange. Both of these phenomena have existed within pre-capitalist economic systems. In capitalism, wage labor and trade have moved to the very center of economic activity. They have become the *organizing principles* for production and distribution.

So trade and wage labor become markers of capitalism when they become the anchors of the entire economy — that is, when they become the means by which production and consumption are carried out. And historically, this only happened once the vast majority of people lost their access to the means of production. Throughout most of human history, the vast bulk of the population lived on the land, and, more importantly, individual families had publically recognized rights to plots of land. As long as they had access to this land, they could produce for themselves — they grew their own crops, produced much of their own articles of consumption, and therefore did not have to rely either on selling on the market or working for a wage. They still participated in market transactions, and they even resorted to wage labor occasionally. But their survival never *depended* on these activities. They relied on them only to supplement their income and consumption. As long as they had access to the means of production, they could keep market forces at bay in their lives.

But once economic actors are stripped of the means of production, once they lose access to land and capital, the conditions for their economic reproduction undergo a sea change. They can no longer rely on their own crops or handicrafts to survive, since they don't have access to key factors of production. They have to *buy* their articles of consumption on the market, which means that they have to first find a way of acquiring money in order to purchase them. This

The very act of creating a class of capitalists and a class of workers spreads the market throughout society.

money comes from working for those few people who now have taken exclusive control over the means of production — the capitalists.

Another way of putting all this is that capitalism comes about when a particular kind of class structure is created — in which there is a small group on one side called capitalists, who control the basic means of production; and another group, the vast majority, on the other side, who don't have any choice but to seek employment from these capitalists. We call the second group the working class. It's the creation of this class system that brings about complete market dependence for everyone. The very act of creating a class of capitalists and a class of workers spreads the market throughout society. How does that happen?

Here's how. By depriving the bulk of the population of the means of production, two new mass markets have been created simultaneously. First, by forcing the bulk of the population to go out looking for jobs, we have created a market for labor power. Owners of capital wishing to produce a good can now find labor on this newly established labor market. Second, by forcing these wage laborers to purchase their consumption goods on the market, we have created a mass market for those very goods — a market that didn't exist before, since people relied on their own means of production to feed and clothe themselves. There is now a market for labor and another

one for the goods that this labor will produce, whereas previously both of these were either very small or non-existent.

Hence, what has kept wage labor and market exchange at the margins of economic production throughout most of human history is the absence of private property. And what enables them to take over the economy, to become the drivers of production and consumption decisions, is when one group of people manages to throw the bulk of the population off the land.

IT'S ALL ABOUT PROFITS

So now we know that in a capitalist economy most people are distributed into two great classes. Production is controlled by capitalists, who employ workers to produce goods and services. These are sold on the market as *commodities*. It is from the sale of commodities that both workers and employers derive their income. This is worth examining at a little more length.

Karl Marx gave a very intuitive description of the process through which a capitalist goes about their business. Suppose you're a capitalist with a sum of money that you want to use to start an enterprise. This sum of money is represented by the letter M. With this M, the capitalist then goes out and buys what she needs to produce goods or services — land, machinery, raw materials, and, of course, labor power — produces the commodity, and takes it to the market to sell. The commodities produced are denoted by C. If C is successfully sold, the capitalist is able to recoup the money originally spent on inputs M. This completes the cycle of production. We can represent this as:

$$M \rightarrow C \rightarrow M$$

The M at the end of the production period represents the same sum of money that the employer started with — the original investment. If the employer manages to recoup this amount from sales revenue,

she is in a position to start a new cycle of production and enter the market again to try her luck. If the original sum M is not recouped and revenues are less than the original value, there will be a drain on the employer's wealth. So at the very least, the capitalist needs to end up with the money she originally had, if she wants to stay in business.

But while it is important for her to recoup her original investment, of course this isn't all she needs. For one thing, she won't have made any money herself. For the capitalist to derive an income for herself, there has to be an addition to the original value of M — a surplus over the money she's paid out to others. We can represent this as ΔM . The ' Δ ' stands for the additional increment she has made over her initial investment — her profit. It is from this profit, the ΔM , that she derives her own income, and also the money with which she can expand her operations, perhaps buy new machinery, etc. So the new M actually needs to be of a greater value than the original one if she wants to do more than just cover her costs. A more accurate way of representing the cycle is therefore as follows:

$$M \rightarrow C \rightarrow M (+\Delta M)$$

The new increment is hardly a side note. It's actually the most important part of the production effort. For the capitalist, the whole point of the cycle is to end up with ΔM . If not for that, her entire effort becomes a kind of philanthropic endeavor, in which she pays others, but takes nothing home for herself. The ΔM is the capitalist's profit, and as everyone knows, it is the pursuit of profit that shapes the entire organization of production in capitalism.

We know now what the capitalist is after — the profit. We know that she owns the means of production with which she can acquire it. Once she has her material inputs in hand — the machinery, buildings, raw materials etc. — all she needs is to find labor. If she is operating in a setting where peasants or farmers have not been stripped of their land, this is of course a major stumbling block, since the labor she

needs will not be available. This is why capitalism requires depriving the bulk of the population of the means of production, so that they have to go out looking for work, and make themselves available to employers. But since we are assuming that this expropriation has been accomplished, then finding a sufficient number of workers on the labor market is rarely a problem.

The capitalist now has to do two things. First, she has to get her employees to do the work that is needed to produce the commodity she wishes to sell. She can do this in a couple of different ways. The most typical in advanced industrial countries is by bringing them together under one roof in some kind of productive enterprise — a factory, a workshop, hotel, restaurant, nursing home, warehouse, etc. Here she provides them with the raw materials, tools, machinery, etc. that are needed to make the commodity, and with this, puts them to work. They put these implements to use and at the end of the production period they present her with the commodity she wishes to take to the market. In the case of services, they sell them on site to customers as they come in to purchase them. Either way, the capitalist has to be sure that her employees will provide her with the one thing she needs from them — the requisite labor effort that must go into production of the commodity. The process of acquiring this labor effort from workers, that is, the time during which they are at work producing the good or service, is called the labor process.

In advanced capitalist societies, the labor process is supervised by the employer or managers, to ensure that the employees work as hard as the boss needs them to. But in many parts of the world, especially in poorer countries, capitalists hire workers who do not carry out the labor process under one roof. Instead, they work at home, often working as a family and sometimes hiring a small number of workers themselves. This, the second method of production, is a kind of sub-contracting, or contracting out. This is as much a capitalist form of production as the first one, since the basic organizing principles are the same — work is being done by

workers for a fixed rate, and the products are made for sale, not personal consumption. What is different is just the location of the labor process — it is decentralized instead of being located in one building or set or compound.

Now comes the second thing the capitalist needs to do — sell the product. If the sales effort goes as expected, then the initial investment will have paid off and there is profit, the ΔM . The capitalist is now ready to start the process anew, hire the workers back for the next production period, return to the market with a new batch of goods, and maybe earn another round of revenue. It seems simple enough. But as it happens, it is not that simple. What the capitalist typically finds is that the market is nothing like this peaceful fantasy. It is in fact more like a war zone. And the challenges of the market affect every part of the production process, forcing adjustments at every step, from buying inputs to marketing.

THE PRESSURE OF COMPETITION

What turns the market into something like a war zone is the fact of *competition*. When capitalists try to sell their product, they find one of two things. The most common is that they are not the only ones trying to market that particular commodity. There are other capitalists also trying to do the same, bringing their own goods for sale and hoping to recoup their own investments, just like the particular capitalist we happen to be following. An auto maker finds other automobiles also being sold, a hotel manager finds other hotels vying for customers, and textile producers have to contend with other manufacturers desperate to market their own product. And since they are all vying for the same consumers, they have to find a way of drawing the consumers toward their commodities and hence away from those being sold by others.

A second possibility is that the capitalist might not initially find competitors already on the market. She might be so lucky as to be

The drive to minimize wage costs while maximizing work extraction is the essence of how capital relates to labor.

the only producer of the good in question, and hence able to make easy sales at a high price. Her rate of return on her investment will probably rise to a level other capitalists in other sectors can only dream of. But this state of affairs is unlikely to last very long. The very fact that she has it so good, and is able to make a very high rate of return, inevitably will draw the attention of other capitalists. And when they are about to start their next cycle of production, with their money in hand, they will pause. They will compare the return they are likely to get in their own line of production with the higher one in the sector where our capitalist is the lone producer. The decision will very likely be to enter this high-profit sector so that they may also tap into the stream of easy profits that our capitalist is making. Or alternatively, it won't be capitalists from other sectors who enter the line but capitalists looking for a first-time investment, just like our capitalist did when she decided to enter the line as lone producer. Either way, the 'sole producer' status doesn't last very long.

The point here is that, sooner or later, most every capitalist finds that if she wants to make her profits, it will have to come through winning the competitive battle. The sales effort thus becomes a highly fraught affair, in which the main goal is not just to find customers to buy a good, but to make them buy it from *her* instead of from someone *else*. The most important way to achieve this is by

lowering the selling price of the good, so that it is cheaper than the one being sold by competitors. Competition is thus carried out mainly through the reduction of prices. This price competition should be understood in one of two ways — either as selling the same quality good at a lower price, or as selling a better quality good at the same price. Either way, the seller is offering the customer a better bargain for their money.

But this is where the profound impact of competition becomes clear. The pressure to lower the selling price creates an immediate problem for the capitalist. If she keeps lowering her price to attract more customers, it means she is also reducing her profit margin. This is because while her selling price has gone down, her costs have not. It still costs the same amount to make the goods — she still has to pay her rent, pay back any loans she took out, all the raw material costs are the same and so is the wage bill. And if her profit margin keeps shrinking, it could end up threatening the very survival of her enterprise. There will soon come a point where she is unable to pay for her inputs or where her profit is so low that it doesn't make sense to stay in that particular line any more. She will think about closing shop and finding other investments for her money. If she is to stay in this product line, or stay solvent, she has to find a way out of this squeeze on her profits. She has to restore profitability.

THE COMPULSION TO MINIMIZE COSTS

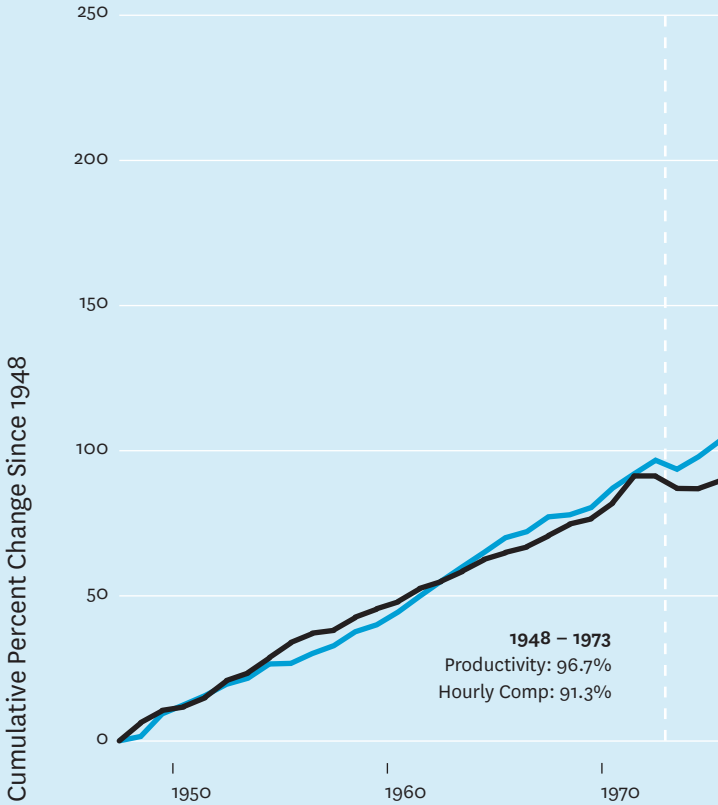
The only way for a capitalist to maintain her profit margin while cutting her *selling price* is by reducing her *costs*. There are two dimensions to this. The first is the most obvious — when she goes out to buy machines, or find a building to rent, or to hire labor, she will choose the cheapest option that is available. She can't afford to be extravagant. But of course, not being extravagant doesn't mean that you buy garbage, just because it's cheap. You have to make sure that whatever inputs you get are also efficient and productive.

This is the second dimension to cost reduction. The inputs have to be the cheapest ones available, but which will also give back a decent return, by performing up to standards set by the competition. There's no point buying a cheap machine if it keeps breaking down; it doesn't help to locate into a low-rent building if it doesn't have a reliable power supply; and low-wage workers don't help if they just stand around all day or lack the needed skills. What the capitalist needs is not the *cheapest* inputs per se, but the best *bargain*. What makes the inputs a bargain is not just how much they cost but also how much output they provide in return.

So the capitalist has to make sure that she is doing two things at the same time — spending as little as she can, while getting the most out of every dollar that she spends. This has a very important implication for how she relates to her workers. She doesn't just want the cheapest machine, but the machine that produces the most at the cheap price. So too, she doesn't just want to pay very little in wages, but also to get *the most output from the workers at that wage*. The capitalist wants to maximize the *effort* that her workers give her, at *whatever* wage she is paying them, and with whatever machines she has them working.

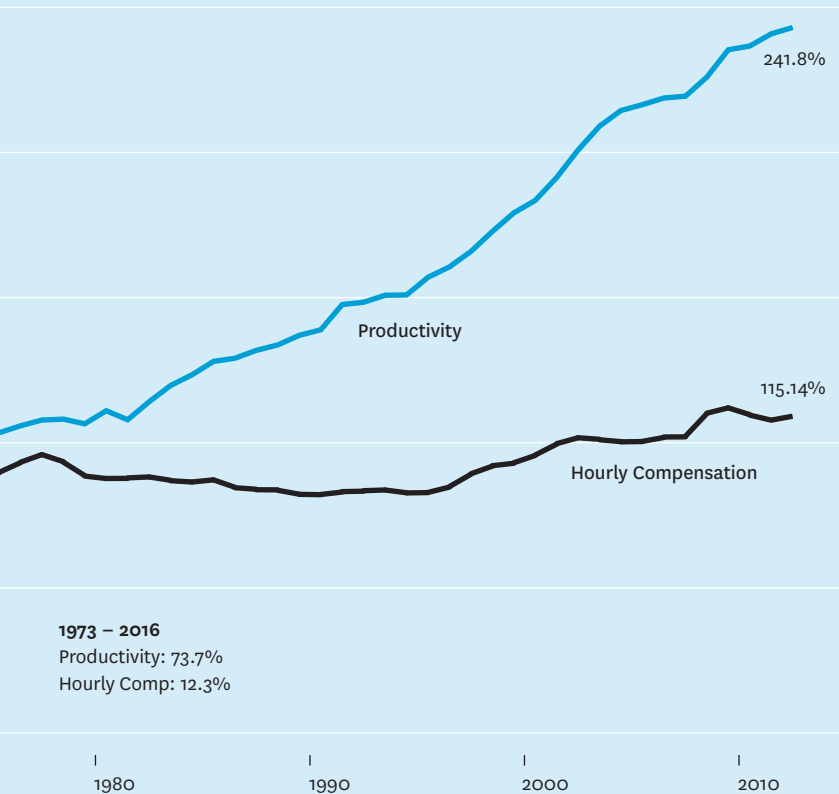
The problem is there is no way to specify the quantity and quality of the effort a worker is going to provide to her employer. When a capitalist hires her labor, the agreement is over two things — how long they will work, and how much money they will get for it. The agreement is over the labor *time*. The employer pays the worker for her time, and then hopes — or tries to ensure — that the *effort* expended by that laborer is up to the standard set by the market. Unfortunately for her, this is not so easy. First, she can't be sure that the worker will be as committed to this goal as she is. The worker might not want to work at the rate her employer prefers. She might prefer a more leisurely pace. The worker might even feel that the pace of work her boss is demanding can actually be harmful to her.

The gap between productivity and a typical worker's compensation has increased dramatically since 1973.



Note: Data are for compensation (wages and benefits) of production/nonsupervisory workers in the private sector and net productivity of the total economy. “Net productivity” is the growth of output of goods and services less depreciation per hour worked.

FIGURE 1 — GROWTH IN PRODUCTIVITY AND HOURLY COMPENSATION, 1948–2016



Source: EPI analysis of Bureau of Labor Statistics and Bureau of Economic Analysis data. Updated from Figure A in *Raising America's Pay: Why It's Our Central Economic Challenge*, Economic Policy Institute.

Second, the pace of work demanded by the employer can itself keep changing. What was an acceptable pace of work to the employer last month will not be so today, because a rival found a way of driving her workers harder, or maybe bought a new machine that lowers her costs. This sends every other capitalist scrambling to find new ways of economizing, and of getting more out of their own labor force. The goal posts, as it were, keep shifting. So just as workers get habituated to one pace of work, the order comes down that it wasn't enough. They now have to work harder, or faster, than they were last month. So capitalists have to treat their employees' effort as a variable — something that can't be predicted, and which they have to constantly find new ways of increasing. It's a variable because when they hire the workers, they don't have full knowledge of how much the worker is *capable* of delivering, and they have no real confidence in how much effort she will be *willing* to offer. This creates a constant struggle between them, so that the labor process becomes a battleground between workers and management.

The drive to minimize wage costs while maximizing work extraction is the essence of how capital relates to labor. Across the economy, regardless of product line or economic sector, the basic dynamic is the same. A capitalist who manages to get her labor force to work faster, harder, and better will have ended up with a much better bargain than one whose workers are less careful or not expending as much effort. She doesn't drive her workers because she is greedy, but because someone else might beat her to it and end up having an advantage on the market. Of course, this doesn't mean that all workers are reduced to working for starvation wages. In different sectors, the wage level differs with the level of productivity. The point isn't that workers in every sector end up with the same *wage*; it is that in every sector, workers are forced to submit to the same *pressure*, and the wages they get are kept as low as the market will allow.

Two very important implications follow from this. First, the relentless pressure to keep down wages while also getting the most work out of their employees *pits employers against their workers*. Another way of putting this is that capitalists and workers end up having very different interests, since, obviously, workers would rather have the highest wages they can get for themselves and keep to a humane work schedule. When the boss tells them to increase the output per hour, it means more fatigue; when she tells them to take shorter breaks, it means more drudgery or more stress; when she doesn't give them a raise for years at a time, it means that they are essentially handing over to her all the gains from their greater efficiency. The boss' gain is coming at their expense — hence, they have different interests. But this is where the second important fact comes in — even though workers might have different priorities than their employers, it's the employer who is able to set the basic terms. Or to put it differently, it's the *employer's interests* that typically win out. This is because she is the more powerful party of the two. She has the power to hire and fire — and the worker is rarely in a position to afford losing her job.

When we put these two facts together, we see the roots of one of the most basic facts about capitalism — even though workers and capitalists work together to produce their firm's revenue, how they go about doing it and how the benefits are distributed, is decided by the bosses. And this enables capitalists to set the terms of work in a way that *they* reap the *gains* of economic growth, while labor's vulnerability forces it to absorb most of the *costs*. Employers' power to hire and fire enables them to organize work in such a way that the benefits come to them, while employees are forced to adjust their lives around the demands of work. The result is vast wealth and power for one side, with stagnant incomes, insecurity, overwork, and collapsing health for the other.

Let's see how this works out in three critical areas — income distribution, economic insecurity, and the pace and duration of work.

INCOME DISTRIBUTION

The most obvious way in which employers benefit at the expense of workers is in how the gains from production are shared. The basic structure of employment in capitalism is that employers offer jobs at a certain wage, and employees are free to take that offer or refuse it. But while this seems like a fair bargaining situation between two parties, in this case the transaction is between two very unequal sides. People looking for jobs are doing so because they don't have enough to live on. They enter the labor market with little or no savings to fall back on. Employers, on the other hand, are *by definition* holders of wealth, typically with a healthy income flow, and also able to secure credit and loans if they need it. So the bargaining situation is between one person (the worker) who is desperate for an income, and another (the employer) who already has a stock of wealth at her disposal. Obviously, the employer is in a much stronger position than the worker. This inequality in leverage means that employers are able to set the terms of the employment contract to massively favor them over their employees. They are able to demand that *they* get the lion's share of the income that their firm generates. Workers are free to refuse this deal, of course — but at the cost of risking unemployment. So the choice for them is between settling for an unfair bargain, or having no income at all.

This imbalance between the two groups is profoundly important. The greater power enjoyed by capitalists enables them to get income over and above what they would get if they were on a more equal footing with workers. And this means that income includes a component that, in an important sense, is *extorted* from the workers — it's a kind of blackmail made possible by worker's desperation. Hence, a big reason why workers' share of income is low is because part of what *could* have come to them ends up in capitalists' pockets, through this extortion. But if this is so, then it's fair to say that capitalists' soaring incomes are that high at least in part *because* workers' incomes are low.

It is sometimes claimed that, even though it is regrettable that employers claim the lion's share of income, it is worth it because they reinvest that income. The reinvestment results in faster growth, and this growth results in rising incomes for workers too. Hence, as the saying goes, a rising tide lifts all boats. But the last half-century has shown that there is no reason to expect such an outcome. Whether or not workers share in productivity increases depends a great deal on building their bargaining power against employers. Without it, the income gains go straight to the bosses. The history of wage growth in the United States shows this very clearly. In figure 1 we can see that post-war US history can be divided into two distinct periods. The first, stretching from 1945 to the early 1970s, witnessed a steady growth in wages, pretty much in line with productivity growth. This means that as US firms became more productive and brought in more revenue, wages went up right along with it. But this changed in the mid-1970s. From 1973 to 2016, productivity went up by 74 percent, while wages only increased by 12.5 percent. Where did the rest of it go? Into the hands of owners and CEOs.

There are two essential points here. First and most importantly, it explodes the myth that if we tolerate the build-up of huge inequalities, the benefits will “trickle down” to the workers. In fact there is nothing to guarantee such an outcome. Unless workers have some way of redirecting some of the income stream toward themselves, their bosses will use their greater power to grab it and use it as they see fit.

This brings up the second point — the main reason there was a break in income growth was that there was a decline in workers' bargaining power. The years during which wages rose in tandem with productivity was also the era during which unions had a foothold in the workplace. After the explosion of industrial unrest in the mid-1930's, trade unions finally were granted legal backing, enabling millions of workers to organize and bargain collectively around wages and work conditions — for the first time in American history.

Employers now had to negotiate the terms of employment, rather than setting them unilaterally. And the result was several decades of rising wages and growing incomes for workers. What was happening here was that workers were forcing employers to share some of the fruits of increasing revenue, and employers had to concede because unions had the power to shut down production if the bosses refused.

But by the middle of the 1970s, the power of unions was weakened to the point where they weren't able to exert the pressure needed to redirect revenues to their members. Membership continued to decline, and by the 1980s it had fallen from its peak of almost a third of the labor force in the 1950s, to around 10 percent. Private sector workers were once again at their employers' mercy. Profits continued to grow in the 1990s, but instead of being funneled into higher wages, that money now went to the owners and managers of capital. As the balance of power between labor and capital changed, so did the distribution of income. Or, to put it in the language of the famous metaphor, the tide continued to rise, but it only lifted the boats belonging to the rich. The poor were left to swim for their survival.

ECONOMIC INSECURITY

At the very core of employers' power over workers is job insecurity. We have seen that the reason workers accept the lopsided wage bargain is that they have little choice: they are told to either take the job as it is offered or risk starvation. This threat is effective only because working people have no way of getting access to the basic necessities of life, except through the labor market. Finding and keeping a job is the only way they can live. And both of these goals — finding a job and then keeping it — depends entirely on the whims of those who control the means of production, the class of employers.

Libertarians often say that while it's true that bosses can fire workers, workers can also "fire" their boss — by simply walking away from the job. But this is highly misleading. It's true that a worker is

free to leave her job — she isn't owned by the employer, nor is she typically indentured to her. But this formal freedom to walk away has very little significance, unless the worker has some other source of income *on which* she can exit. Where would this come from? They don't own plots of land, or their own businesses, or have huge stock portfolios to fall back on. That's why they go out *looking* for work. They can seek out another job, but of course every job will have a similar power imbalance between them and their employer. Plus, there is no guarantee that they will find a job at all. So the rational move is for them to stick it out — to try holding on to *this* job.

The workers' baseline insecurity is built into the system in two ways. First, the very existence of capitalism presumes that the vast majority of the people don't have access to the means of production. This is what we have been examining thus far in our discussion — the natural state of desperation in which most people live. The second mechanism that builds insecurity into the system is the process of economic growth itself. Growth in capitalism comes about as capitalists find ways of increasing their efficiency and productivity so they can sell at a lower price and expand their market share. Increasing productivity is the name of the game. But as firms become more productive, they find that they can produce more with fewer workers. It now takes fewer workers to make the same number of goods, precisely because productivity has gone up. Employers engaging in this kind of investment therefore typically react by also *laying off* part of their labor force, throwing them back on the job market.

This is why the system never runs out of labor. You might wonder why it doesn't: after all, in a growing economy, job opportunities are always expanding, and at some point the number of people looking for jobs should run out. The reason it doesn't is that, even as people are being sucked up into new jobs, the growth process itself is also throwing masses of employees back onto the labor market. The very process that generates growth — the increasing labor productivity — also replenishes the pool of labor for that expansion to continue.

Marx called the workers who were constantly thrown back onto the labor market the *reserve army of labor*; it is a kind of labor reserve, waiting to be sucked up into employment as capitalists need them.

What this means, in essence, is that capitalism not only depends on the creation of mass insecurity, but *reproduces* that very insecurity as part of its lifeblood. Or, to put it differently, precarious employment is *built into* the system. It is the natural state for workers: they hold on to their jobs only at the pleasure of their employers. And for most of the history of capitalism, the duration of tenure of a typical job has been very short.

Job insecurity is especially acute in many parts of the Global South, mainly because people from rural areas are still flocking to cities looking for jobs. Capitalism constantly throws workers out on the labor market through the process we just described — through the ongoing productivity increases, the introduction of new machinery and more capital-intensive production techniques, and so forth. But in regions where there is a large agricultural sector, there is also the constant influx of migrants who come to the city because they don't have their agricultural plots anymore. Sometimes this is because they have lost their land; other times they just come to the city looking for a higher income. But as they enter urban areas, they add to the reserve army of labor.

A baseline level of insecurity is forced onto workers by capitalism, all the time, everywhere, regardless of country or region.

The availability of so much cheap labor is a boon to employers in obvious ways. One very important option that it provides them is to never have to commit to long-term employment contracts with their employees, because there are literally dozens of applicants willing to work for a pittance for most jobs. Even in occupations where there have tended to be longer employment contracts, like auto, steel and rubber, recent years have seen a turn to contract labor hired on a short-term basis. The result is that in poorer countries with still large agrarian sectors, job insecurity is much deeper and the scramble by workers to hold on to whatever job they have is much more intense. This is especially true because social welfare programs like unemployment benefits, free healthcare, and old age pensions are quite uncommon. The job becomes the only means of sustenance, even for short spells. And this, in turn, massively increases employers' bargaining power.

Even in advanced industrial countries, the situation has deteriorated in the recent past. First of all, the decline in unions has allowed employers to shift from long-term contracts to short ones. For decades, unions fought for, and won, restrictions on employers' unilateral power to hire and fire. They pushed hard to restrict firms' reliance on temporary or short-term workers, and in so doing shifted the balance toward more long-term employment, and, with it, greater benefits to workers. Of course, employers never stopped trying to recapture their power, and as the unions' influence declined in much of the Western world in the 1980s and 90s, so did the proportion of "good jobs." This turn in the labor market was made worse by the more general slowing down of the economy since the early 2000s, so that the chances of new jobs opening up tended to get weaker due to slow growth. In other words, job growth became very anemic. Hence, the spells between jobs became longer for workers who were laid off, making the sense of insecurity all the more acute.

Finally, the actual size of the reserve army increased massively when the countries of the Eastern Bloc transitioned to capitalism

in the 1990s. Workers who had not been part of the European labor market were now thrown onto it — sometimes directly as with the reunification of Germany, or indirectly, as with the formation of the European Union, which vastly increased labor migration on the Continent, flooding Western European labor markets with new entrants from the East. All these changes have made workers across the Western world start to feel a lot like their peers in the South — overcome with a sense that their well-being has become fragile, that their future is up in the air.

None of this is accidental. A baseline level of insecurity is forced onto workers by capitalism, all the time, everywhere, regardless of country or region. What has happened in the recent past is that institutions that had temporarily acted to decrease that insecurity are being taken apart. They are being dismantled by forces that seek to restore the status quo, because they benefit from it. Their actions are motivated by the logic of capitalism itself. And in poorer countries, the very expansion of capitalism has ripped rural communities apart, throwing peasants and farmers into urban labor markets, adding to the global reserve army, and pitting them against one another in a brutal fight for basic survival. This is the “free market” for billions of people.

THE PACE AND DURATION OF WORK

Material inequality and insecurity are both built into the capitalist economy. A third harm comes from the drive to get the most work for as little as possible. There are two basic ways in which employers try to squeeze out more work from their labor force: by getting them to work longer, but also, paradoxically, by underwork.

Overwork: The first strategy is to get each worker to work harder, faster, and also longer. This makes most sense when workers are paid a daily wage. It was a fairly common form of payment in the nineteenth century, when workers were given a fixed sum of money per

day for their work. It is also used today in certain economic sectors like agriculture and construction. Having paid them for the “day”, employers then have every reason to make that “day” as long as possible. If the worker is paid by the week, or perhaps monthly — as in cases where they are paid salaries — the duration of work per day is often left unspecified. In these instances, having spent the money, the employer will typically get her money’s worth by extending the duration of each working day as much as possible, and stretching the working week into the weekend.

A less obvious way of increasing the duration of work can be found in sectors where workers are paid by the hour. But it is also more common, since hourly wages are today the most common method of payment. This method is not to extend the working day or week, but the working *hour*. How can a fixed quantity of time, like an hour, be extended? Well, in the typical workplace, it is rarely the case that employees are actively working every minute of every hour. There is usually some amount of “down time” that is expected by the employees and hence absorbed by the employer. This could be in the form of time for bathroom breaks, lunch, or just a pause in work. The fact that there is some portion of every hour that is not delivering labor means that the actual working time is shorter than the amount of time that the employee is at work. This amounts to a gap, a hole in the working day, which the employer then tries to fill up with actual work. In the US, this is what has happened in many sectors as unions have gotten weaker. In the auto industry, the shift was from a “50-minute hour” in the 1960s to something close to a “57-minute hour” by 2000. This amounts to a prolongation of the working day, even as the nominal length of the day remains the same.

These examples are all ways of getting employees to work *longer*. The second technique for extracting more work is by getting them to work *faster*. The goal here is to ratchet up the intensity of labor. Suppose employees in a textile factory produce 100 shirts a day, with the day being eight hours. Increasing the intensity of work means that,

with the same machines and in the same eight hours, they would be goaded into producing a greater number of shirts, say 120. There are many ways to increase production, but in cases of this kind, it is by getting the workers to do exactly what they were doing before, only more speedily. In the twentieth century, when the working day was mandated to have a definite limit of eight hours, the most common way of getting more work out of employees was by this method — by getting them to work harder and faster, since the option of getting them to work longer was substantially curtailed. Indeed, whenever there has been any success in shortening the length of the working day, the response by capitalists has been to compensate by trying to increase the intensity of work.

Underwork: But the harm that the profit motive does to workers doesn't just come from overwork. It also comes from *underwork*. We often think of employers as making two basic decisions: hiring workers and then keeping them on the job, or firing them if they are not needed. But there is also an in-between status: keeping workers hired but working them irregularly. In sectors like retail, employers find that they can't anticipate what their workforce requirements will be day to day, because the flow of business is unpredictable. If they have too many workers in the store, and the flow of customers is thin, they end up paying their workers even though they are not actually needed at the time. In technical terms, wages shift from being a variable cost to a fixed cost *for that duration*. What employers seek is to have the freedom to call in or send home the labor as they see fit — day to day, week to week — so that they can turn wages back into a variable cost. For employers, this creates flexibility. For workers, it means that their schedule might go from, say, twenty hours one week, to seven in the next, to perhaps thirty-five the next, and then zero the week after.

The result is twofold. First, for millions of workers, it means that having a job isn't enough to make ends meet, because it only

gives them a few hours of paid work over the month. They have to switch to a portfolio approach, juggling two or three jobs at a time, so that when they are not getting enough hours at one venue, they can seek more hours at another. But this very strategy is undercut by the second result of underwork — the problem that workers can't plan their weekly schedule because they don't know when they will be called in at any particular establishment. And since they can't be sure when they will be asked to come to work at one place, they can't be sure when they will be able to make themselves available to the other. And this in turn makes it hard to hold on to a job, or even acquire one, because every employer wants her labor to be available when she needs it.

The second result of underwork is that the worker's entire existence is now swallowed up by the needs of her employer. With normal work, at fixed hours and a predictable schedule, employees not only know when they work, but as a result, also know when they do *not*. This has the enormously important consequence of allowing them to plan for activities outside of their employment that are essential to their physical and emotional well-being — entertainment, time with their friends and family, even vacations. But when work is not only unpredictable, but also so meager that the struggle to acquire it overtakes all other priorities, it means that the very idea of free time, as

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truly *free*, simply disappears. Never knowing when they will be called to work, employees can't afford to plan for any activity that might make them unavailable. They can't plan family trips, or take a day or two to go out of town; even going to see a film is nerve-wracking. The line between work time and free time is thus obliterated.

When you combine the effects of under-work with those of over-work, what become clear is that the tendency of an unconstrained capitalism is to erase the distinction between work time and free time. The unceasing drive to extract maximal value from labor at work has a direct impact on the quality of time workers spend *away* from work. On one side, when it results in fatigue or injury, time at home that could be spent developing other talents, or being with friends, or learning new skills, now has to be devoted to simple recuperation — recovering from injuries, trying to reduce tension, etc. In the other case, when there isn't enough work and the employee doesn't know when or even if she will be called in, she can't take the risk of indulging in other activities because she can't risk being unavailable when her employer needs her. Hence, in capitalism, even workers' time away from work is directly colonized by the workplace and its demands.

THE RULES ARE THE PROBLEM

The preceding discussion helps us understand why capitalism can create such enormous wealth and luxury, but still leave millions upon millions struggling to stay above water. When it comes to the basic conditions of their lives — how much money they have, their basic economic security, and how much they get to work — most people have no control over them. Even more, the decisions about them are made by people who have a direct interest in *limiting* workers' security on all these matters. And the incentive to limit this security *is built into the system*. It is the natural outcome of the profit-maximizing strategy pursued by every firm. Capitalists don't undermine

their employees' wellbeing because they are mean, greedy or callous. They do it because this is how they keep themselves afloat, and how they grow. As long as firms compete on the market, their owners and managers will be *punished* if they *don't* squeeze the most out of their labor force. So they do what they have to, and its most natural result is that their profits come at considerable cost to their employees.

This is why the mainstream promise — that if you work hard and play by the rules, you will make it to the top — is simply a lie. The *rules* are what create the misery. The basic set-up of capitalism is simple — you show up for work every day, work hard, and do what you're told. The promise is that if you abide by these rules, you will be rewarded with the good life. And this promise is based on a very simple premise — that there is a link between effort and reward. If you work hard, the hard work will pay off. But the secret to capitalism is that *there is no reliable connection between effort and reward*. The people who work in nursing homes, or fast food, or Amazon warehouses, or in hotel kitchens — they create massive profits for their employers. But they not only see very little of it in their wages, they also have to deal with chronic job insecurity and terrible hours. *They are playing by the rules*. But the rewards are going to the employer, not to them. This is a basic fact about capitalism, and it is built into the system. It is the natural condition of an economic system in which the bulk of the population is given a simple choice — “work for what we offer you, or go without a job”. What determines people's economic fate in capitalism is not their effort, but their *power*. And employers always have more power than workers.

CHANGING THE RULES

Another way of summarizing everything we have said so far is this: capitalism *systematically generates injustice*. Most every modern theory of justice agrees that a humane society is only possible if people are granted basic material necessities and the freedom to

set their own goals and priorities. People need to have basic material security and the freedom to choose how they spend their time and energy. This doesn't mean that they have to be free of all constraint. In any large social system, people will have to accept some limits to their freedom and their social choices. But the authority to which they submit has to be accountable, has to be deemed legitimate, and can't be used to undermine the well-being of subordinate groups. But this is exactly what capitalism does — it consigns the vast majority to insecurity and arbitrary authority.

The employment contract is, in its essence, a surrender of autonomy to the boss. This means that workers agree to do what they're told while at the job — they lose control over how they work, how fast its pace is, when to come in and leave, when to take a bathroom break, etc. Workers give up their autonomy over key aspects of their wellbeing for the eight or ten hours that they are at work. But they also have little or no say in how much they are paid for that work. What all this means is that, in capitalism, being a worker means making a trade — giving up your freedom over vast areas of your life to an employer, both inside and outside the workplace, in exchange for employment.

Now, the simple fact of being under someone else's authority isn't itself objectionable. Think of a family. Parents have near total authority over their children, encompassing every aspect of their lives. But we don't typically object to this because we assume that parents will use that power to the benefit of their kids. In the case of the employment relation, however, employers aren't motivated by their employees' wellbeing. Their motivation is to maximize profits and minimize costs. Employees' interests are not part of the consideration. Indeed, as we have seen, profit maximization typically comes at the cost of employee interests. Hence, from the workers' standpoint, this is *nothing other than being subjected to an arbitrary authority*. They have no control over the boss's power, and that power is often used in ways that undermine their wellbeing.

This is how capitalism breeds injustice. And that is also why it generates *resistance*. Employees resent having to take whatever wage their boss is willing to give them; they hate being pushed around while at work; they chafe at the fact that they work hard, but can't be sure if they will still have a job tomorrow, and so on. So they try to fight back, to get a better deal for themselves. The most common means toward this is on an individual basis. This is only natural, since they compete on the labor market individually and are hired on an individual basis. Everything about the job encourages them to act on their own. So what means does the lone worker have at her disposal?

The ultimate weapon is to threaten to walk away — to quit unless the employer offers her a better deal. And for some workers, this can be effective. But it only works if that worker is hard to replace — if she has a very scarce skill, is exceptionally able, or is especially valuable in some other way. If this is the case, then the boss will probably have to relent and at least consider the demands from this employee. But another way a worker can resist is not by *demanding more*, but by *offering less*. So, instead of walking into her boss's office and insisting on a slower pace of work or shorter hours, she can simply decide to *work slower*; or to take as many sick days as she can get away with; or to not work as carefully as demanded — in other words, to shirk, and thereby to reclaim some of her time. In more extreme cases, she can take out her frustrations by actively sabotaging the workplace — this is where the expression “throwing a wrench in the works” comes from.

But all of these methods are either minimally effective, or effective for only a few lucky employees. So, while the boss will probably offer the highly skilled employee a better deal, the fact is that the vast majority of workers are easily replaceable. So if the typical employee strolls into her boss's office and threatens to quit, she will simply find herself out of a job. And while it is certainly possible for the individual worker to shirk in some way, if she does so for any period of time without getting her colleagues to join in, her actions

will be very visible, she will be easy to spot, and she too will soon be on the street. Hence, for the vast majority of people working for a wage, or even for a salary, individual level solutions are simply not an option. They remain stuck in their jobs, have to settle for the wage they're offered, accept the schedule they're given and show up every day to do it all over again. The reason is as simple as it is obvious — it is easy to replace one disgruntled employee, or even five or ten.

The only viable solution is a collective one. The most direct avenue is through organizations that enable collective action. Workers find that making demands individually isn't feasible because one employee is easy to replace. But replacing ten is harder and a hundred harder still. When one worker labors at a slower pace, it's called shirking. When a thousand do it, it's a job action. And while the one can be punished, the thousand have to be negotiated with. It is this simple fact that inspired the modern labor movement in the early nineteenth century and has not only kept it alive, but at the center of every successful effort at improving the situation of working people in every corner of the world. Even today, we have not found any better vehicle for defending the wellbeing of poor and working people than trade unions, because unions are still the most effective means of collective action.

The other way in which workers have been able to find collective solutions is more indirect — through state policy and protection. Instead of getting basic goods by negotiating for more money with the boss, they can acquire them as *social rights*, from the state. Take the example of health care. Most workers can't afford decent medical care on the market because it is too expensive. One solution is to rely on a union to demand higher wages, or to demand that the employer pay into a medical plan. But another route is to push for a national health service, like there is in much of Europe, which offers medical care as a right — paid not by the patient at the point of consumption, but by the state from its tax revenues. This can be extended to many other essential goods — child care, housing, education, etc.

Both of these strategies have this in common — they reject the idea that people’s fate should be left to how well they do on the labor market. In other words, they refuse to let the market determine our lives. They insist that people have to come *before profits*. And so the Left has always tried to build organizations of labor, fight for economic goods as rights, not as privileges, and build social institutions that deepen those rights. But it’s not a simple task. Precisely because these institutions are based on labor’s greater power, and because they end up weakening the power of capital, any such movement immediately triggers a response from the ruling class. Always and everywhere, employers and the wealthy have resisted attempts by the poor to create institutions for more economic justice.

So the next question is, how do we get there from here? How can we create institutions that advance the basic interests of working people? These are questions that we take up in the next pamphlets in this series. ▲

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Vivek
Chibber

The ABCs
of Capitalism

Capitalism and the State

Catalyst

The ABCs of Capitalism

Understanding Capitalism

By Vivek Chibber

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- B. Capitalism and the State
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Capitalism and the State

Capitalism is a system based on a fundamental economic inequality— a small proportion of the population controls the means of production, while most of the remaining population is forced to work for them. This inequality in *wealth* in turn generates massive inequalities in *income* — because they control the means of production, employers demand that they get to take home the lion’s share of the income that their firms produce. Capitalists rely on their property rights to grab most of the revenue that their establishments create. This is a kind of systematic extortion. Basically, capitalists tell workers, “If you want to work for us, you’ll have to accept our terms. If you don’t like it, try living without a job.”

For their part, the workers end up accepting the bargain because a bad job is better than no job at all. But they agree to much more than that. They also accept that, while they are at work, they will

hand over much of their personal liberty to the boss — to decide how fast they will work, when they will eat, how much they can move around, who they talk to, what clothes they wear, etc. The power over the terms of employment gives capitalists an enormous degree of control over workers' basic wellbeing. Their investment determines how many jobs are created, they choose who has those jobs and who doesn't; they set the pace of work; they control who gets promoted and who doesn't, etc. ... and it's the workers who have to adjust. Since they are forced to constantly adjust their priorities to decisions made by their bosses, workers' lives tend to revolve around one main issue — the job. All this is just another way of saying that, in our economic system, capitalists get to set the terms on which most everyone else lives.

The modern labor movement has used every possible channel to reduce employers' unchecked power, and also to find ways of counteracting it. One such avenue has been the democratic state. After all, the state is supposed to be the guardian of the general interest. So if capitalists call the shots in the economy, maybe governments can help to even the scales by coming down on the side of the workers — by passing laws that limit employer abuse, and taxing and spending in a way that improves workers' bargaining position. This expectation was why labor movements everywhere fought for poor people to have the right to vote. And it was also why capitalists and the wealthy more generally fought against it; both sides expected that if workers got the vote, they would use their numbers to elect politicians who would soak the rich.

In some ways, the workers' hope has been fulfilled. Democracy has been a definite boon to the poor. Democratic states do protect workers' interests more than oligarchies or dictatorships do. And yet, it remains true that poor people don't have real political power. Even though a Rockefeller has the same number of votes as anyone who works for him, and even though his workers have the numbers, somehow his political *influence* is infinitely greater than

that of his workers. Even though democracy has tamed the class bias of the state, the basic thrust of state policy is nevertheless decidedly in favor of the rich. It is still fundamentally *their* state. In the advanced industrial world, nowhere is this more apparent than in the United States, and never has it been clearer than over the past generation. We are living in a new Gilded Age, in which an immense concentration of wealth has grown together with the concentration of *political power*.

This pamphlet analyzes the sources of state bias. We need to understand why, far from *counteracting* the power of capital, states tend to *reinforce* it. We need to recognize the structural forces that bind it to capitalist interests, even though capitalists' small numbers should be a disadvantage in a democratic system.

A NEUTRAL STATE?

There is a basic and powerful intuition behind the view that in a capitalist democracy, even while the economy is under capitalist control, the state doesn't have to be. State policy is created by parties and politicians, and politicians are elected into office on the number of votes they can garner. The vote of the richest person isn't worth any more than that of the poorest. And better yet, the poor vastly outnumber the rich. Not only does this equalize the playing field between rich and poor, it might even tilt it in favor of the poor — because in a democracy, it is numbers that matter. A rational politician would be foolish to pander to capitalists since they can only amount to a few tens of thousands of votes, whereas workers number in the millions. So, if a party really wants to be a political force, the sensible thing for it would be to listen to the largest of the interest groups out there, which is not the capitalists.

The political theory that best embodies this view is called *pluralism*. Pluralism holds that in a democracy, the race for votes neutralizes the power of any particular group in society. If we assume

that politicians are basically interested in being elected — certainly a reasonable assumption — then they will bend to whichever group comes together to offer up the largest number of votes. So if workers can organize their votes into a cohesive bloc, they can exert decisive influence over politics. But not just workers, any interest group can exert power, as long as it can get its act together and prove that it can deliver votes: religious groups, ethnic minorities, the elderly, women, students, etc. All these are potential interest groups, and parties will slice and dice the voting public into whichever collection of interest groups can carry them to power.

Pluralism is and has been the most influential theory of the state for quite some time. Notice that it turns on two key premises: first, no group is more important than another in the influence game; and second, the state is *ex ante* neutral. We have already introduced the first of these two premises: when we say that any interest group can win in the influence game, it amounts to saying that no group has a necessary advantage over any other. Which group wins depends on the skills of the group's representatives in making their case, organizing others into a viable electoral or lobbying force, cobbling together a coalition with other groups, and, of course, making a case to the wider public. All these factors go into deciding which interest group wields influence. And the skills that go into this are generally

When the poor have policy preferences
that conflict with those of the rich,
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available to everyone. Hence, no particular interest group has an advantage over any other.

The second premise is also implicit in the story just told. If it is true that any interest group can potentially win the influence game, it implies that the state is also willing to *be* influenced by anyone. State managers — presidents, legislators, and high level bureaucrats — are open to suggestions. They listen to actors who are persuasive and, more importantly, seem to command real influence. This is rational for them because, again, politics is ultimately about numbers. If an interest group is able to really mobilize its members and base, if it is able to put together an effective electoral coalition, then any reasonable politician will pay attention, regardless of what the nature of that interest group is. Of course, once the influence is exerted and the state pays heed, it will pass legislation in the favor of the winning group. In this sense, it won't be neutral *ex post*. The point is, in being open to listening to all groups and willing to be pressured or influenced, the state is neutral in principle; it doesn't have *its own biases* for or against any particular part of the population. It doesn't favor any of them. In this sense, pluralists describe the state as being neutral.

A BIASED STATE

This description of politics is a very comforting one — but it seems that the American public never got the memo. If experience counts for anything, ordinary citizens have come away with the conviction that the game is rigged. Rather than seeing the state as broadly responsive to ordinary people, they view it as a remote entity that can't be trusted. Public confidence in government is at an all-time low, with only 20 percent reporting in 2017 that it could be trusted to shepherd their interests.¹ And this isn't a blip — the measure has

1 Pew Research Center, "Public Trust in Government Remains at Historic Lows as Partisan Attitudes Shift," May 2017.

managed to climb over 50 percent just once since 1972, and that was right after the 9–11 attacks. For close to two generations, the majority of the American public has felt that its government can't be trusted.

And the reason isn't hard to find. In the most recent poll, 82 percent of Americans say that the government is basically controlled by the wealthy, while 76 percent say that poor people have little influence.² This is just the most recent telling of the same story. For almost 50 years, most Americans have felt that the reason they can't trust government is because it is in the grip of "big" special interests — that is, rich people and corporations — while ordinary voters have little or no influence. None of these facts bode well for the pluralist understanding of a capitalist democracy.

Of course perceptions can be wrong. Maybe people are just frustrated and spinning stories to comfort themselves: conspiracy theories about state capture, morality tales about the "little guy" getting shafted, etc. But it turns out that these perceptions are backed up by scholarly research. In a series of landmark studies, American political scientists are validating what most working people have known all along — that state policy is in fact very strongly biased in favor of the wealthy. One way to measure the influence of different classes of people on the state is to ask people what kind of policy they'd like to see, and then check whether the policies actually passed match up with the expressed preferences. The results are sobering. Both political parties show a marked tendency to favor the desired policies of the rich over the poor. But more importantly, when the poor have policy preferences that conflict with those of the rich, the chances that the policies of the poor are passed go down to around zero. In other words, regardless of who is in power, the only time the poor have any influence on the policy process is when wealthy people agree with them. But when their demands go against the demands

2 AP-NORC Poll, June 2017.

of wealthy people, the poor have no impact whatsoever.³

These findings have been a kind of wake-up call for mainstream academics, who have had a stubborn attachment to a pluralist viewpoint for a long time. But for most of the public, especially working families, it is hardly news— as the polling data has shown for decades. For progressives, it is in fact common wisdom, because the class bias of the state is most visible when activists try to change policy in favor of working people. They experience the state’s class bias in its resistance to their demands, in its hostile and often punitive response. It has been this way for more than 200 years, and it continues to be so today. The challenge is to first understand what the sources of state bias are and then to devise a strategy to overcome or neutralize them. That is what this pamphlet sets out to do.

CAPITALISM UNDERMINES DEMOCRACY

The underlying premise of the pluralist vision is that democracy neutralizes the power differences created by capitalism. Sadly, that’s a false premise. The essence of the problem in modern societies is that capitalism overwhelms democracy, ensuring that the state is fundamentally biased toward capitalist interests. There are three basic channels through which this happens:

- The wealthy are more likely to *get into* office.
- The wealthy exercise greater influence *on* the people *in* office.
- Most importantly, the state’s dependence on capital ensures that politicians will favor capitalists *even if the first two mechanisms fail*.

3 The key work here is Martin Gilens, *Affluence and Influence: Economic Inequality and Political Power in America* (New Jersey: Princeton University Press, 2014). A good non-technical introduction is Benjamin Page and Martin Gilens, *Democracy in America: What Has Gone Wrong and What We Can Do to Fix It* (Oxford: Oxford University Press, 2018).

These three almost always work together. In some countries, for some periods, labor movements have found a way to neutralize the first or the second channel. Neutralizing the third is not possible as long as we are in capitalism; it's the fail-safe and also the deepest constraint of the three. This is why it's the most important. But before we come to it, let's examine the first two.

The Personnel

The promise of democracy is that anyone can run for office, and as long as they can mobilize the voters behind them, anyone can win. But the reality is that the people who win tend to come from one particular interest group—the wealthy. This holds true for all levels of government. An examination of presidential administrations shows that *two-thirds* of the members of *every cabinet* in the twentieth century were corporate managers, investment bankers, or corporate lawyers.⁴ This means that every cabinet in recent American history was basically run by capitalists or their chief supporters. If we turn to Congress, it isn't much better. The vast majority of House and Senate members in the US are themselves from the wealthiest sections of society. In 2014, the majority of those elected to the House were millionaires, with the median net worth being just under \$1 million and that of Senate members, \$2.7 million.⁵ Even if state managers aren't from the capitalist class themselves, they are typically from social and institutional milieus that orbit this class, such as high-level law firms, elite schools, and prestigious research institutes. These are people who spend their lives serving capital, even if they do not themselves own much of it.

Why does this matter? Most obviously, it is because the social

4 Dennis Gilbert, *The American Class Structure in an Age of Growing Inequality*, 9th edn (Sage Press, 2015), 183.

5 *Ibid.*, 184.

TABLE 1

VIEWS ON POLICY ISSUES (PERCENT IN FAVOR)

Jobs and Incomes

Government should see to food, clothing, and shelter

Minimum wage should be above the poverty line

Government should provide jobs for everyone able and willing to work who cannot find a job in private employment

Decent standard of living should be provided for the unemployed

Health Care

National health insurance should be financed by tax money

Retirement Pensions

Social security should be expanded

Education

Whatever is necessary should be spent for really good public schools

Government should make sure everyone can go to college

Taxes

Government should reduce differences between high and low incomes

Government should reduce inequality by heavy taxes on the rich

Source: EPI analysis of Bureau of Labor Statistics and Bureau of Economic Analysis data. Updated from Figure A in *Raising America's Pay: Why It's Our Central Economic Challenge*, Economic Policy Institute.

ALL CITIZENS	MULTIMILLIONAIRES	DIFFERENCE
68	43	-25
78	40	-38
53	8	-45
50	23	-27
61	32	-29
55	3	-52
87	35	-52
78	28	-50
46	17	-29
52	17	-35

background of people has a huge effect on how they see things. Table 1 summarizes the differing views of the very rich and ordinary people on a number of policy issues. Notice that the views of the wealthy are consistently more conservative on all the issues. Now, if their ideas of right and wrong on these matters are skewed in this fashion and if elected officials are selected from within this group, those officials' policy agenda will also tilt in this direction. It will result in a policy bias toward the wealthy.

There's also a less obvious way in which class location matters. Politicians' choices aren't just shaped by where they *came from* but also by where they try to *get to*. A substantial proportion of legislators use their time in office to enter the corporate community once they leave politics. They work as consultants, lobbyists, or intermediaries, or start businesses of their own. The contacts and insider knowledge that they accumulate while in office are invaluable for businesses trying to get access to policy makers. So a short stint in Congress or Parliament has the potential of paying huge dividends down the line. This pipeline connecting careers in government to jobs as lobbyists is so pervasive that they even have a name for it — the “revolving door.” And why does it matter? If a legislator plans to slide into the corporate community after her political career, she will strive to spend her time in office making connections with potential future employers or contacts, and showing them that she is reliable — that she can be counted on to do the right thing. This only reinforces the bias in her policy preferences toward capitalist interests.

The Influence Game

Pluralists will acknowledge that the government is stacked with wealthy people. How could they deny it? But they would argue that the instruments of modern democracy serve to counteract individual bias. Whatever a politician's own proclivities, if she ignores inputs

from her constituents, if she rides roughshod over their desires, she will lose credibility and, in the end, lose power. This is why the crux of the matter, for pluralists, isn't the facts about legislators' personal backgrounds but the weight of public opinion, which is expressed either in blocs of voters in elections or pressure from organized interest groups in the policy process. As long as interested parties are able to come together and exert influence on the state, the managers of the state have to pay heed to them, on pain of being booted out of office.

For now, let's assume that politicians really do have good reason to listen to public opinion and pressure groups. It should be clear that this still isn't enough to vindicate the pluralists' optimism. Politicians' willingness to be receptive will only generate democratic outcomes if the poor are in fact able to get access to policy makers. For the poor to have as much chance of having their interests represented as the rich, they will also have to have as much success in forming and using pressure groups as do the rich. But if the whole influence process is dominated by the wealthy, if they are the ones who have the state managers' ear, then, instead of the lobbying process serving to counteract the personal biases of politicians, it will in fact *reinforce* those biases. The lobbying success will be layered *on top* of the state managers' existing personal biases, making the state more securely tilted in favor of capital.

As it happens, there is very good data on who wins the influence game, and the results are weighted *overwhelmingly* toward capital. Take first the issue of lobbying, which is the most common means by which organized interests exert pressure on the state. In the United States, a great deal of influence peddling is carried out through registered associations stationed in Washington DC, which represent the interest groups that pluralists write about. These associations do the work of contacting legislators, writing policy briefs, making phone calls, meeting with policy makers and trying to bring them around to their constituency's point of

view, etc. In common parlance they are called lobbyists. These are political organizations that are supposed to have access to politicians to keep them honest. But in fact, the organizations representing business interests outweigh those working for labor — many times over.

In 2011, there were around 11,000 registered lobbying organizations in Washington DC. A major study of the lobbying process found that of these lobbying organizations, around 53 percent were exclusively devoted to representing business interests *and less than 1 percent* represented labor unions. Business lobbying groups outnumber labor groups *by more than 50:1*. If we look at organizations representing recipients of means-tested social welfare programs — like Medicaid or food stamps — *there wasn't a single registered organization* in Washington DC devoted exclusively to their interests. If we look at expenditure, it is even more lopsided. In 2017 the total amount of money officially spent by registered lobbying organizations in Washington DC was \$3.36 billion. Of this, business accounted for around \$2.6 billion, while labor spent \$46 million — so the ratio of business to labor spending was 56:1.⁶

Lobbying is just one form of exerting influence and by no means the most important. Equally significant is the role of money in elections. Running an electoral campaign, regardless of where and when, takes a great deal of money. In the United States, it takes a *huge* amount. In the 2016 electoral cycle, a total of almost \$6.5 *billion* was spent in the presidential and congressional elections: a bit more than \$4 billion in the latter and just under \$2.4 billion in the presidential race.⁷ Presidential campaigns now require war chests approaching a billion dollars. In 2016, winners of a House race spent an average

6 Total lobbying from “Lobbying Database,” <https://www.opensecrets.org/lobby/>; business total tabulated from “Alphabetical Listing of Industries,” https://www.opensecrets.org/lobby/list_indus.php (all sectors except “ideological,” “labor,” and “other”); labor total from *ibid*.

7 “Cost of Election,” <https://www.opensecrets.org/overview/cost.php>.

of \$1.5 million on their race, while the price tag on winning a Senate seat was \$12 million.⁸

All this money has to come from somewhere. Politicians like to boast about how many of their contributions come in small sums, suggesting that they are being fueled by the support of working- or middle-class families. But this is a trick. The *number* of donors is of course skewed toward smaller ones, since most people are not rich enough to donate large sums. But if we turn from the total number of donors to the relative weight of their contributions, we get a different picture. The fact is that a very small number among them account for the vast bulk of the funds flowing into elections. In the 2016 election cycle, *half of one percent* (0.52 percent) of the US population accounted for more than *two-thirds* (67.8 percent) of all the contributions made to political campaigns.⁹

One of the most astonishing discoveries came from a team of researchers from the *New York Times*. They found that just 158 families accounted for half of *all* the money that had been raised by the two parties in the early stages of the 2016 election cycle — around \$176 million between them.¹⁰ So even though small donors were the largest in number, they didn't matter that much in their economic weight. It was large donors who really pushed the needle. The flow of money into elections was, and continues to be, controlled by the capitalist class — the people who are economically in the top one percent of the population.

The fact that money matters so much means that those with the

8 “Election Trends,” <https://www.opensecrets.org/overview/election-trends.php?cycle=2016>.

9 “Donor Demographics,” <https://www.opensecrets.org/overview/donordemographics.php>.

10 Nicholas Cofessore, Sarah Cohen, and Karen Yourish, “The Families Funding the 2016 Presidential Election,” *New York Times*, October 10, 2015, <https://www.nytimes.com/interactive/2015/10/11/us/politics/2016-presidential-election-super-pac-donors.html>.

Two-thirds of the members of every cabinet in the twentieth century were corporate managers, investment bankers, or corporate lawyers.

most money wield the most *clout*. Aspiring candidates for office know that they have to raise a huge amount of money. Any rational candidate will also understand that it makes a lot more sense to approach those with more money to give, so as to save time and effort. Better to get a thousand dollars in one shot, as against getting ten dollars apiece from one hundred different donors.

This creates a very specific challenge for candidates. They have to be the kind of candidate capitalists would *want* to help out. If they aren't, then the money will flow to someone else, someone who capitalists think will better promote their interests. Candidates therefore create a personal profile and a political platform that, at the very least, won't alienate powerful funders, so they have a fighting chance of raising the money needed to be viable. They have to make their priorities acceptable to the super-rich; they have to promise to be available to the same people in case they demand an audience; and they have to craft a policy agenda that stays within the limits of what those moneyed people deem appropriate. They don't have to literally exchange special favors for money; the process doesn't have to be that corrupt. They just have to promise that they will be the kind of candidate rich donors can *trust*.

What this means is that in a money-driven electoral system, there are in fact *two* competitions in any electoral cycle — one behind the

scenes and the other out in the open. Behind the scenes, candidates first compete over donors; and then, later, there is the election we all see out in the open — the competition for votes. The crucial point is that the battle to attract donors decides which candidates are available in the second round, the battle for votes. Candidates who can't find donors are either weeded out before voters can even have a chance to weigh in, or become so marginal that they don't stand much of a chance of winning. They don't have the money to hire staff, they can't buy air time for advertisements, they can't run an effective campaign, etc. They either drop out or are pushed out. So the competition for money decides who gets to run in the competition for votes.

This entirely changes the role of public opinion in elections. Remember that two routes by which the public is assumed to discipline state managers is by organized lobbying and by the ballot box. In the mainstream view, a rational politician will align her policies with what the public wants, because public opinion will determine who wins in elections. According to that view, politicians' priorities will have to line up with the priorities of the general public. But this overlooks the impact of the competition for donors. The scramble for campaign finance forces candidates to place moneyed opinion above the priorities of the general public. They are compelled to align their policy agenda to the donors' agenda, because if they don't, they effectively count themselves out of the electoral competition.

As a result, elite opinion and general public opinion play different roles in the political process. Elite opinion is what candidates follow and *prioritize*, while general public opinion is something that they seek to *manage*. In other words, elite opinion *drives* the candidates' priorities, while mass opinion plays a more passive role, as a constraint which they try to negotiate. Now, managing public opinion is not the same thing as ignoring it. What it entails is a dual strategy, depending on how it aligns with capitalist interests. First, where it doesn't clash with what capitalists want, politicians are

happy to take it seriously, even pander to it. The best example here is non-economic issues, like religious conflicts, or social issues like sexual identity. These are often allowed to move to center stage because however they are resolved, they won't really touch the donors' economic interests. In fact, they are very useful as political lightning rods because letting them rise to the top of the agenda allows the policies closer to class interests be decided backstage, in negotiations between capital and state managers.

Second, in cases where public opinion does in fact clash with donor interests, it has to be neutralized in some way. The most typical is by either *deflecting* public demands into policies less threatening to elite interests, or by appealing to "pragmatism". The best example of this is how the parties in the US have handled public demands for national health care. For decades, popular opinion has clamored for some kind of national, public health care plan. Being unable to ignore it, both parties have tried to neutralize it. The Clintons deflected those demands in 1992, so that what the public got wasn't a European style national health care, but a monstrous, top-heavy system called "managed care," which, under the banner of "national policy," handed over health care to the insurance industry and private hospitals.

Twenty-four years later, when Bernie Sanders raised the call for a Canadian-style single-payer system, it was once again one of the Clintons who came to the status quo's rescue. Unable to do a bait-and-switch like she had in 1992 with Bill, Hillary resorted to deflating public expectations. Hillary was the "lower your expectations" candidate. Instead of taking public opinion as her cue, her strategy was to deflate it by charging that it was not realistic. The lesson here is that, as a favorite of the corporate community, Clinton's mandate came not from her voting public but from her donors. And her response to a demand that went against the donor interests was to do her best to neutralize the power of public opinion.

In sum, when we bring both of these dimensions of the influence

game together — the lobbying game and the electoral process — what emerges clearly is an overwhelming tilt in favor of capital. The implication is that the mainstream, pluralist view of a capitalist democracy is fatally flawed, even on its own assumptions. Pluralism holds that the state and its managers are not biased toward any particular section of society, and even if they are, they have to bend to public opinion, because they will be punished if they ignore it. What we have seen is that even if state managers take their cues from whoever wins in the influence game, they will still end up catering to the wealthy. In other words, even if they are neutral in their outlook, even if they aren't personally biased or are willing to ignore their biases, the state will still favor capitalists over the poor, *because capitalists' greater wealth gives them an enormous advantage over every other pressure group*. Far from neutralizing politicians' class biases, the political process ends up reinforcing them.

The Structural Connection

The two sources of state bias we have examined so far have this in common — they stem from capitalists' greater personal reach into the state. They are forms of *state capture*. The state ends up being biased because capitalists and their servants literally occupy the halls of power, or have influence over those who do. Now these mechanisms are no doubt important. Reversing them, or neutralizing them, would open up considerable space for more progressive policy, and experience teaches us that in those instances where they have been overturned, policy has tended to shift toward the interests of the poor. Most obviously, where working people have been able to form their own parties and elect candidates from more modest backgrounds, there has been a shift in the overall orientation of the state.

The best example of this is labor or social democratic parties in Europe and also in parts of the Global South. In these cases, it isn't just that policy makers have come from poorer backgrounds, but the

fact that the organizations have been able to free themselves from relying on the patronage of wealthy people. They've been able to raise their own funds, and just as importantly, as mass parties, they have mobilized the one resource they have in plenty — the commitment and energy of their members. They also have generated their own experts, so they are less dependent on policy advice from lobbyists; and they have direct experience in the lives of working people, so they have well-developed policy agendas. All of these qualities combine to significantly overturn the systematic advantage that capitalists otherwise have in the policy process.

But while blocking the various kinds of state capture goes some distance in correcting its bias toward capital, it does not by itself *overturn* that bias. That is because the state's class character isn't *fundamentally* based on the fact that capitalists have more and better access to policy makers. Powerful as these are, these are in fact secondary mechanisms. This is evident in the fact that even in countries where state capture has been partially neutralized — like the social democratic countries on the European continent — the prioritization of capitalist interests has not been shaken. Policy makers still have to respect the basic integrity of private property and the social priority of the profit motive. This is because there is a deeper, more powerful force that keeps the state tethered to the interests of the capitalist class, even when the other sources of influence are weakened. And the reason it is effective is that it is the one constraint that can't be neutralized or overturned as long as we remain in a capitalist system.

The fundamental source of bias is that the state is *structurally dependent* on private investment for its very reproduction. Whatever else it does, whichever policies it seeks to promote, it has to first ensure that the profit-making opportunities of capitalists are secure. And a central element of securing those opportunities is the responsibility of creating a political environment that owners of capital find friendly to their needs and designs. This obliges state representatives

Elite opinion is what candidates follow and prioritize, while general public opinion is something that they seek to manage.

to respect capitalist interests, regardless of what their own programmatic goals are, whatever their political ideology happens to be.

Let's examine this more carefully. In a capitalist economy, the production of goods and services is in the hands of those who own the means of production, the capitalist class. This is true by definition. Another way of putting this is that, in capitalism, the means of production are not controlled by the state — they are privately owned. Hence, there is a clear division between political institutions and economic ones. Economic transactions are carried out under the direction of capitalists, while public affairs like law-making and enforcing the peace are the responsibility of the state. Capitalists rely on public institutions to provide the background conditions that make their profit-seeking activities possible. The state, for its part, relies on the investment by capitalists to generate new income and wealth.

The fact that the state doesn't itself own the means of production is of critical importance. Like any institution that endures over time, it needs a steady stream of revenue to fund its operations. It has to pay for the civil servants that it employs, purchase the supplies it uses in its daily activities, etc. All of this is paid out of the state budget. But the budget doesn't magically create its own funds. They have to come from somewhere, and since the state doesn't own its own productive assets, they have to be acquired from other sources. The

main such source is *taxation*. State revenues come primarily from its taxing of the general public. These taxes are either levied directly on personal or corporate income or as various indirect charges like sales tax, excise tax, and value added tax. Whatever the form, these taxes comprise the main source of revenue for the modern state. They are what keep the state running.

Taxes are a claim that government makes on *income*. So if state managers wish to keep a steady stream of revenue coming in, the incomes on which they are making a claim also need to grow steadily. But we know, of course, that incomes in a capitalist economy depend on the investment decisions of capitalists. If capitalist employers open new establishments or simply expand their current operations, it means new jobs and more money for workers. As those new investments generate the sale of new goods and services, capitalists' profits expand and their personal income also grows. So the growth of income for capital and labor depends on a prior expansion of investment. And that means, in turn, that buoyant tax revenues for the state depend on an expanding economy, which in turn rests on expanding investment by capitalists.

This brings us to the crucial point. If capitalists could be programmed to keep up their investment activity no matter what policy makers did, then the state could pass whatever policies it wanted

Power to make social change
within capitalism takes more
than getting the right party
or the right people into office.

without much worry. The revenues would keep coming in and politicians' favored programs would be fully funded. The problem, of course, is that capitalists are under no such compulsion to invest. If they choose, they can slow down the pace of expansion; they might decide not to invest at all; they can even shift their money overseas and park it in financial instruments. What they do with their profits is entirely up to them.

For state managers, this creates a massive problem. If investors do choose to slow down the pace of investment, then it means that suddenly the budget begins to dry up, policy initiatives become uncertain, and social programs lose their funding. But just as importantly, as economic growth slows down, job growth also becomes anemic. Unemployment starts to creep up, poverty levels deepen, and the quality of life begins to deteriorate. In a democratic set-up, all of this means that the political party or president overseeing the decline in economic fortunes has to pay the price. Typically, they are pushed out of office in the next elections, since they are the ones the public holds responsible for its declining condition. So any slow-down in economic activity punishes policy makers in two ways — it deprives them of the resources they need to carry out their political agenda, and it undermines their electoral popularity.

The upshot of this is that state managers are typically very careful to avoid doing anything that might antagonize capitalists. This reluctance is an index of the fact that, in a capitalist system, the state is structurally dependent on capital as part of its very essence. Regardless of what the local or political specificities happen to be, this dependence is built into the fundamental architecture of a state in a capitalist society. It obtains regardless of how well capitalists are organized as a pressure group or how densely they populate the halls of power themselves. This is why, even if the other two channels of capitalist influence fail, the state remains a class organ — an institution that has to respect and prioritize the interests of capital.

Indeed, the importance of the structural dependence is that

it amplifies and strengthens the power of the other two channels of influence. Policy makers understand that their success in office fundamentally depends on the health of the economy: if people are losing jobs, they will typically vote the ruling party out of office. That being the case, political elites try their best to build investor confidence by being sensitive to investor priorities. This is why, in most cabinets, the key economic posts are given to well-known and trusted representatives from the business community. The finance ministry or treasury is typically headed by a banker; commerce is led by a leading businessperson, and so on. In matters of economic legislation, state managers don't wait for lobbyists to approach them with advice. Very often they reach out to industry representatives and actively seek their input, to ensure that the new laws are acceptable to industry.

In other words, because state managers are aware that their own security depends on investor confidence, they typically seek to build that confidence by inviting capitalists into the halls of power, granting them the access that other groups have to scratch and claw to get. Its structural dependence on capital induces the state to create interpersonal networks with individuals from that class. So even if political institutions are set up to neutralize all the advantages capitalists have in the influence game, the state has good reason to seek out that influence because of capitalists' privileged position in the system as a whole.

REAL POWER IS IN THE ECONOMY

There is a very important implication of the preceding argument. It suggests that in capitalism, real power doesn't reside in the state, it resides in the economy. This means, in turn, that *to achieve governmental office is not the same as having real power*. One might say that there is a big difference between *holding office* and *having power*. Time and time again, we have seen left-wing parties make

grand promises, get elected into office, and within a short time they betray their voters. Having promised ambitious programs of social reform, they end up delivering little of it — or worse, they impose even harsher measures of economic austerity than conservative parties might do. This happens because governments, even the most radical ones, can be brought to their knees by capital without ever firing a gun. All that capital has to do is to slow down the tempo of economic activity, slow down the pace of investment, and political leaders have little choice but to change their priorities so that placating investors pushes every other priority off the table.

Real power to make social change within capitalism takes more than getting the right party or the right people into office. It requires finding a way to counter the *economic* power of capitalists. The only way to do so is by building an alternative source of power, not just in the state, but in the economy itself, by the agent best positioned to achieve it. How this happens is the focus of the next section.

WHERE DO REFORMS COME FROM?

What the preceding analysis shows is that the popular perception about government isn't mistaken — the state *is* captured by the wealthy, and it *does* fundamentally cater to their interests. What's more, it doesn't favor them due to aberrations like corruption or politicians' moral weakness. The tilt toward capital is built into the system: first, because of the immensely greater resources that capitalists can mobilize to influence politicians, but more importantly, because of the state's structural dependence on capital. This means that, if left to its own, the state cannot be relied upon as a counterbalance to the power of the capitalist class. It won't step in to bolster labor's ability to negotiate a better bargain for itself, to protect workers from employers' power, or to help working people acquire basic necessities. Indeed, the state's most baseline tendency will be to *protect* the privileges acquired by the wealthy, not dilute them.

This raises an important question. If state managers will not typically pass progressive policies on their own, then where does progressive legislation come from? After all, every advanced capitalist nation, and many in the Global South, have a welfare state. And whatever else they might do, welfare states blunt the impact of market forces, sometimes redistributing income toward the working class, and at other times providing basic services at no immediate cost to them. These are clearly policies working people have themselves demanded and, more importantly, which capitalists have opposed. How could they have been promulgated if the state always and everywhere takes its cues from capital? What made this possible?

We should begin by noting that the preceding analysis doesn't imply that the state will never pass progressive reforms, but that it won't do so *if left to its own*. What we have described so far is a number of mechanisms that incline the state to prioritize the interests of capital over labor. This is the normal state of affairs, the status quo, in capitalism. The mechanisms we have described exert a *gravitational pull* on the state, making it orbit the interests of the capitalist class. But just as with gravity, it is possible to construct mechanisms that can, within limits, loosen the grip that capital exerts on state policy. It requires the creation of countervailing forces that endow the state with a degree of independence from capital, so that it might pass policies friendlier to working people.

The most important of these forces is pressure from an organized working class. Historically, it is when workers have threatened real economic disruption that states have moved in a more progressive direction.

How Class Struggle Counteracts State Bias

Recall that the deepest, most powerful constraint on the state is the fact that it is structurally dependent on capital. This basic fact ensures that the state's priorities are forced to align with the

priorities of capital. Now, it follows that if capital's priorities were to change so that they were willing to accommodate labor's interests, then this would open up a space for progressive reforms. This is why the labor movement matters. For, if capitalists have political power because they control the flow of investment, it is labor that creates the investable profits in the first place. A mobilized labor movement can force a choice on employers — agree to allow more progressive social policy, or face the prospect of ongoing disruption of production and hence of profit-making.

In situations where workers can impose real costs on employers through strikes, slowdowns, or other forms of disruption, it dramatically weakens the normal constraints on the state. Change can now come from two different directions. First of all, policy makers who are sympathetic to labor can use the economic disruption to call on their capitalist patrons. They can make the case that employers, who have hitherto been blocking progressive reforms, need to change their position, because it is *in their interest* to do so. Politicians normally too timid to fight for labor now can appeal to employers' own interests to suggest that the only way for employers to get profits flowing again is to accommodate labor's demands. Conversely, the momentum can also come from capitalists themselves. In situations of intense strike activity and disruption by labor, there have been times when segments of the capitalist class have realized that the only way to restore stability is to concede some of labor's demands. In these instances, labor creates a split within the class, bringing segments of the class over to the progressive coalition and becoming part of the movement pressing for reform.

Thus, reforms are made possible because employers are *forced* to concede them. And they are forced to do so because economic disruption makes it too costly for them to continue blocking the reforms. And the disruption, finally, is possible only if the social agent that creates the flow of revenue for employers decides that it is no longer willing to do so. This is why radicals have always insisted

on the centrality of class struggle for progressive reforms. No social agent has the ability to as effectively counter the structural power of capital, because capital doesn't *depend* on any other social actor in such a dramatic fashion.

But does this mean that every time we want anything positive from the state, it requires a national labor mobilization? One would hope not, because that isn't going to happen! People aren't going to join in strike waves or pour into the streets on a weekly or monthly basis, year after year, in order to pressure the state. So how do workers maintain some pressure on the state, if they are not going to be poised to unleash economic disruption at the first sign of elite resistance?

The most effective way is to establish a presence within the political system and within the state through a political party that fights for their interests — a labor party of some kind. The presence of such a political party, which is embedded in the working class and which runs for elections, creates a permanent advocate for labor's interests. Its presence ensures that labor doesn't have to flex its economic muscle every time a policy debate comes up. Instead, its power is institutionalized within the state and made part of the normal negotiating process between state managers. One might even say that having a dedicated party in the legislature creates a *multiplier effect* for whatever power labor is able to develop in the workplace. Parties are able to squeeze every bit of leverage they can out of every instance of mobilization or strike action. There is a force within the state that is committed to pushing as far as it can toward labor's interests.

There is an important caveat here. The existence of a labor party relieves the working class from having to hit the streets every time a policy debate comes up. The party fights for them instead. But, while the party might not require *actual* economic disruption every time it negotiates around policy, it does require that there be an effective *threat* of such disruption. A party in power, or in the legislature, can

only negotiate effectively for working people if there is an organized movement behind it, which could, if needed, shut down production. This is the counterpart to the threat that capital is able to wield, through its power to withhold investment if the state moves in a direction harmful to its interests. Labor party representatives have to be able to warn of a similar power from their side. So having a party can never be a substitute for building an organized and militant working class movement. Its political power in fact depends on having this movement behind it.

The Limits to Reforms

How far can class organizing and class pressure go in democratizing the state? Can it fully neutralize the power of capital? While we have seen tremendous progress in the countries with the most organized working classes, there are real limits to democracy in a capitalist system. Remember that as long as investment remains in private hands, the state simply has to prioritize their interests. And private control over investment is the very definition of capitalism. Even the most radical socialist parties, even the most powerful union movements, have to bend to this. As long as governing parties choose to respect the rights and prerogatives of those who own the means of production — capitalists, bankers, agribusinesses, financiers — they have to also respect their private and social power. And even when labor manages to chip away at this power by deepening political and economic democracy, the fact remains that they can't equalize the influence of ordinary people and the wealthy — because respecting private property means respecting the greater say that the wealthy have over economic decisions.

This is what it means, after all, when we say that in capitalism real power doesn't reside in the state but in the economy. We can democratize the state and through it substantially weaken the arbitrary power that capitalists have over the economic decisions that

affect everyone's lives — investment, employment, wages, work time, and so forth. And we can also loosen their grip over politics. But as long as we are in a capitalist system, the state will have to respect the structural power of capital. And as long as it does that, there will be a limit to democratization. For real democracy to be possible, we would have to open up those decisions to a much greater degree of social debate and decision-making. But the level of social control over the economy needed to achieve real democracy is simply not possible in capitalism. The implication is clear-cut — while a mobilized and organized labor movement can substantially democratize social life and demand concessions from the state, capitalism imposes real limits on how far political power can be equalized between the rich and the poor. To truly enable full participation in the decisions that affect us all, it will be necessary to go beyond capitalism.

The Roots of Decline

What the preceding section established is that Left political parties need to have an organized and mobilized working class movement to provide them with political leverage in the state. What we need to examine now is what happens if this partnership between the two is absent. This issue is important because it explains why parties that proclaim a socialist commitment have, in recent years, not only abandoned their radical programs, but have gone to the other extreme — of imposing harsh austerity measures on their own supporters.

It shouldn't be a surprise that if Socialist or Left parties come to power without organized class power, or find that power waning, they have to scale back their goals *to what the balance of power allows them to achieve*. This is because when they try to pass their policies in Parliament or Congress, their political opponents don't have much reason to agree to it. In these situations, conservative parties know that the Left doesn't have the "boots on the ground" to give them political leverage, and this weakens the Left parties' hand

in political negotiations. More conservative elements within the party itself can now make a case for scaling back radical ambitions in the name of “realism” — and they will be right, because policy agendas that were realistic when backed up with real working class power will now *in fact* be out of reach. Left parties in this situation find that the pressure coming from business is now far more menacing because business itself has less to fear from a backlash by organized labor. Gradually, these parties have to adjust their agendas to bring them closer in line with business preferences — because that’s what the balance of power demands.

There are two distinct routes to this rightwards drift of labor parties. One is when, due to economic shifts or political attacks, their working class base is eroded. An example would be if, due to deindustrialization, parties whose class support came from workers in the manufacturing sector found that their most ardent and militant union members became unemployed or shifted into sectors that were unorganized. In this case, a labor party might be very ambitious, but would find that it has lost a lot of the muscle that would have enabled it to fight for reforms. But the loss of a working class base can also come from old-fashioned class struggle, as in the United States during the 1980s, when union membership dropped through the floor in a matter of a few years under political attacks from employers. The political results were predictable. The conservative wing of the Democratic Party, under the leadership of Bill Clinton and others, pulled its agenda in a clearly corporate direction and was able to silence its more progressive critics, mainly under the banner of political realism.

The second route has been that of many European social democracies, in which economic transformation also played a role. But in this case, its effect was amplified by a growing conservatism within the political leadership, both in the parties and in the unions. The establishment of welfare states in these countries had been carried out under pressure from very militant and highly mobilized labor

movements in the 1930s and 40s. But already in the early years after World War II, unions in Europe were coming under the sway of more conservative leaders, who were concerned with maintaining industrial peace after years of bloody warfare and economic hardship. This conservatism from unions was reinforced by their party allies within the state, who not only listened to union leaders, but also were under pressure from capitalists to restore the basis for economic growth. The result was that the biggest union federations and largest political parties of the Left adopted a program of guarded cooperation with employers through the 1950s and 60s.

While this was rejected by the European working class for a brief spell at the end of the 1960s, the conservative agenda came back to the fore by the time of Reagan and Thatcher. By the 1980s, labor parties had largely lost or forgotten the tradition of militant unionism. Meanwhile, the ability of unions to even fight back was rapidly eroding, as the unionized sections of the working class were shrinking rapidly. Not surprisingly, these parties shifted rapidly to the Right, so that, by the 2000s, even though they still had a working class base, their political agendas had moved very close to the mainstream center parties.

We can see, then, that there are four possible scenarios in capitalism with regard to the state.

The box numbered 1 in Table 2 describes a situation when there is no labor movement and no labor party. This is the worst combination for progressive reform, because neither of the two enabling conditions for pressuring the state exists. We should expect countries that fit into this box to have the most conservative policy agendas, and governments least receptive to the demands of the poor. In the advanced industrial world, this describes the United States.

The box numbered 2 describes a situation when there is a labor movement pressuring the state from the outside, but with no help from a party inside the state. The historical case embodying this would again be the United States, but in the late 1930s, when a

TABLE 2.
POSSIBLE
SCENARIOS IN
CAPITALISM

		Labor Movement	
		NO	YES
Labor Party	NO	1 US: Today	2 US: 1930s
	YES	3 Europe: 1990s	4 Europe: 1930s

massive and organized labor movement exploded on the scene and pushed the Democratic Party to pass social welfare reforms. Notice that while this labor explosion pushed the state in a more progressive direction, the impulse was also weaker than it would have been had a labor party been in place to take advantage of the class balance in society. Whereas a labor party would have worked to extract maximum leverage from the power of the organized working class, the Democratic Party was dragged in a more radical direction against its will and did only what it absolutely had to. Indeed, the Southern wing of the party in Congress worked actively to undermine the demands coming from labor and was quite successful in this effort. And by 1947, when the most radical edge of the labor movement was subdued, Congress was able to launch the first and most significant policy package aimed at rolling back the New Deal, in the form of

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the Taft–Hartley Act, which took away from labor many of the legal protections that the earlier Wagner Act had been able to provide. This rapid decline in influence was a direct result of the fact that the Democrats were never transformed into a labor party. They remained a party of business, which gave some space to labor but always in a subordinate position. As soon as the immediate threat of disruption subsided after 1938, business-backed policy makers began to chip away at the gains acquired during the 1930s.

The disadvantages of the situation embodied in the box numbered 2 are clearer when we compare it with the box numbered 4, when there is both a labor movement *and* a labor party. This describes the political balance in Europe in the 1930s and 40s, when a model of social democracy was created that was far more ambitious than Roosevelt’s New Deal. Starting with the years right after the Great Depression and stretching into the period after World War II, European labor movements grew in strength, but also had their own parties winning elections and taking office. Unlike the Democrats in America, who did as little as they could get away with, the European Left parties — Labour, Socialists, and Communists — maximized the leverage that the working class movement was able to generate. The result was that Western Europe was able build welfare states that were deeper, more generous, and more enduring than the American one.

The situation in the box numbered 3 captures the political scene in Europe after the 1980s. By this time, the organized labor movement was in retreat across much of the Continent, union density was declining, and established unions were moving to a very narrow and defensive stance. Their disruptive potential was severely weakened, which meant that the Left parties attached to them had very little pressure from the working class. *All the pressure now came from capital.* And not surprisingly, this is when the slow dismantling of the European welfare state began. It began slowly, because even though the unions were getting weaker, they still were a force. And even though the Left parties were becoming more conservative, they still had a strong social democratic tradition. But by the early 2000s, the shift was very clear and moved at an increasing speed. By this time, it wasn't a case of Left parties finding themselves without the power base to defend the welfare state; their internal culture had moved substantially toward the ethos of the mainstream parties.

The challenge for the Left today is to engineer a shift toward the scenario represented in the box numbered 4. In the United States, this seems a very tall order. European labor movements at least have some semblance of Left parties which they can contemplate reforming — as in the case of Labour in Britain. Jeremy Corbyn and his supporters can envision not only taking hold of the party but also revitalizing the connection with the unions and energizing the militant sections of the working class. And conversely, radical labor organizers can at least think about how to work with a reformed Labour party to push through a progressive policy agenda. But in the United States, in the short term, the most likely scenario is to move from box 1 to box 2. It is not impossible that they might leap into box 4 and might generate the first real mass socialist or labor party, as a component or an offshoot of a revitalized labor movement. That would of course be the most desirable scenario. But the conditions for that to happen are more remote.

CONCLUSION

The state in capitalism is not and *cannot* be politically neutral. It can't embody the famous image of Lady Justice, who weighs the demands from various quarters on a finely tuned moral scale, free of all bias. Rather, its very structure ensures that the state will always be strongly biased toward the holders of wealth and capital. This bias, built into the very structure of the state, carries a very important political implication. Unless some countervailing force is present, government in a capitalist country will tend to reinforce the existing inequalities, rather than try to reduce them; it will protect power and privilege, rather than try to neutralize it; and it will place obstacles in the way of social reform, instead of easing its path.

This means that if state power is to be harnessed to progressive ends, it will require a countervailing force to the power of capital. The most important such force is the working class, because of its location in the very heart of the system. But, we might also ask, does this mean that, short of a mobilized labor movement, nothing can move the state in a more progressive direction? What about other forms of pressure, mass movements that are large, but in which labor might not be a central actor? This is an important question because in the recent past we've seen quite significant mobilizations around electoral campaigns — the Bernie Sanders phenomenon in the US and Jeremy Corbyn in Britain. These generated enormous enthusiasm and unleashed a great deal of energy, which wasn't just confined to the narrow electoral arena.

The answer is that these mobilizations do in fact have great potential in two ways. The first is that, even though they are not labor-based, they have to be reckoned with by political elites, because they can impose costs. They can shake up the complacency of policy makers, who now have to worry about electoral challenges more than they would otherwise. Legislators who typically ignore their constituencies have to consider the possibility that they might lose their

seats. And maverick politicians who don't normally stand a chance of being elected might find their viability suddenly increased, if they can capitalize on the changing mood. So these electoral mobilizations are certainly important, because they share a similarity with activated labor movements — they impose some degree of costs on elites who refuse to listen.

But of course, just how *far* they can push the needle is a different matter. At the end of the day, mobilizations of this kind — if they can't reach into the labor movement — face severe limits. Their focus is on getting better people elected, which is important, but the people who they elect simply step into the same institutional constraints that trapped their predecessors. The newly elected now have to deal with the pressure and power that moneyed people have. And precisely because the mass campaigns don't really disrupt the economy, capitalist power and leverage isn't really touched. They continue to put pressure on legislators maybe with a little more caution, but with enough force to severely limit the scope for reform. So the ability of these mass mobilizations to push public policy is confined to those areas where capitalists won't object very much, leaving many of the really significant issues off the table.

Still, this isn't a reason to denigrate electoral mobilizations. And this brings us to the second great potential. In an era like ours, in which the labor movement is so weak and demoralized, a radical and highly energetic electoral mobilization can have the effect of catalyzing the labor movement itself. By bringing so many people out into politics, by energizing the population around progressive issues, it can help reverse the sense of isolation and demoralization within labor. Unions can feel that they have the public standing with them, demanding the same sorts of things that progressive unions have long been fighting for, and in this changed political culture bosses might be more willing to negotiate — or at a minimum, less inclined to take a very hard line. This is especially the case in the service sector, in which employers have traditionally stoked public opinion

to make the unions appear as narrow special interests, looking out for themselves at the public expense — think of teachers, transportation workers, postal workers, and so on. But when the public itself begins to demand, say, more funding for schools or better trains, etc. the task of challenging the employer seems less daunting to unions.

Hence, even though the road to progressive reforms goes through the house of labor, it doesn't have to *start* there. The energies that go into organizing the working class can be acquired from other movements and other sources. The main point is that these movements need to be broad and ambitious, inclusive, and capable of challenging the basic distribution of power and resources. They need to be focused on the centers of power and audacious. This is what many of the recent explosions around the world have in common — Occupy Wall Street, the Arab Spring, the Bernie Sanders campaign, the mobilization for Corbyn, to name the most well-known. None of them were based in labor. Yet all of them were significant in moving the political culture, raising morale and political ambition, and all of them have in some way enlivened parts of the labor movement. They have contributed to a sense, around the world, that perhaps the long dark night of neoliberalism might be drawing to a close. And maybe it is. But how far we are able to press this will depend, in the end, on how much power we can muster — against the state and the class of investors who stand behind it. This is the subject of the next pamphlet in the series. ▲



Vivek
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The ABCs
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Capitalism and Class Struggle

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Capitalism and Class Struggle

Since its origin in the nineteenth century, the modern Left has been associated with two things — a moral stance and a political strategy. The moral stance is that there is something fundamentally unjust about capitalism. It’s an economic system that places the vast majority of people in permanent material insecurity; the only way for people to mitigate this insecurity is by offering themselves up to be exploited by capital. This offer also contains an agreement that while they are working for their bosses, they will give up their autonomy and do what they’re told; this, in turn, gives property owners power over the working class majority, both within the workplace, and in society at large. The state can’t be counted on as a counterbalance to the power of capital, since capitalists’ economic power also gives them enormous leverage over government. So both economic *and* political power is concentrated in capitalists’ hands, and they use

that power to maintain their exploitation of labor. When we put all this together, it means that capitalism systematically deprives people of the basic ingredients for a decent life, such as material security, personal autonomy, the resources for self-determination, and mutual respect — which is just another way of saying that capitalism is fundamentally unjust.

How, then, might we bring about a more humane society? A very common approach is to appeal to the better instincts of those in power. This usually means encouraging charitable donations and volunteer work, and, more recently, promoting Corporate Social Responsibility programs. But the response of the Left has always been to deny the feasibility of this strategy, because pleading with capitalists to behave better overlooks the structural pressure on them to abuse their power. No matter how much they are exhorted to be nicer, the pressure of market competition makes it impossible for them to respect their employees' well-being while also protecting the bottom line. What in fact happens is that, rather than bringing their actions in line with their morality, capitalists modify their morality to justify their actions. Hence, if workers are to have a better life — with more security, more freedom, and better work conditions — it will very likely have to be acquired over their employers' resistance.

So the first component of the Left's recipe for a more humane society is the conviction that it will have to be brought about by political struggle, not by appeals to decency. This naturally leads to the question, what *kind* of political struggle? What is the political strategy that might enable the poor and the exploited to acquire the basics needed for a decent life? The conventional response has been that it should center around organizing and mobilizing labor — what is classically described as class struggle. This is why, for more than a century, the Left physically located itself in the everyday lives and the employment venues of working people. The focus on labor as the fulcrum for social change is undoubtedly the defining element of the radical Left as a political current, and it has been so for more than 150 years.

In this pamphlet we examine the reasoning behind this strategy. As we will see, it is fundamentally a strategic choice, not a moral or ideological imperative. This is not to say that moral motivations are unimportant, or that ideology isn't relevant. They both matter a great deal. But they cannot on their own justify class politics. The reason labor struggles are central is that they are the *enabling* condition for everything else. They create the power and the political leverage that enables us to *act* on our morals and ideological beliefs — whereas the morals and values without the leverage remain little more than pipedreams. In what follows we develop the classic rationale for a class-based political strategy. We examine how it works and also why, even though it deserves to be at the heart of progressive politics, it is so hard to organize and sustain.

WHY THE WORKING CLASS?

Why develop a political strategy around the labor movement? There are three basic reasons. First, and this is often lost in intellectual debate — workers happen to be the majority of society. In the United States, the working class accounts for something like two-thirds of the population.¹ Any political movement that claims to fight for social justice had better represent the interests of more than just a small section of the population. It has to be fighting for things that most people want and need, not just some chosen few, no matter how badly off that particular small group is. One of the Left's most compelling attributes has always been that it can claim to be fighting for the needs of the *vast majority*. Second, these masses of working people have good reason to *want* change. And third, they have a unique capacity for bringing about progressive change.

¹ Estimates vary, of course, but most reliable studies put workers somewhere in the 60%–75% range. A good non-technical survey is Michael Zweig, *The Working Class Majority*, 2nd edn (Cornell University Press, 2012), chapter 1, esp. 29–31.

The interest in fighting for progressive politics comes from the fact that working people are systematically denied many of the basic things that go toward a decent life. The reasons for this were described in detail in Pamphlet 1, but it is worth briefly rehearsing them again.

Insecurity

To be in the working class means that you lack direct access to the means of production. The only way to secure a livelihood is by finding a job working for somebody else. Both the ability to find a job and then to keep it, are only partly in the hands of the worker. They are primarily controlled by the employer, which leaves the worker's fate in someone else's hands. Now, in itself, this need not be problematic. A condition of dependence on somebody else isn't harmful if the dominant party has the same interests as the weaker one and assumes responsibility for the weaker one's welfare. The problem for workers is that their employers have no direct interest in the employee's welfare. Their direct interest is only in one thing — maximizing profits. They hire new workers only when it is profitable to do so, and they keep them on only as long as it is good for the bottom line. This means that workers are in a situation of permanent insecurity. They don't know if they will find a job, and if they do find one they are not sure if it will pay them enough to sustain themselves and their loved ones, if they have dependents.

In the Global South today, the basic situation of billions of workers is one of long-term migrancy and temporary employment, as they travel from city to city, region to region in search of employment. They live in temporary dwellings, lack basic amenities, and can't even begin to plan out their lives. Even in the advanced industrial world, the recent trend has been away from long-term employment, so that jobs that were once the emblem of security and decent wages are shifting to temporary contract labor and hence deepening the experience of insecurity for the labor force.

Needless to say, being in this situation undermines any chances for economic and psychological well-being. Temporary jobs are also typically lower waged; they also tend to come without health and pension benefits, which is one of the reasons employers are switching over to them. Lower wages and no benefits mean a decline in living standards for employees; they also mean compromised health and longevity. The incessant search for jobs and uncertainty about their economic condition means that working people can't plan effectively for the future, even the near future.

Wage suppression

It is not just the precariousness of employment that workers have to overcome. The job itself is fraught with conflict. Since employers have to maximize profits, they have no choice but to strive to minimize their operating costs. And this calls for a very specific strategy with regard to their employees. Most importantly, minimizing costs entails that they hold down wages to the lowest feasible level. Just what that level happens to be will depend on the bargaining position of the employees. But whatever this bargaining position happens to be, it is never one of equality. A defining fact of capitalist labor markets is that employers are always and everywhere in a position of strength relative to their employees. This comes from the simple fact that when it comes down to it, an employer can hold out longer than any employee in an economic stand-off. What can vary and change is the *degree* of the employer's advantage — in some situations it can be greater, in others it may be less; but the simple fact of *having* an advantage is built into the relationship.

Workers therefore can't count on the fact that if they just work harder, their wages will also increase. From the employer's standpoint, every extra dollar that her firm makes is an extra dollar of profit, which she can use as she sees fit — there is no reason for her to give a part of it back to her employees unless she absolutely has

to. And as long as she can get away with not giving part of it back, she won't. This has become abundantly clear in the past forty years, in which the productivity of American manufacturing enterprises has increased by more than 78 percent, but wages have only gone up by slightly over 5 percent. What this means is that employers had lots of new money in their hands that could have gone into higher wages, but went instead into the firms' coffers — and then into new investments or into the boss's pockets. There was no "trickle down," there was only a *vacuuming up*.

Hence, not only is there uncertainty about finding and keeping a job, but there is also no guarantee that workers will share in the gains that come from their labor. The boss's greater power enables her to scoop up the lion's share of new revenue; and the competitive pressure of the market compels her to use that power to the worker's detriment. This creates direct conflict of interest between the worker and employer.

Labor extraction

Wage suppression is just one side of the labor equation. The flip side is the drive to extract the maximal labor effort from the worker. This shows up in two seemingly contradictory ways. The first is in the well-known phenomenon of speed-up. When an employee is paid by a particular unit of time — like an hour or a day — the capitalist wants to be certain that every minute of that time period is put to good use. Every minute that the employee isn't working is, to the boss, a minute stolen. It is time for which she is paying the worker but getting nothing back in return. So at the very least, the capitalist will try to manage the workplace to minimize "slack." But that's just the baseline. The more desirable outcome is not just to minimize non-work, but to *ratchet up* the actual amount of labor effort per hour or minute. Working harder, faster, and better — that is the mantra of the rational capitalist.

A defining fact of capitalist labor markets is that employers are always and everywhere in a position of strength relative to their employees.

What does this mean for the employee? Two things. The most obvious is that no amount of effort is ever enough. Every time employees show they can work faster, that new rate becomes the standard, and that standard becomes the new minimum acceptable rate. If some employees find a way to go longer without a break, then that duration becomes the new expectation of all employees in the plant. If a few employees are willing to work longer without overtime, then that becomes the expectation going forward. The art of management is finding ways of getting more effort from workers without having to pay them for it.

So, one implication is overwork. The second, which seems contradictory, is *underwork*. In many sectors like retail and food service, workers face the problem of not getting *enough* hours and, on top of that, not having a fixed schedule at work. They are told that they might be called in at any point, often with only a few hours' notice, and typically don't know how long they will be asked to stay. Some days they work three hours, others they might work ten. They rarely accumulate a full forty hours over the week, and often have to juggle two or three jobs. But coordinating multiple jobs becomes hard, because of the unpredictable schedules that come with them.

For the employer, this strategy makes sense for the same reasons

that overwork does. Remember that her goal is to get the most work out of her employees for every dollar that she spends on them. In many service industries, the problem is that during any given day, the flow of customers isn't easy to predict. There might be some days when it's very thick, and others when it's thin. During periods when business is thin, she will discover that she is "overstaffed". What this means is that she is paying people to do nothing — it's wasted money. So from her standpoint, the ideal solution is to have complete flexibility as to when to call her workers in and when to send them home. An added benefit is that, if she has such power, she can also avoid having to pay overtime, since she can end their workweek at the 39-hour mark.

Autonomy

Spread across all three issues outlined above, and in many other aspects of workers' lives, is one constant — that the price they have to pay for getting a job is to place themselves under someone else's control. The condition on which the worker acquires a job is that she agrees to give up her autonomy to her boss. And all her activity while at work becomes directed toward ends which she hasn't chosen. She has little or no say in how she spends eight, ten, sometimes twelve hours at a time — which is a major component of her waking life. What's more, the activities that she is asked to perform are not only selected by someone else, but often cause her considerable harm. She has to perform them, because the alternative of being jobless is so dire.

Loss of autonomy in the workplace also generates a loss of control outside it. Having no say in how long or how hard they have to work has enormous consequences for workers when they are technically off the job, at home. In cases where they are overworked, the time at home is reduced to the point that they have very little chance to do anything but get ready to go back to work the next day. Time for

friends, family, entertainment now begins to look like a luxury. Conversely, in situations of underwork, there's technically lots of spare time, but in fact very little scope to use it, since a call might come at any time to go to work. What should technically be free time, in both instances, just becomes an offshoot of the workplace. The job ends up taking control of most all of the worker's life, not just the hours she is physically at work.

The resentment created by this sense of powerlessness shouldn't be underestimated. In some way or form, most every worker often feels like her life is not under her own direction. And throughout the history of the labor movement, demands for more say in the conditions of work has been a constant goal. Even while intellectuals have not always seen the link, workers have understood how their subordination at work also leads to their subordination to work. This is why they have held that acquiring more power at work is key to enriching their social and cultural life outside it.

Capacity for social change

Thus, in addition to the fact that workers are numerically preponderant in capitalism, they also have a direct interest in pursuing the goods that are essential for social justice — since they are systematically denied them. But by itself, this isn't sufficient. After all, one can easily come up with other groups of people who also lack basic amenities, or who are oppressed and marginalized — the homeless, the old and infirm, indigenous populations, etc. If having an interest in more resources and more stability were the only rationale for concentrating on the working class, then it would fall short — since all of these other groups would be equally important for political strategy. And it might legitimately be claimed that it is arbitrary to “privilege” the labor movement above other groups, whose condition is just as dire as that of workers — indeed, sometimes more so.

Actually, on purely moral grounds, the Left has always maintained

that *all* the oppressed and marginalized are equally deserving of political attention. As Lenin famously insisted, the labor movement can't hive itself off from other dominated groups as if it were a simple interest group. He insisted that it had to be a "tribune of the people ... [fighting] oppression, no matter where it appears, no matter what stratum or class of the people it affects."² The same sentiment motivates Gramsci's idea that the socialist movement had to rise above its "economic-corporate" political identity and seek to represent all subordinate groups. The socialist Left has long understood that workers have not cornered the market on oppression. So, then, why the focus on labor? The fuller justification for the centrality of labor has to do with its political *leverage* — its *capacity* to bring about change owing to its structural location. What is special about it is that it is the only social group that both *confronts* capital on a daily basis and is *positioned* to bring capital to heel.

As we have seen in Pamphlets 1 and 2, capital is the primary source of power in modern society, within the economy as well as in the state. It uses this power to advance its own interests, and it is these very interests that have to be confronted by a movement seeking significant changes in income, time, and social insurance. Any social movement committed to greater economic security for the poor, better working conditions, more free time, better access to social services, and so on soon finds itself opposed by the owners of capital, because employers' management strategy is geared towards denying these ends. This has been the lesson that all popular movements have learned over the past two centuries. And precisely because capital as a social group is hostile to such demands, the state, too, is either indifferent or resistant to them. Movements have learned that they cannot count on the state to take their side against capital, since the state is itself dependent on capital.

2 V.I. Lenin, *What Is to Be Done, Collected Works*, (Moscow: Progress Publishers, 1960), vol. 5, 423.

Any movement to change the distribution of income, time, and freedoms will fail unless it can overcome resistance from capital, and its henchmen in the state. What makes the working class special is its ability to do just this. First of all, the modern workplace already organizes workers to some extent. The nature of work in modern economies is such that it brings workers together in pretty large numbers under the same roof. They see one another every day and coordinate their actions in producing whatever good they are selling. This places them in a kind of organized and disciplined relation to one another, which is already the essence of what they want to achieve if they band together in order to negotiate with their boss. They already cooperate and work together on a daily basis. What they now have to do is to build on this infrastructure and create an organization of their own, which fights for their own needs, not the needs of their employer.

But even more importantly, when workers do organize collectively, they have the unique ability to strike at the very foundation of capital's power — *profits*. In the normal course of things, employers wield power over their workers because they can throw them out of a job, and thereby deprive the worker of a livelihood. Now, this potentially also has a cost for the employer, because even though the worker lost something she needed — her job — so too the employer — a unit of labor power, someone who was carrying out a necessary task. Just as the fired employee needs to now find a new job, so too the employer needs to replace her labor power with a new one, another employee. In normal times, this isn't a problem for her. There are dozens of people eager to replace the person she fired, and this is why she can lord it over the employee — because the employee knows that it's far easier to find a replacement for her than it is for her to find a new job.

But in certain conditions, the worker can use this situation to her advantage. Because while it's fairly easy for her boss to find one or two, or even ten replacements, it generally gets harder as the

number of lost workers increases. In other words, the cost of finding replacements goes up in direct proportion to the numbers. If they can coordinate with one another, so that they can withdraw their labor power *collectively*, then the employees can turn the tables on the boss— because now she can't run her operations at all. They can stop the flow of profits. Even more, in a competitive market, the temporary stop in her operations can potentially have long term consequences, since competitor firms can now walk away with the employer's customers. So while one worker fears the prospect of withdrawing her labor power, the *collective* of workers can use it as a weapon.

In normal business conditions, when profits are flowing in, nothing is more devastating to a capitalist than the disruption of that flow. And nothing brings her to the table, and take seriously the concerns of her employees, like the threat of such a disruption. Whereas under normal conditions she can safely ignore most demands coming from her workers, job actions by her labor force make it *costly* for her to ignore those very demands. With every passing day, she loses the profits that would have been flowing into her office, and she sees customers either walking away to rival firms, or switching to other products. This ability to impose devastating costs on capital gives labor a special place in the power constellation of capitalism. An unorganized working class is largely at the mercy of capital. But once organized, it is also the *only* force that can bring capital to heel.

An organized and mobilized labor movement changes the social balance of political power. First and most obviously, workers get more control over the basic conditions of their lives. Achieving higher wages translates into better access to necessities; shorter and more regulated work schedules means more free time at home to pursue other ends; curbing managerial despotism at the workplace means a better and healthier work environment; and all these things add up to more *control* for workers over the details of their own lives— more autonomy. And if this happens at a large scale, across large sections

of the economy, it means, by definition, a massive improvement in the quality of life for the vast majority of the population, since this majority is comprised of workers.

But just as importantly, as labor achieves more power against capital, it also loosens capital's grip on the *state*. As we explained in Pamphlet B, if employers feel that they have to make real concessions to labor, if they truly fear the threat of economic disruption, then they also make concessions in the realm of *state policy*. A mobilized labor movement doesn't change the basic fact of the state's dependence on capital. But because it changes capital's preferences— in making capitalists more willing to concede to their demands— these changed preferences create more room for a progressive policy agenda. Policies that state managers knew would not have been tolerated by their patrons before, now become palatable to those same patrons. Even right-wing governments have to acknowledge labor's power in these situations, because these governments want to avoid economic disruption as much as their corporate funders do.

So an appropriately organized working class, with real power, and with the ability to significantly disrupt the flow of profits, changes the power balance in society more profoundly than any other social group. No other group has the combination of being in the numerical majority, having an *interest* in progressive change, and also having the *capacity* to bring it about.

FROM RESISTANCE TO TRANSFORMATION

The fact that workers have an interest in organizing themselves, and that they are also pretty well positioned to carry it out, led innumerable commentators over the past 150 years to predict that capitalism's days were numbered. The most famous such pronouncement came from Karl Marx, who declared in the *Communist Manifesto* in 1848 that, in bringing masses of workers together this way, capitalism creates "its own gravediggers". Marx wasn't alone in this

prognosis. It's fair to say that in the first third of the 20th century, there was a wide sentiment among political observers that the system was under attack and could very well be in danger. They weren't so far from the truth. There was a workers' revolution in Russia in 1905, and then again in 1917, massive labor uprisings in Germany and Austria in 1918, in Italian factories in 1920, then again in Germany in 1923, Shanghai in 1927-28, and then, after the Great Depression, another massive wave of strikes and organizing all over the Western World, culminating in the Spanish Civil War in 1936. This quarter-century or so witnessed a steady wave of political explosions in the working class, concentrated in Europe and North America but spreading in a giant arc around the globe. The grave-diggers seemed to be working over-time!

Two things happened that tempered the optimism of these early decades— the first was that, in the most advanced countries, which were supposed to have been the sharp end of class struggle, workers were unable to tear down capitalism. In some cases, they weren't even inclined to try. So in Germany, England, and the United States unions made gains, and even rattled the walls a bit, but capitalism survived. This seemed to go against the predictions of Marx and other socialists after him. The second development was that, by the 1970's, it was starting to look like even the capacity or desire to be the gravediggers of capitalism was dissipating. In the United States and England, labor unions actually suffered a very quick and dramatic slide in strength, while in other advanced countries, they only managed to hold their ground and then to seek out a peaceful coexistence with employers. The decades of the 1980's onward witnessed a reversal of fortune for labor, compared to the first thirty years of the century. The result was that supporters of the labor movement began to wonder if maybe they had been overly optimistic about how simple or inevitable it might be for workers to take advantage of their position in capitalism and organize to advance their interests.

What kind of conclusions should we draw from the experience of the past century? Nobody doubts that the early socialists'

expectations regarding the working class were much too optimistic. But it would also be foolish to join the chorus of later intellectuals who have written off the labor movement. What the decades of historical experience point to is this — Marx was right in his judgment that the best way for workers to defend their well-being was by banding together in collective organizations; but he underestimated, or at least, failed to adequately describe, the hurdles that workers have to overcome when they set out to organize themselves. And these hurdles are steep. No account of labor's political interests can be complete unless we have a fuller understanding of them. And so, it is not enough to lay out all the reasons why workers might want to organize themselves and all the conditions that enable them to do so. We have to balance the story with an account of the conditions that pull in the opposite direction, and which undermine the possibility of collective organization. This will allow us to understand both of the relevant issues — why it makes sense for workers to organize themselves, and what the obstacles are that they have to overcome when they organize.

INDIVIDUAL VERSUS COLLECTIVE RESISTANCE

It is important to recognize that workers don't automatically turn to workplace organizing to improve their situation. In fact, the most natural strategy is to find ways to improve their condition *individually*. This is so because, as we will see shortly, trying to do it collectively takes lots of hard work and has its own added risks. For workers who are on their own, without union protection, the instinct is to adopt individualistic strategies. This is their baseline situation, the one that they are naturally slotted into unless some special conditions enable them to bargain collectively. We should note that it is also the strategy that bosses want their employees to use, and which they work very hard to maintain as the only *possible* one available.

How can a worker defend herself, or better her condition,

individually? One way is by using what is called an “exit option” — by threatening to quit. The threat to quit is an ultimatum, to the effect that unless her demands are met, she will take her skills elsewhere, perhaps to one of her employer’s competitors. What makes it effective is that it could impose two costs on the employer: the direct cost of replacing this particular employee, which amounts to the revenue that goes into screening new applicants and then the time it takes to train them; and the indirect costs of all the advantages she will give her competitor if she starts working for her. It’s these costs that make her employer stand up and maybe listen to her demands.

Of course, the threat only works if the employee is hard to replace. And that will only be the case if she happens to be very skilled at her job or have some kind of highly technical knowledge about the product. This is what will make it costly to find a replacement. As it happens, in those cases where particular workers are in fact very highly skilled or really do have very specialized knowledge, they are usually able to command a pretty hefty premium for their services. The problem is that this is a bargaining strategy that is going to be open to only a small proportion of the labor force. Most workers don’t have scarce skills and therefore can’t really impose serious replacement costs on their employer. Even “skilled” workers can be replaced, if the knowledge that enables them to be counted as skilled is widely available — like having a college degree. The ones that are really at an advantage, that really do have scarce talents, are ones with product-specific training, not general training. Replacing one college graduate with another isn’t all that hard. But replacing someone who has been trained in a *particular* programming technique, or that *particular* software, usually is.

Since the vast majority of workers aren’t hard to replace, the boss can handle a difficult employee by just firing her. For the boss, this carries a very low cost since she can pick up another worker without much trouble. But for the worker, it means something very different. Precisely because she has the same profile as so many other job

seekers, there isn't anything that makes her particularly desirable. And that in turn makes the chances of finding a new job pretty dim, since she'll be competing with many others for the same position. This in turn means that, instead of imposing a cost on her *employer* by her decision to quit, it's the *employee* who will be bearing all the costs and all the risks. So it's no wonder that for the vast majority of workers in a capitalist economy, the exit option isn't very appealing. Instead of figuring out what the best time might be to walk into the boss's office and threaten to quit, they work as hard as they can to hang on to the job they have.

There are some situations when workers find their bargaining situation improved, even if they are with normal skills. This happens when unemployment is very low and jobs are easier to find in all sectors of the labor market. It's what economists call "full employment". In those situations, individual-level strategies can work to some extent, and they have. Workers find that, instead of their competing with other poor souls on the job market, it's employers who have to worry about finding applicants to fill the positions they advertise. This changes the power balance somewhat between the two. Workers are less worried about getting fired, since they can find a new job in a matter of days. They become bolder, less intimidated, and they are able to bid up their wages. But these situations are rare

Workers choose individual strategies because the collective one carries risks and costs that make it seem out of reach.

and tend to be short-lived. In fact, a noticeable rise in wages is often followed by an economic recession, which throws droves of workers out of work and brings wages back down, as a crowded labor market forces workers to accept employment at reduced wages. Hence, the typical situation is for there to be far more people looking for jobs than there are jobs.

The other way to resist is by staying on the job, but undermining the boss's demands as much as possible. This can be done in a variety of ways — one rather subtle method is by just working more slowly, or with less care, than managers demand. Maybe you work just hard enough to not get fired; you cut corners, take slightly longer breaks than allowed, show up a little late and leave a little early, etc. You don't get a higher wage this way, of course. But you do snatch back some of your *time*, and preserve your health slightly. But most of all, you get the pleasure of knowing that you are resisting the demands made on you. In more extreme cases, workers will actually sabotage the labor process — break a machine, remove a cog, etc. This isn't just an expression of frustration. It has also been a way of forcing a break in brutal work schedules.

But these methods of resisting are also very limited, just as individual negotiating is. They are only effective as long as the worker isn't caught, or as long as the manager is willing to tolerate her shirking. It's a way of blunting the sharp edge of workplace domination, but its effects are pretty meager. Neither of the ways of resisting we have discussed here are really viable in the long run, not if workers want real gains.

THE OBSTACLES TO COLLECTIVE RESISTANCE

Most workers know that there is only so much they can do as individuals. This is why they are careful not to overstep their bounds. Of course this means that, for the most part, they remain trapped in pretty awful work situations. So then, why don't they all just come

together and create organizations for collective action? Many intellectuals have said that the reason is that workers don't fully understand their situation or their interests — that they suffer from a “false consciousness”. But this is hard to believe. If a journalist or a professor can understand, why can't a worker? After all, she is the one who goes to work every day, suffers the boss's power, and sees the real limits of her own power. Why not do the obvious and get together with other employees to form an organization? The reason isn't that they don't understand what is at stake. On the contrary, it is that there is *too much* at stake, and they understand this very well. Workers choose individual strategies because the collective one carries risks and costs that make it seem out of reach.

The most severe problem workers face is the enormous power that their employer has over them. If employees try to band together to bargain for a better deal at their job, they know that if their boss suspects what is going on, they are certain to lose the job altogether. As a result, organizers often have to try carrying out their activities in secret. This places enormous practical burdens on them. It's hard enough trying to bring a large number of people together into one unit. But now they have to do it under the constant threat of being found out by the boss. What makes it worse is that there are often some workers in the establishment who might not stand to gain very much from a union — very highly skilled workers who already command high wages, or workers who have special deals with the boss — and who therefore are not very sympathetic to the idea of a union.

Not only do organizers have to somehow convince these skeptics of the merits of collective representation, but they have to do it while hoping that one of the latter doesn't give them up to the employer. Not surprisingly, the result is that most workers in most every workplace choose to keep their heads down and not take the chance. Even when some brave souls decide to undertake this very risky campaign, they have to deal with the reality that many of their coworkers will prefer not to.

This generic problem of risk-aversion is made worse by the fact that, in much of the world, jobs tend to be very short term. This is particularly so in the Global South, where the vast majority of workers labor in the informal sector, or work under temporary contracts in the formal sector. But it is increasingly the case even in rich countries, where “precarious” work has increased massively in recent decades. When workers are at a job for only a short duration, when they shift from one venue to another, it makes the possibility of organizing them even more remote. The bonds that normally form between them, as they come to know one another over the course of months, now get no chance to develop. They don’t build the friendships and sense of camaraderie that are the bedrock of collective action. Even more, they don’t feel that they have a stake in the particular venue where they happen to be, since they will soon be gone, either to another workplace or to their village if they happen to be migrant workers. Temporary employment makes for a very short-term outlook.

So the first obstacle to collective organization is that all efforts to bring it about take place in a pre-existing field of power. Of all the constraints on workers, this is the most important one. Creating a union isn’t like starting up a club. You can’t just walk up to somebody and ask them if they would like to join. The simple act of talking to a coworker about it is likely to create trouble for you, and might even get you and the person you are talking to fired. The reaction on the part of workers is typically to just keep their heads down and stay out of trouble.

A second obstacle to creating a workers’ organization is that it makes demands on their resources, which are already stretched very tight. The main such demand isn’t money, though of course that is important. Any kind of organization will ask its members to pay dues of some kind, a request that is never easy for working people. But a monthly dues payment isn’t all that pinches. Also burdensome are the demands that organizing makes on workers’ *time*. Time is a precious and scarce resource for two reasons. First, it’s the most

important ingredient that goes into workers' recuperation from the physical and psychological damage of work. Simply put, whatever else they might do to recover from the fatigue that they suffer from the workplace, there is no substitute for sleep and rest, neither of which can be compressed without diluting its effects.

Time is also important for a second reason, in that it is what allows workers to care for all the other needs they have, apart from the need for physical survival — building their social relationships, taking care of family and loved ones, developing their creative abilities, developing new skills, entertaining themselves, etc. To put it somewhat crudely, while rest nourishes the body, these other activities nourish the soul. Putting these two reasons together, we can see why time matters. When workers are asked to participate in an organizing drive, or in activities of an established union, they are being asked to set aside all the other concerns that are crucial to their physical and emotional wellbeing. Not surprisingly, workers often decide that they would rather preserve what time they have and dedicate it to these other priorities; others will realize that they literally don't have the time to give — they have no choice but to dedicate it to recuperation, or to looking after their children, or to taking care of their home, etc.

The third obstacle arises in some measure from the two that we have examined. Owing to the enormous risks and burdens involved in an organizing drive, there is a tendency on the part of many workers to try to pass on the costs to others and to adopt a wait-and-see attitude. What makes this a live possibility is not only the desire to avoid the costs, but also the fact that, if the drive is successful, the benefits that come from it will accrue to all the employees in the workplace, regardless of whether or not they participated. Unions don't just negotiate for the people who join them or show up for meetings. They bargain for all the workers in the establishment, even those who don't show up. On the one hand, this makes the union more powerful, because it gives it a wider base of support and

more leverage against the employer. And it also makes it harder for the employer to use a divide-and-conquer strategy in which she can play off workers who aren't being represented by the union against those who are. So it's sensible for organizers to fight for everyone who works in the establishment. But it also creates a problem, in that it generates an incentive for some workers to reduce their own risk and their own contribution to the effort, by letting others shoulder more of the burden. This is called *free-riding*, and it means what it sounds like — it's when workers basically let other workers foot the bill, in terms of costs and risk, in the effort to bring the bosses to heel.

These are all very real constraints, and together they typically make it entirely reasonable for workers to opt for an individualist survival strategy — just show up for work, mind your business, defend yourself by working only as hard as you have to, compete fiercely when you think it will help, and on some occasions, when it's safe, even sabotage the whole work process.

FORGING SOLIDARITY

The key to social change is for workers to opt for a collective strategy of resistance over an individual one. As we have just seen, it doesn't happen automatically, since workers have good reason to choose going it alone over banding together. This is why a working class movement depends on conscious and directed *organizing*. The essence of labor organizing is to create the material and psychological conditions for workers to choose the path of collective struggle.

Solidarity

Since the costs and risks of organizing are so prohibitive for the typical worker, organizers understand that a successful strategy depends on minimizing both of them, so workers feel that what is being asked of them is reasonable, and that they have a decent chance of success in

the job action. This is the function of strike funds, for example. These are pools of money that unions save up so that if they call for a job action, workers will have some source of support. But the fact is that, no matter how much you reduce the risk involved in the campaign, no matter how much you promise to reduce the individual costs, there is always a material burden that the worker has to willingly take on. This is simply built into her class location. If she can be fired for her actions, she will have to accept a level of sacrifice and uncertainty. So collective action requires convincing workers to not make their decisions based on a pure cost-benefit analysis, because on those grounds, the rational move for most people is to opt for putting safety first, and just make the best with what they have.

How do you convince workers to willingly take on the sacrifices that come with job actions? The most important ingredient has been the creation of a *solidaristic culture*. What this means is a feeling of mutual obligation toward one another, so that if one or a group of workers is seen to be taking on some of the risk, the response is to feel a moral obligation to *join in*, rather than to *free-ride*. It means inculcating among workers a sense of mutual responsibility over an ethos of individualism. There are a number of ways in which this process has been described — the creation of a common identity, a sense of solidarity, a culture of resistance, and most famously, what Marx called it, the development of a class consciousness. It means that the worker rejects the attitude that other workers are her competitors, and comes to see them as peers. Her very sense of self, her personal identity, now partly includes her social bonds with those peers.

This ethos doesn't typically come about on its own. Of course, there are elements of sympathy and mutual support that are part of working class life. For billions of the laboring poor all over the world, economic survival would be impossible without innumerable acts of support, goodwill and humanity. And these come about from their being thrust into the most horrible circumstances, all of them together, all of them needing one another's cooperation to survive.

This is true within the workplace and outside it. But it is important to recognize as well the massive pressures that constantly pull them apart, which we described in the previous section. In the everyday operation of the labor market and the workplace, wage laborers do see that they are all in the same situation. But their situation includes having to scratch and claw to find a job *over* the attempts of others, and to *outwork* the others so they can keep the job once they have it. In other words, the normal condition of being a worker is to also see the others as competitors, not just as comrades. These are powerful pressures and most workers accept them because to not take them seriously is to risk their very survival.

So the creation of solidarity requires conscious intervention to build on the common experiences, and to create institutions that reinforce the feelings of mutuality and common identity. Some of these institutions are social and cultural, others more political. The most successful workers' organizations always had a rich internal life — of clubs, newspapers, self-help societies, drama groups, literary circles, sports teams, summer schools, child care centers, and many other facets. They created a world of their own, so that their members related to them not only for their political or economic interests, but for their social and familial lives. Children grew up going to socialist summer camp, young people met their future

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spouses at union picnics, workers improved their literacy through union-funded adult education classes, and so on. Politics and social life became very closely interwoven, so that when workers joined political campaigns, they felt they were participating with their friends and compatriots, not just their coworkers.

Social hierarchies

One of the most important components of solidarity is mutual respect. Each person has to feel that they are valued and their dignity recognized by the people with whom they are joined in struggle. But if this is to be so, racial, gender, caste, or ethnic hierarchies cannot be tolerated within labor organizations. Nobody will remain loyal or take up struggle if they are demeaned, excluded, or placed in subordinate positions within a movement. Hence, campaigns against social oppression of every kind have to be part of the labor movement, and not taken to be something external to it.

In recent years, especially in the US, many on the Left have become critical of “identity politics” as a political movement that distracts from deeper issues of class power. Now, it is of course true that what passes for struggles around race, caste, or gender oppression has become focused on very narrow and often symbolic issues. Identity politics, especially on college campuses, often revolves around “micro-aggressions”, symbolic affronts, individual choices, etc. But the fact that a centrally important issue is being reduced to matters of taste and symbolism doesn’t mean that’s all there is to the issue. Outside the university, in workplaces and labor organizations, domination on the basis of social identity— real domination, not just the language of it — is not only pervasive, but utterly crippling. In a labor force that is now almost fifty percent female, and more than one-third non-white, tackling the prevalence of racial and gender hierarchies is not a luxury or a distraction — it is one of the most important preconditions for effective labor organizing.

So denigrating these issues as “mere” identity politics is self-defeating for the labor movement. Of course, that doesn’t mean that any and all forms of these politics are to be embraced. There really are conservative versions of gender and race politics, and in the recent past, these narrower forms have managed to capture the stage. Where once the leaders of the women’s movement and the movement for racial justice saw economic demands as being the key to liberation, insisted on foregrounding the interests of the poor among these groups, and saw themselves as part of the broader anti-capitalist Left, this is no longer the case. But the answer is to show people that unless we return to that broader vision of liberation, in which working women and working class minorities set the agenda rather than elites — unless we return to that, the battle against oppression based on these identities cannot be won. And unless the labor movement takes these issues as central to its own vision, it won’t be able to organize the class it seeks to represent.

Member Control

Mutual respect and a vibrant cultural life go a long way toward creating an ethos of solidarity. A third and more formal mechanism has to do with the political structure of the organization. Workers are more likely to sacrifice, to join in and contribute, when they feel that they have actively participated in the decisions taken by their organization. This is only possible if the organization is run on a *democratic* basis. A culture of democracy requires that:

- Organizational decisions are taken only after a thorough debate among the members. This is critical because if members feel that decisions are being taken without their input, that they are just being given marching orders without any regard to their views, they will be less likely to expend the time and energy needed for the campaign or the mobilization to succeed. But if decisions

are undertaken after an open and honest debate, members feel much more committed to them, even if they might feel unhappy with the decision itself.

- Mechanisms are in place to hold the leadership accountable. Obviously, any organization in which leaders are immune to discipline will not only fail in eliciting members' enthusiasm, but will very likely degenerate over time. An organization of any size has to put some kind of bureaucratic structures in place — it needs to have officials and staff who work full-time, whose job it is to manage its affairs, and who therefore are to some extent separated from members on an everyday basis. These officers are empowered to negotiate with employers on the organization's behalf and to also enforce any contracts that the bosses agree to. This gives them a great deal of power, and if unchecked, they will tend to use that power to maintain their own privileges, rather than to represent their members. And as this happens, member commitment and enthusiasm will wane, their willingness to participate will dissipate, and the organization will lose its strength.
- Member participation has to extend to as many parts of the organization as possible. Offices have to be open and accessible; there should be constant communication both vertically — between leaders and members — and horizontally, between members themselves. The best organizations encourage constant debate and discussion, not just when important decisions are being taken, but on an everyday basis, on all facets of political life — where the organization is going, what its strategy ought to be, how it conducts itself, what its agenda might be, etc.

These are just some of the central ingredients of a democratic culture, and there are many more. The point is that a commitment to democracy isn't just a moral one. It is deeply practical, because a

rich, democratic culture is the lifeblood of a labor organization. Trade unions are only as strong as their ability to disrupt production. But this ability in turn depends entirely on members' willingness to contribute and sacrifice, to do the hard work of actually making job actions successful. They will not do so if they feel unconnected to their peers, or if they feel alienated from the organization itself. The response, in those situations, will be to hold back, to free-ride, and to thereby hope that someone else will undertake the efforts to make the campaign successful. But of course, this very orientation will ensure that campaigns cannot succeed, since members increasingly resort to shirking rather than participating.

A second reason that democracy is a practical matter is that it is the only way to keep a strong connection between campaigns and member *interests*. If members feel that campaigns are unconnected to their everyday concerns, if they feel that they are being asked to sacrifice for someone else's interests — like their officers, for example — or that the goals being pursued are wildly unrealistic, then they will again feel alienated from the organization and less willing to jump in. Democracy is important because it not only connects leaders to members, but it creates an organic link between member interests and organizational decisions. People feel connected to the decisions, not just because they took part in the final outcome, but because the final outcome reflects their real needs and their own assessments of what goals are or aren't realistic.

If we bring all this together, we can sum it up as follows. Working people can defend their interests only if they are organized, and their organizations will succeed only if they are open, member-controlled, built on mutual respect, and culturally vibrant. Above all, they have to be committed to building *real power*. There is nothing automatic about this process. Workers can rationally choose to stick to an individualistic defense of their interests, and trade unions can be formed, but be top-down and bureaucratic. It takes active and purposive intervention to get unions up and running, and just as much work

to maintain them as *fighting* organizations. Because of the relentless pressures that markets impose on them — both on individual members and also on the organization itself — there never comes a point when unions or their members can relax and assume that the hard work is done. There has to be a permanent campaign to keep members engaged, maintain checks on leadership, prevent the ossification of internal structures, renew interpersonal bonds, promote class identities, and most of all, *build power* at work and outside it.

CLASS POLITICS AND SOCIAL JUSTICE

The past few decades have been one of the longest period of quiescence the labor movement has ever seen. No matter how you measure it, the power and influence of the working class has declined, not just in the United States, and not just in the advanced capitalist world, but across the world. This has understandably led to a loss of confidence among progressives, and with that, a tendency to look for political alternatives. In an era when labor politics are losing steam, it's understandable that in some quarters, the reaction is to look for a new political anchor, or to retreat into individualistic solutions like lifestyle politics, or various forms of self-help, etc.

Other political strategies can gain some traction in certain situations. They can work sometimes and for some individuals. But if the ambition is to succeed in achieving significant shifts in income, time and resources for people at any significant scale, political movements discover sooner or later that they have to take on the power of the capitalist class. In modern market societies, the center of economic and political power continues to be *capital*, and it is the holders of capital who also control the allocation of resources. Any move to significantly redistribute them has to find a way to gain leverage against this group. If you want better wages, they come from your employer; if you need more time at home, you have to negotiate less time at work; if you want a more stable work schedule so you can

plan your home life, you need to get your boss to agree; if you need better health care, you either negotiate it with your employer, or you pressure the state to provide it; if you need child care, you acquire it via higher wages, or state provision, both of which lead you to your employer's social power; if you want a pension, you either get it from your employer, or you pressure the state — and so on. At every turn, for the fundamental goods that go into a decent life, all roads lead to the economic and political power of capital. You either have to extract them from the employer class directly, or from its henchmen in the state, who take their cues from capital.

The lesson is clear — as long as capital remains the arbiter of people's fate, any social movement with a real ambition for justice will have to find a way of gaining leverage against it. And this is why, as long as we are within capitalism, working people have to remain at the core of political strategy. There is simply no other social force with the capacity to take on the employer class and the state.

This simple fact has enormous implications, not just for “class” demands, but for the pursuit of social justice more generally, which includes the fight against other social oppressions. In recent years, many intellectuals have accused socialists of being indifferent to race and gender domination. Their view is that since race and gender can't be reduced to class, arguing for the primacy of class amounts to ignoring the plight of women and racial minorities.

But this criticism is based on a fallacy. The fact that race and gender oppression can't be reduced to class oppression doesn't mean that they can be remedied independently of class mobilization. As we said earlier, any reform movement that aims at a significant redistribution of income or economic resources, any call for significantly changing the state's spending priorities, will have to confront the power of capital — which includes movements around gender and race.

Consider the situation of racial minorities. A program to seriously address the subordination of blacks and Latinos in the United States, or Arabs and Africans in Europe, cannot succeed unless it prioritizes

massive programs for jobs, health care, education and housing. But where will these come from? All of them will entail a significant *redirection* of state spending, away from corporate handouts, defense spending, and tax breaks for the rich. This being the case, any movement that foregrounds these demands will have to find a way to change the state's current priorities — which are set by the wealthy and by owners of capital. And capitalists are not going to stand idly by while the state enacts far-reaching policies for public housing, free health care, etc. So too, a feminist movement that proposes a nationwide program of state-provided child care, family leave, etc. will call for the same sorts of changes in policy that anti-racist movements demand. Without such demands, both of these movements become movements of *rich* minorities and women — those members of these groups who don't need free health care, can hire their own child care workers, or can send their kids to private schools.

If struggles for racial and gender justice are going to represent the interests of all women and minorities, not just the well-off ones, then they have to call for a massive redistribution of economic resources, whether directly through higher wages, or indirectly through state provision. And their ability to do so will depend entirely on their ability to build the kind of social power that only the labor movement has ever been able to provide.

Hence, the traditional Left commitment to class struggle as the center of its political strategy is not only sound, but necessary. There is no garden path to getting the labor movement going again. Maybe it will come out of the public sector; maybe strong electoral mobilizations will get it going; it might take inspiration from immigrant rights movements. There isn't a ten-step program to re-energizing labor organizing. But wherever it comes from, however it is built, it remains the central ingredient for success. Our power to achieve progress toward a more humane society still rides on the power of working people. ▲