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entirely unrelated. While they both hold similar views about the labour theory of property and the need for labour-managed firms, Proudhon expounded a more comprehensive economic philosophy. For Proudhon, mutualist private property should be complemented by a mutual credit system and other forms of property, such as common property in land and natural resources. This ensures that all sources of unearned income are eliminated and provides a broader institutional framework for securing workers' freedom.

The combination of Proudhon's comprehensive economic vision with Ellerman's more effective presentation of the labour theory of property provides a sound theoretical and practical foundation for contemporary mutualist thought. Mutualist theory in general, and Proudhon's in particular, is important because it provides a coherent alternative to capitalist economics that can be practiced here and now, a kind of prefigurative economics. A more complex understanding of property relations allows one to see that capitalist private property is a particular type of private property and other types, such as based on the labour theory of property, can be conducive to freedom. This notion opens up space to create an anarchist ethos of the new world in the shell of the old.

the firm, that is, to the workers of the firm. This analysis shows how a firm can be socialized and yet remain 'private' in the sense of not being government-owned.⁴⁵

Proudhon also supported 'industrial associations, small worker republics'.⁴⁶ It is for these reasons that labour-managed firms are sometimes referred to as democratic firms. Additionally, both Proudhon and Ellerman argue for a federation of labour-managed firms for reasons of mutual support and freedom.⁴⁷

To conclude, Proudhon's critique of 'property' can be reinterpreted in the light of David Ellerman's modern restatement of the labour theory of property, which states that since labour is the only responsible agent in the production process only labour should appropriate the goods produced. Proudhon held a labour theory of property and used it to differentiate between 'possession' and 'property'. 'Possession' is de facto appropriated private property based on the labour theory of property while 'property' is de jure appropriated and violates the labour theory of property. Thus, 'property' constitutes theft and the value gained from it is unearned income. Viewing property in general as social relations with regard to things, Proudhon's 'possession' becomes a particular type of private property with a relational modality that differs from capitalist 'property'. Proudhon advocated what may be called mutualist private property, which does not enable exploitation and requires labour-managed firms.

Proudhon and Ellerman do, however, differ on issues extraneous to the labour theory of property, although they are not

⁴⁵ David Ellerman, *The Democratic Worker-Owned Firm: A New Model for the East and West* (London: Unwin Hyman, 1990), p 55.

⁴⁶ Proudhon, *The Theory of Property*, p 780.

⁴⁷ See Iain McKay, 'Introduction' in *Property is Theft!: A Pierre-Joseph Proudhon Anthology*, ed. Iain McKay (Oakland: AK Press, 2011), pp 28–35 and Ellerman, *The Democratic Worker-Owned Firm*, p 73.

Abstract

Pierre-Joseph Proudhon is known for his critique of 'property' and his advocacy of 'possession'. Viewing property in general as social relations with regard to things, however, opens up the possibility of different types of private property. Proudhon's 'possession' is a type of private property that posits an alternative theory of appropriative justice to capitalist private property. This theory has come to be known as the labour theory of property which states that since only people (i.e., labour) and not things (i. e., capital) are responsible for production then only workers (individually or jointly) should appropriate the products of their labour. This paper examines Proudhon's theory and draws on David Ellerman's modern restatement of the labour theory of property to consider its contemporary resonances.

The French mutualist anarchist Pierre-Joseph Proudhon (1809–65) is best known for his treatise *What is Property?* and his famous answer to that question was: property is theft!¹ The main objective of his book was to establish the grounds for the just appropriation of private property. Proudhon's book is part of an extensive body of work which remains important because it provides a comprehensive and viable alternative to capitalist economics, in both theory and practice. Property, furthermore, occupies a central place in his theory. Other varieties of anarchist economics, namely, libertarian communism, arguably lack such a practical vision, even though they continue to exert a powerful force on anarchist

¹ Pierre-Joseph Proudhon, *What is Property?*, trans. Donald R. Kelley and Bonnie G. Smith (1840; Cambridge: Cambridge UP, 1993).

imagining. This paper outlines features of Proudhon's ideas to show that they deserve more serious attention than they have received in recent years. Importantly, the nature and acceptance of private property (and, along with it, markets) is what distinguishes the various strands of anarchist economic thought. This paper will first discuss Proudhon's views on property and then discuss economist David Ellerman's views on property (as a means to reinterpret Proudhon). Next, it will compare and contrast the two primarily with regard to the labour theory of property, the main area of comparison, being sure to highlight areas of divergence. Lastly, it will consider other normative arguments related to the labour theory of property that go beyond the theory's simple jurisprudential nature.

Proudhon advocated a type of private property but he distinguished between 'possession' and 'property'. 'Possession' is justly appropriated private property. 'Property', on the other hand, is unjustly appropriated private property. The difference rests on a labour theory of property which states that since labour is the only responsible agent in the production process only labour should appropriate the goods produced.² Recognising the principle of responsibility that is central to the labour theory of property, in *What is Property?* Proudhon argued:

Capital, tools, and machines are likewise unproductive. The hammer and the anvil, without the blacksmith and the iron, do not forge; the mill, without the miller and the grain, does not grind, etc. Put together tools and raw material; place a plough and some seed on fertile soil; enter a

² The labour theory of property is distinct from the labour theory of value, although not entirely unrelated. The former is a theory of appropriation whereas the latter is a theory of the determination of the exchange-value of goods and services.

it is necessary to form an association among the workers in this industry; because without that, they would remain related as subordinates and superiors, and there would ensue two industrial castes of masters and waged workers, which is repugnant to a free and democratic society.⁴³

Similarly Ellerman uses inalienable rights arguments in his support of labour-managed firms:

In the western political democracies, the right of political self-government is considered to be inalienable (cannot be alienated even with consent) and is vouchsafed in the political constitutions. If the analogous right was considered inalienable in the workplace, then it would imply the adoption of the system of universal self-employment. Collective self-employment in the firm is the economic analogue of political self-government or democracy.⁴⁴

He also writes that labour-managed firms are:

a social community, a community of work rather than a community of residence. It is a republic or *respublica* of the workplace. The ultimate governance rights are assigned as personal rights to those who are governed by the management, that is, to the people who work in the firm. And in accordance with the [labour theory of property] the rights to the residual claimant's role are assigned as personal rights to the people who produce the outputs by using up the inputs of

⁴³ Proudhon, *General Idea*, p 583.

⁴⁴ Ellerman, *Property and Contract*, p 3.

of his work are there, such as the land as common property, workers' associations and the absolutist nature of property. His apparent new found support for 'property' is not for capitalist private property. Rather, it is for property which combines ownership and use. As such, rather than a conversion away from his previous ideas this work represented more a slight shift in his position.⁴⁰

This shift seems to be an acknowledgment by Proudhon that the 'possession' he advocated earlier in *What is Property?* is in fact a particular type of private property. He wrote, '[t]he principle of appropriation is that every product of labor,—such as a bow, some arrows, a plough, a rake, a house,—belongs by right to whoever has created it.'⁴¹ This is consistent with the labour theory of property as restated by Ellerman (and notice that some of the items Proudhon lists, such as a plough, are capital goods).

Thus far, the analysis of property in Proudhon and Ellerman has focused on the jurisprudential aspects of private property appropriation. However, both Proudhon and Ellerman also provide other normative arguments in favour of labour-managed firms. In addition to being 'theft' and 'impossible', Proudhon declared capitalist 'property' to be despotic and contrary to freedom: 'Property, in its turn, violates equality by the rights of exclusion and increase and free will by despotism.'⁴² In this sense 'property' results not only in exploitation but also oppression. Proudhon wrote:

In cases in which production requires great division of labour, and a considerable collective force,

smithy, light the fire, and close the shop, and you will produce nothing.³

Only people, and not things, are responsible for production. From this starting point Proudhon distinguished between 'possession' and 'property'. He defined 'property' as simply a *de jure* 'right of domain over a thing'.⁴ He defined 'possession', on the other hand, as a *de facto* phenomenon. Property, then, was theft because those who legally appropriated the products of labour in capitalism were not actually responsible for production. He wrote:

From the distinction between possession and property arise two sorts of rights: the right in a thing (*jus in re*) is the right by which I may reclaim the property which I have acquired, in whatever hands I find it, and the right to a thing (*jus ad rem*), which gives me a claim to become a proprietor ... As a labourer I have a right to the possession of the products of nature and my own industry, but as a proletarian I enjoy none of them; and so by virtue of the *jus ad rem* I demand admittance to the *jus in re*.⁵

Following Pederson (2010) it is possible to treat 'possession' as a type of private property within a concept of property in general, understood as social relations with regard to things:

Property relations are not only exclusive, private property rights as instantiated within capitalist democracy (that is, a particular conception of property). As a jurisprudential concept, property

⁴⁰ McKay, introduction, p 775.

⁴¹ Proudhon, *The Theory of Property*, p 777.

⁴² Proudhon, *What is Property?*, p 198.

³ *Ibid.*, p 127.

⁴ *Ibid.*, p 36.

⁵ *Ibid.*, p 36.

can be used to understand, analyse, reflect upon and organise social relations with regard to things in any context (this is the general conception of property).⁶

From this perspective it becomes clear that property in general includes not only private property but also common property. It is also possible, as Pedersen argues, to identify ‘the different kinds of configurations of property that might be grouped under the term private’.⁷ He suggests a schema using three main variables:

What this framework reveals is that property, as patterns of conventions structuring social relations with regard to things, always refers to (i) a social group amongst whom the relations hold and are performed (the relating subject), (ii) some resource, object or set of objects with regard to which the relations hold and are performed (the related-to object), and (iii) the way in which the relations are shaped, that is constrained and/or enabled, through normative protocols (the relational modality).⁸

Private property in general denotes the exclusive rights assigned to an individual or specific group of people to access, use, and govern a resource, object, or set of objects in a particular way. It is in this sense that Proudhon’s ‘possession’ is a type of private property, but one with a different relational modality from capitalist ‘property’, in that it does not enable exploitation. ‘Possession’ can perhaps be termed, in keeping with Proudhon’s social philosophy, mutualist private property.

⁶ J.M. Pedersen, ‘Preface’ *The Commoner* Special Issue 14 (2010): p 2.

⁷ J.M. Pedersen, ‘Properties of Property: A Jurisprudential Analysis’ *The Commoner* Special Issue 14 (2010), p 155.

⁸ *Ibid.*, p 170.

In the system of the Bank of Exchange, on the contrary, credit is bilateral: it flows from each worker and is directed to all the others in such a manner that, instead of borrowing capital bearing interest, the workers mutually pledge each other their respective products, on the sole condition of equality in exchange.³⁵

Such a system ensures that only labour receives an income and that ‘products exchange for products’, meaning that approximately equal valuations of labour are exchanged in every transaction.³⁶ Ellerman argues that income from interest is just if it derives from justly acquired private property based on the labour theory of property.³⁷ This argument neglects the actual process of money creation that is the real concern for Proudhon.³⁸

In the posthumously published *The Theory of Property* Proudhon appeared to embrace a form of ‘property’ that is distinct from the capitalist private property that I had equated it to before. He wrote that ‘[a]ll of our arguments in favour of property, that is, of an eminent sovereignty over things, only succeed in demonstrating possession, usufruct, usage, the right to live and to work, nothing more.’³⁹ This implies that the change is largely rhetorical, as one commentator notes:

What becomes clear from this work is that there is no significant change in Proudhon’s perspective on property and possession. The usual themes

³⁵ *Ibid.*, p 290.

³⁶ *Ibid.*, p 286.

³⁷ Ellerman, *Property and Contract*, p 54.

³⁸ See Iain McKay, ‘Introduction’ in *Property is Theft!: A Pierre-Joseph Proudhon Anthology*, ed. Iain McKay (Oakland: AK Press, 2011), pp 13–18.

³⁹ Pierre-Joseph Proudhon, *The Theory of Property in Property is Theft!: A Pierre-Joseph Proudhon Anthology*, ed. Iain McKay, trans. Shawn P. Wilbur (Oakland: AK Press, 2011), p 778.

capitalism. Artisans would not be crushed by interest payments and so be able to survive on the market, proletarians would be able to buy their own workplaces and peasants would be able to buy their land.³³ [emphasis added]

Thus, to access capital goods one either joins an existing labour-managed firm or purchases them via a non-interest bearing 'loan' from the 'Bank of the People' or 'Bank of Exchange' (Proudhon's names for his mutual credit system). Ellerman, on the other hand, sees nothing wrong with interest, yet the responsibility principle behind the labour theory of property also applies here as Proudhon described:

In the system of interest-bearing property, where capital, by a purely grammatical fiction, passes from the hands of the worker to those of a parasite who is for that reason called a capitalist, credit is unilateral, proceeding from the parasite, who possesses without producing, to the worker, who produces without possessing. Thus established, credit demands a tribute from the debtor, in exchange for the permission—which the parasite grants him—to make use of his own capital.³⁴

Income from interest does not represent income derived from labour and thus is unearned. Proudhon's solution was the 'organisation of credit' through which interest could be eliminated:

³³ Iain McKay, introduction to *The Theory of Property in Property is Theft!: A Pierre-Joseph Proudhon Anthology*, ed. Iain McKay, trans. Shawn P. Wilbur (Oakland: AK Press, 2011), pp 14–15.

³⁴ Pierre-Joseph Proudhon, *Organisation of Credit and Circulation in Property is Theft!: A Pierre-Joseph Proudhon Anthology*, ed. Iain McKay, trans. Clarence L. Swartz and Jesse Cohn (Oakland: AK Press, 2011), p 290.

Although Proudhon is rarely discussed in mainstream economics, it would be a mistake to think that his ideas have no purchase in contemporary thought. Indeed, Proudhon's distinction between 'possession' and 'property' resonates with the work of the economist and philosopher David Ellerman. Ellerman's modern restatement of the labour theory of property is not presented from an anarchist perspective, however. He holds some views that diverge from Proudhon's, which will be elucidated as the analysis here develops. Nonetheless, Ellerman's work is important because it provides a more effective, if more technical, way of presenting and defending the labour theory of property. He explicitly identifies intentionality (or responsibility) as the distinguishing characteristic of labour in the production process vis-a-vis the other factors of production, which has eluded both orthodox and heterodox economists alike.

Ellerman defines the labour theory of property as an economic application of the basic juridical principle of imputation. This principle states that '[p]eople should have the legal responsibility for the positive and negative results of their intentional actions'.⁹ The only intentional or responsible agent in the production process is labour. Only people (i.e., labour) are responsible for production and not things (i.e. capital). Consequently, the labour theory of property states that '[p]eople should legally appropriate the positive and negative fruits of their labor'.¹⁰ Ellerman uses this framework to analyse the production process in both capital-managed (i.e., capitalist) and labour-managed firms.

In a capitalist firm, owners of capital hire in labour to produce goods. Labour is de facto responsible for production but not de jure responsible. The capital owners take legal

⁹ David Ellerman, *Property and Contract in Economics: The Case for Economic Democracy* (Cambridge, MA: Basil Blackwell, 1992), p 25.

¹⁰ *Ibid.*, p 25.

responsibility and thus are the residual claimants who pay for the input factors, appropriate the products of labour, and receive the net value of those products. The capitalist firm, however, violates the labour theory of property as defined above. If labour is always de facto responsible for production, then labour should always be de jure responsible. This requires labour-managed firms (i.e., worker co-operatives) where labour hires in capital to produce goods. Workers would then be the residual claimants who pay for the input factors, appropriate the products of their labour, and receive the net value of those products.¹¹

In the framework of Ellerman's analysis, it is possible to equate Proudhon's de facto 'possession' to private property appropriation in labour-managed firms and 'property' to appropriation in capitalist firms. 'Property' is theft because in capitalist firms the owners of capital are the residual claimants yet they are not responsible for production. 'Possession', on the other hand, results from labour being the residual claimant. In this case de jure responsibility is matched with de facto responsibility and labour appropriates what it alone is responsible for producing.

Furthermore, it is necessary to highlight that production is almost always a collective endeavour, and subsequently appropriation must take on a collective nature. Proudhon addressed the issue of collective appropriation using his concept of 'collective force' when discussing capitalist firms:

Separate labourers from each other, and each one's daily wage may exceed the value of each individual product, but this is not the question here. A force of a thousand men working for twenty days has been paid the same as a force of one working fifty-five years; but this force of

¹¹ Ibid., p 7.

capital and product are not different kinds of wealth, but simply alternate conditions or functions of the same wealth; that all wealth undergoes an incessant transformation from capital into product and from product back into capital, the process repeating itself interminably.³¹ Tucker went on to write that 'though opposed to socializing the ownership of capital, [Proudhon] aimed nevertheless to socialise its effects by making its use beneficial to all instead of a means of impoverishing the many to enrich the few.'³² He would accomplish this via free and mutual credit.

A kind of financial capital, mutual credit is an interest-free monetary and banking system that would provide cheap credit to workers as a means to purchase physical capital goods. It is important to differentiate between physical and financial capital. Ensuring access to capital goods need not imply common ownership of physical capital. Access can be facilitated without abolishing private ownership via what Proudhon describes as the 'organisation of credit'. This is precisely why he emphasised the need for a mutual credit system that would in essence be common ownership of credit. In this system money is created as needed based directly on the value of goods or services produced, exchanged and consumed. This allows for interest-free 'loans' or debits in the system that can be used for investment in physical capital. Credits and debits ultimately offset each other through a credit-clearing process ...

Such a system complements Proudhon's advocacy of 'possession' by eliminating interest and providing easy access to physical capital. As one commentator describes:

The availability of cheap credit would, Proudhon hoped, lead to the end of landlordism and

³¹ Benjamin Tucker, 'State Socialism and Anarchism: How Far They Agree and Wherein They Differ' in *Instead of a Book, By a Man Too Busy to Write One*, 2nd ed. (1897), fair-use.org- andanarchism.

³² Ibid.

as a whole. This is a type of joint private property. Thus, just as Proudhon meant two different things when he advocated ‘possession’ of private goods and of land, he also meant two different things when he stated that ‘under universal association, ownership of the land and of the instruments of labour is social ownership’.²⁹ Land is common property whereas capital goods (‘the instruments of labour’) are joint private property, owned collectively by the workers in a particular labour-managed firm.

Proudhon wrote similar statements that also appear to advocate capital goods as common property. For instance:

[P]roperty in produce ... does not mean property in the means of production; this seems to me to need no further demonstration. The soldier who possesses his arms, the mason who possesses the materials committed to his care, the fisherman who possesses the water, the hunter who possesses the fields and woods, and the cultivator who possesses the lands are all the same: all are, if you like, proprietors of their products, but none is proprietor of the means of production. The right to the produce is exclusively *jus in re*; the right to the means is common, *jus ad rem*.³⁰

Based on these examples Proudhon seems to define the means of production as only land and natural resources, a stance that diverges from contemporary definitions that typically also include capital goods. As the American individualist anarchist Benjamin Tucker argued, Proudhon ‘scuffed at this distinction between capital and product. He maintained that

²⁹ Pierre-Joseph Proudhon, *Election Manifesto of Le Peuple in Property is Theft!*: A Pierre-Joseph Proudhon Anthology, ed. Iain McKay, trans. Paul Sharkey (Oakland: AK Press, 2011), p 377.

³⁰ Proudhon, *What is Property?*, p 86.

one thousand has done in twenty days what a single man, working continuously for a million centuries, could not accomplish: is this exchange equitable? Once more, no; for when you have paid all the individual forces, you have still not paid the collective force. Consequently, there always remains a right of collective property which you have not acquired and which you enjoy unjustly.¹²

The ‘collective force’ is the synergy of working in a group: the whole is greater than the sum of its parts. According to Proudhon, workers should collectively appropriate the products of their labour, establishing a type of joint private property. Like Proudhon, Ellerman also believes that appropriation in labour-managed firms is collective and not individual.¹³

Moreover, Ellerman shares Proudhon’s view that labour should appropriate the whole product of labour. According to Ellerman, this consists of two parts: the positive and negative products of labour. The positive product is the actual good produced and the negative product is the capital used in production. In appropriating the whole product, then, labour must pay for the input costs of capital goods.

Ellerman criticises earlier proponents of the labour theory of property, including Proudhon and classical labourists such as William Thompson and Thomas Hodgskin, for failing to systematically emphasise the negative product of labour. He calls this the ‘fallacy of immaculate appropriation’.¹⁴ In fact, Ellerman exaggerates the claim because Proudhon did recognise the appropriation of the negative product:

[T]he labour of the workers has created a value, and this value is their property. But they have

¹² Proudhon, *What is Property?*, p 93.

¹³ Ellerman, *Property and Contract*, pp 52–53.

¹⁴ *Ibid.*, p 49.

neither sold nor exchanged it; and you, capitalist, have not earned it. That you should have a partial right to the whole in return for the materials that you have furnished and the supplies that you have procured is perfectly just. You contributed to the production, and so you ought to share in the enjoyment. But your right does not annihilate that of the labourers who, in spite of you, have been your colleagues in the work of production.¹⁵

In capitalist firms, owners of capital appropriate the positive product (the goods produced) and the negative product (the labour and capital used up). As a result, Proudhon argued, the owners of capital received the net value of the goods produced after paying for labour and capital costs and workers were not paid the full value of the products that they were responsible for producing. He described this exploitation in *System of Economic Contradictions* when discussing the ‘surplus of labour’, now more commonly referred to as surplus value:

In my discussion of value, I have shown that every labour must leave a surplus; so that, supposing the consumption of the worker to remain constant, his labour should create, on top of his subsistence, an ever greater capital. Under the regime of property, the surplus of labour, essentially collective, passes entirely, like the revenue, to the proprietor ... the worker, whose share of the collective product is constantly confiscated by the entrepreneur, is always on his uppers, while the capitalist is always in profit ... political economy, which upholds and advocates that regime, is the theory of theft ...¹⁶

¹⁵ Proudhon, *What is Property?*, p 88.

¹⁶ Pierre-Joseph Proudhon, *System of Economic Contradictions*, Vol. II, in *Property is Theft!: A Pierre-Joseph Proudhon Anthology*, ed. Iain McKay, trans. Shawn P. Wilbur (Oakland: AK Press, 2011), pp 253–254.

Land, then, remains common property and only the products of labour produced with land are appropriable. Nevertheless, in practice Proudhon advocated ‘possession’ or individual tenureship of land within a common property framework, distinguishing this kind of ‘possession’ from the ‘possession’ of private goods pertaining to the products of labour. The ‘possession’ of land is best described as usufruct, or private use of common property, rather than a type of private property. Ellerman does not explicitly assert that land should be common property when stating that the labour theory of property does not apply to land.²⁷ However, in addition to being a theory about the just appropriation of private property, the labour theory of property is also a critique of unearned income. The principle of responsibility can be extended to critique land rent (and interest) as well as capitalist profits. According to Proudhon, the common ownership of land is necessary to eliminate rent as a source of unearned income. If no one created the land, then no one should derive an income from it.

Additionally, it sometimes appears as if Proudhon also thought that capital goods should be common property, contrary to what I have asserted above. For example, in *What is Property?* Proudhon wrote ‘that since all capital is social property, no one has exclusive property in it’.²⁸ However, in this particular context he is discussing the issue of collective appropriation in a labour-managed firm and the capital which he refers to is actually financial capital (i.e., money) as opposed to physical capital (i.e., capital goods).

The value created within a firm results from the collective force of workers labouring together and, therefore, his conclusion is that no one person should be its exclusive proprietor. Capital is ‘social property’ only in the sense that it is owned collectively by the workers in a particular firm, but not society

²⁷ Ellerman, *Property and Contract*, p 53.

²⁸ Proudhon, *What is Property?*, p 94.

difficult to say whether or not Proudhon would have supported such an arrangement since those workers who actually use or 'possess' the capital goods do not also own them. Ellerman, on the other hand, sees nothing wrong with this. His acceptance represents a divergence from Proudhon about what can be done with justly appropriated private property. Even here one can see two types of private property with, as per Pederson, slightly differing relational modalities concerning the permissibility of renting.

When he turned to the other means of production, land and natural resources, Proudhon argues that these should be commonly owned by society at large. In other words, the labour theory of property only applies to private goods (which labour produces) and not to resources (which no one produces).²⁴ Proudhon argues:

[T]he land is indispensable to our existence, thus a common thing and insusceptible of appropriation; but land is much scarcer than the other elements [air, sunlight, etc.], and so its use must be regulated not for the profit of a few but in the interest and for the security of all.²⁵

Elsewhere, Proudhon connected this analysis of property in land with property in the products of labour:

I maintain that the possessor [of land] is paid for his trouble and industry in his [crop] but that he acquires no right to the land. 'Let the labourer have the fruits of his labour.' I agree, but I do not understand that property in products means property in raw material.²⁶

²⁴ Ellerman, *Property and Contract*, p 53.

²⁵ Proudhon, *What is Property?*, p 73.

²⁶ *Ibid.*, p 84.

While acknowledging that capital suppliers must be compensated for their labour, Proudhon, like Ellerman, did not accept the idea that owners of capital had a claim on labour's product simply by contributing capital to the production process:

Tools and capital, land and labour, considered individually and abstractly, are productive only in a metaphorical sense. The proprietor who asks to be rewarded for the use of a tool or for the productive power of his land makes a fundamental false assumption, namely, that capital by itself produces something and that, in being paid for this imaginary product, he receives literally something for nothing.¹⁷

This is one of the reasons why Proudhon also declared that 'property is impossible'.¹⁸ Alternatively:

The worker who manufactures or repairs farm tools receives the price once, either at the time of delivery or in several payments; and once this price is paid to the manufacturer, the tools which he has delivered belong to him no more. Never can he claim double payment for the same tool or the same job of repairs. If each year he shares in the products of the farmer, this is because each year he does something for the farmer. The proprietor, on the contrary, does not yield his instrument; he is paid for it eternally and keeps it eternally.¹⁹

¹⁷ Proudhon, *What is Property?*, p 127.

¹⁸ *Ibid.*, pp 122–129.

¹⁹ *Ibid.*, p 128.

Proudhon advocated labour-managed firms as a means to eliminate this exploitation. This is perhaps most clearly expressed in *General Idea of the Revolution in the Nineteenth Century*. In this work Proudhon wrote frequently about the need for ‘association’ amongst workers:

The capitalist, you will cry, alone runs the risk of the enterprise ... Could the capitalists alone work a mine or run a railroad? Could one man alone carry on a factory, sail a ship, play a tragedy, build the Pantheon or the Column of July? Can anybody do such things as these, even if he has all the capital necessary? And the one who is called the employer, is he anything more than a leader or captain? It is in such cases, perfectly defined, that association, due to the immorality, tyranny and theft suffered, seems to me absolutely necessary and right. The industry to be carried on, the work to be accomplished, are the common and undivided property of all those who take part therein ...²⁰

Of course, ‘leaders’ or managers, insofar as they are needed, should be directly elected and held accountable by the workers themselves as Proudhon noted in *What is Property?*: ‘[leaders, instructors, superintendents, etc.] must be chosen from the labourers by the labourers themselves’.²¹

In Ellerman’s terms, Proudhon describes the ‘fundamental myth of capitalist property rights’, namely, ‘that the identity of the legal party undertaking a given production opportunity is

²⁰ Pierre-Joseph Proudhon, *General Idea of the Revolution in the Nineteenth Century in Property is Theft!: A Pierre-Joseph Proudhon Anthology*, ed. Iain McKay, trans. John Beverly Robinson (Oakland: AK Press, 2011), p 584.

²¹ Proudhon, *What is Property?*, p 99.

determined by a property right called “ownership of the firm” or, in the Marxist tradition, “ownership of the means of production”.²² Like Proudhon, Ellerman points out that the firm is a contractual relationship and not a property right. It is determined by contractual relations between factor suppliers and is controlled by the residual claimant of production.

The misidentification of the firm as a property right results in the false dichotomy between the private or public use of wage-labour, capitalism and state ‘socialism’ respectively. What Proudhon and Ellerman demonstrate is that the real debate is about the legitimacy of wage-labour itself. Indeed, Ellerman considers Marxism to be a ‘capitalist tool’ for this reason.²³

Most Marxist and anarchist opposition to private ownership of capital goods is based on this misidentification of the firm as a property right. Proudhon and Ellerman demonstrate, to the contrary, that private property in capital goods is possible without exploitation because, whereas owners in capitalist firms hire in labour to produce goods, this relationship can be reversed in labour-managed firms such that labour hires in capital to produce goods. As Proudhon and Ellerman argue, capital goods may be owned privately so long as the appropriation of those goods follows the labour theory of property and workers retain democratic control of the production process.

One discrepancy remains, however, between Proudhon and Ellerman. Theoretically a labour-managed firm could rent capital goods from another labour-managed firm. The first firm retains appropriation rights and democratic control of the production process but the actual capital goods are owned by the second firm. This divorces the ownership and usage of those goods while maintaining workers’ control of production. It is

²² Ellerman, *Property and Contract*, p 6.

²³ David Ellerman, ‘Marxism as a capitalist tool’ *Journal of Socio-Economics* 39.6 (2010): pp 696–700.