Capitalism Without Capitalists?

Kevin Carson

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Bill, over at Reasons to be Impossible, has an interesting response to my Contract Feudalism post.

The gist of it is that the forces of market competition under mutualism would lead to worker-owned firms engaging in behavior much like that of present-day capitalist firms: a drive to accumulate, accumulate, accumulate! In other words,

> you can have a capitalism without capitalists. You can have all the profit seeking behaviours, without the personal gains for any real sensuous human being.

One thing Bill mentions is economic rents from superior location, access to superior services, etc. Regarding the latter, it's important to remember that a great deal of existing economic rent is an externality resulting from the state's subsidies to the operating costs of business. In a society where all public services were operated on the mutualist cost principle, and the cost of providing services was reflected in price, there would be no such externalities.

As for the former, it's obvious that some economic rents would still accrue from superior production sites or innate skills, even without the artificial scarcities created by the state's enforcement of privileges like absentee landlordism and the money monopoly. But in my opinion, permanent producer surpluses resulting from superior location, fertility, skill, etc., are considerably smaller in scale than the monopoly returns from artificial, state-enforced scarcity.

Another problem, he suggests, would be that higher than average profits from the introduction of new production methods, superior skill and productivity, etc., would be reinvested, and that production would become concentrated in the hands of such firms. And generally more efficient firms, likewise, would expand and take business from the less efficient, and market power would be concentrated in the hands of the winners. Firms would be driven to cut costs and increase the productivity of labor, with the work forces of even producers' co-ops sweating themselves to accumulate and compete.

I think Bill underestimates the amount of such pathological behavior that results, not from the market as such, but from the distorted markets that exist under state capitalism.

According to neo-Marxist analyses of late capitalism, like those of Paul Mattick and James O'Connor (as I understand them at any rate), one of the major motive forces for continuing accumulation is the need for new investment to counteract the falling direct rate of profit–itself

a result of previous over-accumulation. But since there would be no equilibrium rate of profit on capital under mutualism in the first place, there would be no falling rate of profit to worry about. And there would likewise be no rates of profit to be equalized between industries, as described by Marx in volume 3 of *Capital.* "Capital" would simply be a cost to be amortized, with workers paying themselves back for their investment of their own past labor. On the other hand, the problem of over-accumulation is primarily a result of the state's subsidies to accumulation and its cartelization of the economy. The state encourages the over-building of industry to the point that it cannot dispose of its full product at market prices, let alone the cartel price established by oligopoly firms. So that's another imperative that wouldn't exist in a mutualist free market.

Bill also underestimates the different competitive dynamic that would result from a radically decentralized market. We are currently at one extreme of the pole: a centralized economy with production for large, anonymous commodity markets; and with it a boom-bust cycle that results from the informational problem of targeting production to demand. A mutualist free market would be much closer to the other pole: a decentralized market of production for local use, in which consumers and producers likely know each other, and firms have ongoing business relationships over time.

Specialists in economy of scale like Walter Adams and Barry Stein have demonstrated that maximum efficiency for most consumer goods is reached at a relatively low level of output: without government subsidies to the ineffiiciency costs of large-scale production, most of what we consume could be produced most efficiently by a factory of at most a few dozen workers producing for a local market area of a few thousands or tens of thousands.

In such a local market, demand and supply are likely to be more stable and predictable over time, and market relations between competing producers are likely to exist within an organic social context, regulated by customary norms: much closer, in social spirit, to the artisan production of past ages than to the anonymous production for large-scale wholesale markets we have today. I expect that competitive pressure in such an environment would be much less dog-eat-dog, and the pace of innovation would be much more relaxed.

Finally, I think Bill neglects several important limiting factors on the ability of "winner" firms to translate their gains into continued growth. First: the initial profits from introducing a new production method will quickly dwindle to zero, if there is no barrier to market entry and free competition. In the case of introducing new production technology, or superior products, firms operating within the margin will certainly derive temporary producer surpluses from it–until the innovations are adopted industry-wide. Under mutualism, though, there will be no patents with which to cartelize ownership of new forms of technology, and derive ongoing monopoly returns from them. The equilibrium rate of profit will still be zero.

Second: as we already mentioned, advantages in economy of scale from increasing firm size reach a saturation point at relatively low levels–so there's only so much a "winning" firm can expand before it becomes counterproductive.

Third: the inability to draw monopoly returns on land and capital, and to compound them annually, likewise puts a severe limit on the potential of firms to expand. If holdings of land and capital cannot "grow," accumulating a great deal of capital in any one place becomes much more difficult.

Without the ability to draw monopoly returns on capital, that's one less incentive to accumulate for the sake of accumulation. A workers' co-op may make capital investments to be competitive with other firms, or to shorten their work hours. True, the initial gains to the indi-

vidual firm, in cheaper product or shorter work hours, will disappear under competition. But if there's no class of capitalists that can draw absentee returns from the ownership of capital, then all productivity gains from capital accumulation will go either to the worker or to the consumer.

If there are productivity gains from accumulation, somebody must benefit, because either total output will increase or total work hours will decline. If there are no capitalists pocketing the productivity gains for themselves, then the gains must go somewhere else. Either the average income for labor as a whole will increase over time, or the average work-week will decrease, or both, as the gains from productivity are distributed throughout society. The evils of the present system result from the absentee ownership of capital and land, so that labor does not fully internalize all the rewards of increased productivity.

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