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Tyranny of the Invisible Hand

A Critique of the Capitalist System

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30th April 2004

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tory then some executive or stockbroker on the other side of the country who rarely sets foot in the factory and thus knows little about it.

Actual implementation of worker self-management has shown it to be just as effective as capitalist production and sometimes more so. During the Spanish, Iranian, Russian and other revolutions workers often seized control of the factories (and peasants the land) and ran them themselves. They were just as effective as capitalist enterprises under the same conditions and often more so. Unfortunately capitalists through brute force ended these attempts at self-management. Formation of worker cooperatives within private capitalist societies (such as the Mondragon cooperatives) has also been effective at production. They generally have a difficult time competing with capitalist enterprises because they do not have access to enough of the means of production to compete effectively — the capitalists have a (state protected) near-monopoly on the means of production. Most cooperatives also do not receive the billions of dollars in state subsidies that large corporations do. But under equal circumstances, self-managed workplaces are just as good at production as capitalist enterprises¹¹. Capitalist forms of production are not necessary but are exploitative, authoritarian and cannot be reformed. It's time for capitalism to go.

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¹¹ McCain, Roger "Cooperation: The Proper Study of Economics," International Journal of Social Economics, 1993, v. 20, no. 10, pp.55-78

After seizing the means of production and overthrowing the ruling class the economy should be reorganized on the basis of self-management into confederations of worker collectives. Workplaces can be run by non-hierarchical worker assemblies in which everyone has a say in decisions proportional to the degree they are affected by them. Wealth should be redistributed on a more equitable basis. The details of the specific arrangements of such a society should be left to those living in it.

Former capitalists would lose all their old privileges but would be allowed to become equals in the new society, with the same status as former workers. No one should be coerced into participating in any organization. Anyone preferring not to participate in these self-managed confederations of worker assemblies would be allowed to leave at will and live as hermits or form whatever alternative social forms they desire, so long as such relations are entirely voluntary and non-hierarchical. Such people should also be given access to enough of the means of production to sustain themselves (failure to do so would essentially coerce them into participating in the worker assemblies). It is virtually impossible for capitalism (or slavery or feudalism) to be restored in such a manner, through purely voluntary means, because it will be difficult to find people willing to volunteer to be poor and exploited and because capitalism is based on coercion.

Many authoritarians claim that people are too stupid (or evil) to run their own lives and thus must submit to a ruling elite¹⁰. Hierarchy, they argue, is absolutely necessary. This claim is not only wrong, but also self-contradictory. If people are too stupid or wicked to rule themselves then they are certainly far too stupid or wicked to rule others. Those who are on the factory floor everyday and thus knows how it works will generally tend to be much better decisions makers with regard to the fac-

¹⁰ See the essay "On Authority" by the capitalist Fredrick Engels for an example of this

anarchists and others who advocated a classless society. It happened again in the Iranian revolution, which religious fundamentalists used to gain power. To combat this the revolutionary movement must not only attempt to overthrow the current ruling class but also prevent those who would like to become a new ruling class from seizing power (and overthrow them if they do). Anyone who advocates economic hierarchy advocates a class society – even if they say they don't.

The managerial class would probably split into numerous different factions in such a revolution. This class has contradictory interests. On the one hand, it is above the workers (and peasants and unemployed) and has the primary function of controlling them for the capitalist class. Their interests thus tend to clash with the workers since they are above them and have control over workers. On the other hand, they are also subordinated to the capitalist class and are under their control. Thus they also have antagonistic interests against the capitalist class. In an anti-capitalist revolution one faction would probably try to preserve its privileges and side with the capitalists against the workers, attempting to maintain their traditional position of controlling the workers for the capitalists. Another faction would probably decide to unite with the workers against their common oppressor – the capitalist class – even if that meant giving up their privileged position over workers. A third faction would seek to overthrow the capitalists and, instead of establishing a classless society, attempt to establish itself as a new ruling class. Initially they would ally with the workers against the capitalist class and probably pretend to have the same goal – a classless society. Once the old ruling class is overthrown, however, they will come into conflict with the workers as they attempt to establish themselves as new rulers and put the workers back in their place. State socialist ideologies, including Marxism, will probably be most attractive to this third faction in a revolutionary situation.

“This troubled planet is a place of the most violent contrasts. Those that receive the rewards are totally separate from those who shoulder the burdens. It is not a wise leadership.”

– Mr. Spock (of Star Trek), “The Cloud Miners”

I. Capitalism is Exploitative

Capitalism (also called “the wage system,” “the boss system” or “the profit system”) is exploitative and authoritarian. It cannot be reformed and should be abolished in favor of a classless society based on self-management. Capitalism is an economic system based on wage-labor and profit. Wage-labor is the defining characteristic of capitalism. Markets, while they usually accompany capitalism, are not the defining characteristic of capitalism – wage-labor is. Markets existed long before capitalism and in many other economic systems besides capitalism, and one unusual form of capitalism – state monopoly capitalism – largely does away with markets. Under capitalism the majority of the population must sell their labor (usually via working at a job) in order to survive.

There are two main classes in all capitalist systems: the capitalist class (or bourgeoisie) and the working class (or proletariat). Under some circumstances capitalism can have other classes as well, but all forms of capitalism have at least these two classes. The capitalist class owns the means of production (or the vast majority of them), either directly or through organizations they control (such as corporations), and the working class does not. Means of production are non-human objects that are used to produce things, such as factories, mines, land, etc. Since workers do not have access to the means of production they must sell their labor to those who own the means of production – the capitalist class. Members of the capitalist class, by definition, are wealthy enough that they do not

have to sell their labor to survive¹. They may choose to do so for whatever reason but are not threatened with the possibility of becoming poor if they do not. This is the basic structure of a capitalist system. The Hiltons, Rockefellers, Waltons, Kennedys, Mellons, Murdoch, Fords, Bushes, and Carnegies (ie. the super-rich) are all typical members of the capitalist class.

Workers are always paid less than the value of the goods they produce – this is where profit comes from. If workers were paid an amount equal to what they produced there would be no money left over for the capitalist's profit. The workers are the ones who actually produce things, the capitalists contribute no productive labor. The capitalist thus makes money without having to do any productive labor. As that money is then used to purchase things that were produced by workers' labor, the capitalist is living off the labor of the workers. Hence, Capitalism is inherently exploitative. The fruits of this exploitation are distributed to members of the capitalist class not only in the form of profit but also through dividends, interest, rent and other means.

Capitalists try to pretend this is “voluntary” or “natural” but it is no more voluntary or natural than paying taxes. In order for a worker to survive s/he must sell his/her labor and become a wage-slave. Otherwise s/he will not be paid and will eventually starve to death. While some form of productive labor is necessary to produce the basic necessities needed to survive (food, shelter, etc.) there is no reason why this must be in the form of wage-labor. For most of human history it has not.

Historically pre-capitalist societies that developed into capitalist ones have all gone through a process called proletarianization whereby the majority of the population was changed from their previous status (usually of peasants) into workers (proletarians). This involved expropriating the land and forc-

¹ Retired workers are still part of the working class, as are children of workers dependant on their parents

This could be brought about through the direct expropriation of the means of production by the lower classes (possibly preceded by a general strike) and placing the means of production under the control of those who use them. All workplaces would be taken over by the people who work in them, followed by a reorganization of the economy to meet the needs of ordinary people instead of profits for a few. This would involve a mass rebellion against established authority – a revolution – and the overthrow (and abolition) of the government.

There would probably be an alliance between the proletariat, peasants (in countries where they still exist), lumpenproletariat and a section of the more radical parts of the managerial class. An alliance between the workers, peasants and unemployed would have to form the core of such a revolution since they are both the most exploited members of capitalist society and are also the vast majority. A revolution aiming to establish a classless society cannot happen without the support of the majority of the population since such a revolution would deliver control of the economy into their hands and, if they did not desire a classless society, would simply give up such control to reestablish a classless society.

The revolutionaries should also be on guard against those who would take advantage of the revolution to establish themselves as a new ruling class (possibly while also claiming to abolish classes). Many past revolutions that might have resulted in a classless society have seen small determined minorities take advantage of the overthrow of the old rulers to establish themselves as a new ruling class and launch a counter-revolution against those pushing for a classless society. During the French revolution the Jacobins took advantage of the overthrow of what was left of Feudalism to implement capitalism and suppressed attempts by the sans-culottes (and others) to build a classless society. In the Russian revolution the Bolsheviks seized power and proceeded to implement state monopoly capitalism while violently liquidating syndicalists,

The conflict between the Soviet Union and the United States in the second half of the twentieth century was, despite what the propaganda of both sides claimed, actually an inter-imperialist conflict between two rival capitalist empires. It was not a class struggle between workers and capitalists (as Marxist propaganda claimed) or between freedom and tyranny (as American propaganda claimed) but a conflict between different capitalist classes over how they would divide the world between them. The daily life of citizens in each empire was not greatly different; both practiced a variation of the same economic system. Neither side was actually interested in the liberation of the oppressed.

There is a common flaw in all of these proposals to reform capitalism. None of them actually fix the root problems of the wage system. Workers under laissez-faire capitalism, social democracy and state socialism would still be exploited. Authoritarian workplace relations would still exist under all these reformist proposals, workers would still be subject to an economic dictatorship. These reformist ideas do not fix any of this, at best they just treat the symptoms. None of these things can be changed by reforming capitalism, there are inherent in the system. Capitalism must be abolished.

IV. Towards a Classless Society

Instead of a class society, dividing society between haves and have-nots, we should have a society in which equality and freedom prevail in production. All should have equal access to the means of production so they can produce what they need to survive without having to take orders from an owning class. None should have power over another; all forms of hierarchy should be abolished. The means of production should be put under the control of the producers. Instead of economic dictatorship, institute self-management where the producers control their own activity instead of taking orders from bosses. The factory to the worker, the land to the peasant.

ing the population off it²; thereby putting the population in a situation where they have to sell their labor to make a living³. If most live on the land (as they did in many pre-capitalist societies) then they will not have to sell their labor to make a living and full-fledged capitalism is impossible.

The process of proletarianization happened differently in different places and had a number of variations with more than a few bumps on the road. In the first societies where proletarianization started it was a long process that was not originally initiated with the desire to create a capitalist society but by other historical forces. One of the first capitalist countries, England, began this with the “enclosures” whereby lords would enclose land that formerly belonged to peasants and expropriate it for themselves⁴. In Mexico the majority of proletarianization started under President Benito Juarez and rapidly accelerated under the dictator Porfialo Diaz. Both Juarez and Diaz were classical liberals who believed in free market capitalism and private property. To that end, Juarez initiated a program whereby public lands and common lands held by Native Americans was expropriated and sold to the highest bidder. Since they have more money, the majority of this land got concentrated in the hands of rich capitalists. Small landholders were often expropriated as well⁵. In most of North America the indigenous economic systems were eventually destroyed by force, along with the indigenous people, and replaced with a capitalist system⁶.

² Carson, Kevin “The Iron Fist Behind the Invisible Hand” <http://www.mutualist.net/mutualistnetresourcesandinformationonmutualistanarchism/id4.html>

³ “Aren’t the Enclosures a Socialist Myth?” <http://www.infoshop.org/faq/secF8.html#secf84>

⁴ Marx, Karl Das Capital Part VIII

⁵ El Gran Pueblo by Colin MacLachlan and William Beezley, p. 91–92 and A Short History of Latin America by Benjamin Keen and Mark Wasserman, p. 202–203

⁶ “What About the Lack of Enclosures in the Americas?” <http://www.infoshop.org/faq/secF8.html#secf85>

In some societies war played a significant role in uprooting peasants and transforming them into wage workers.

Capitalists sometimes defend the exploitation inherent in capitalism by claiming that the capitalist contributes to production by providing money and the means of production, which he owns, to the production process. This is a subtle form of circular logic, since it assumes capitalist property rights in order to defend capitalism. 'Providing the means of production' simply means 'allowing it to be used.' Granting permission itself is not a productive activity, it does not produce anything. If producers cease to produce, production will stop in any society, regardless of the economic system. But if owners stop granting permission, production is impacted only if their authority over the means of production is obeyed. Their authority derives from the violent and coercive mechanisms of the state, which ensures that capitalists have this ability to allow or deny access to the means of production by workers. Not only is "providing the means of production" not a productive activity, it depends on a system of organized, systemic coercion to maintain the capitalist's monopoly (or near-monopoly) of the means of production. Capitalist exploitation of workers derives from the power capitalists have over the means of production, it's monopolization in their hands. That power is used by them to gain extreme wealth at the workers' expense. It was originally created through conquest & coercion and is maintained through state violence, typically in the form of government enforcement of property rights.

Other workers, not capitalists, produced the means of production. The capitalist obtains them with the money from previous profits. Those profits in turn came from previous profits and so on back to the origins of capitalism. Those original accumulations of money used to start this whole process of capitalist accumulation came from fortunes made as a result of conquest & direct expropriation (such as colonialism) as well as fortunes achieved under pre-capitalist class societies such as

Social democratic welfare states, however, still leave the capitalist class in charge. If the social democratic measures do their job worker militancy and unrest will subside over time and these welfare measures will no longer be as cost effective as they were when there was more rebellion (if worker unrest does not subside then capitalists tend to move towards imposing a right-wing dictatorship to suppress the workers, unless the workers overthrow the capitalists). The capitalists will then begin to dismantle the social democratic state and implement policies more favorable to their interests. Since the capitalists are still the ruling class there is little to stop them from doing this aside from renewed rebellion on the part of the exploited. In the end social democracy ends up being at most a temporary stopgap measure – a band-aid on a cut artery.

Some who seek to reform capitalism actually claim to oppose capitalism, but what they desire to implement are in reality unusual forms of capitalism, since they retain wage-labor. The most famous capitalist ideology claiming to be anti-capitalist is Marxism. They advocate the creation of a centrally planned economy, with a "workers' state" (in practice a one-party totalitarian state) controlling the entire economy. This is not anti-capitalism but state monopoly capitalism. As most people would still be wage-labor under this system it is a form of capitalism (albeit, in a rather perverted form). Instead of being exploited by individual companies workers would be exploited by the state, which would be the new boss. The new capitalist class would be made up primarily of government bureaucrats, politicians and party members who would profit from the exploitation of the working class just as traditional capitalist classes do. There is in essence very little difference between having a single corporation control the entire economy and the centrally planned economy advocated by state socialists. Simply uniting administration of the economy into a single giant bureaucracy does not abolish capitalism. Centrally planned capitalism is still capitalism.

Many left-wing reformists claim that ‘regulated capitalism’ and/or a social democratic welfare state would somehow fix all the problems that come about as a result of capitalism. It’s rather difficult to do this when the state serves the interests of the capitalists. As a result many regulations and state programs that are put into effect frequently end up favoring large corporations rather than ordinary people, creating a corporate-welfare state. Examples of this include the billions of dollars given by capitalist governments to corporations (both directly through subsidies and indirectly through government contracts), laws restricting the ability of workers to organize against capitalists and government manipulation of monetary policy to favor capitalists. Such policies tend to be implemented by both left-liberal regimes and also right-wing “free market” regimes.

When unrest from the lower classes (proletarians, peasants, lumpen-proletarians and sometimes a section of the managerial class) becomes large enough it can become beneficial for the capitalist class and/or state bureaucracy to implement Social Democratic welfare measures that ameliorate the miseries of the lower classes. This worker-friendly strategy can be implemented either by individual companies or through state programs (or both). These policies can decrease unrest by decreasing the miseries of the lower classes (and thereby reducing their propensity to revolt). Large amounts of unrest can disrupt production which thereby interferes in the ability of capitalists to make profits. If this disruption is great enough it becomes more cost effective for capitalists to implement welfare policies to decrease unrest rather than put up with constantly disrupted production. If unrest becomes great enough it can even threaten to bring about revolution and topple capitalism. For the capitalist class a welfare state is vastly preferable to an anti-capitalist revolution and will implement one if doing so will stop a revolution.

feudalism or slavery. Thus from a historical perspective capitalism cannot be considered just.

A similar attempt to justify the exploitative nature of capitalism is the claim that profit is the reward for taking risks. It is true that investing usually entails taking risks (one could lose the investment), but just because someone is taking a risk does not mean that s/he is producing anything. Most human activity involves risks of some sort. If a criminal robs someone at gunpoint s/he is taking a risk as well. S/he could go to jail, the robbery could go wrong, s/he could get hurt, etc. That does not change the fact that it is robbery. The same is true of the risks taken by capitalists. The workers take as much of a risk, if not more, as the capitalist. If the business fails the worker is unemployed. The worker is then usually in a worse situation than the capitalist because the capitalist is wealthy and can weather such a situation much easier than those on lower levels of the hierarchy. In addition, many jobs entail risks to workers’ life or limb, whereas investment does not.

Capitalists like to claim that their wealth is the result of them working hard by running their business, managing portfolios, etc. A mafia boss also does lots of work to plan his robberies and keep his illicit enterprise going but his actions are still theft. Many capitalists don’t even run a company, they derive their income solely from stocks, bonds, interest, dividends, rent, etc. This attempt to justify capitalist exploitation completely fails in these cases because they aren’t even running a company or doing any work at all. Manipulating portfolios doesn’t produce anything useful; sticking money in the bank and letting it accumulate interest isn’t hard work.

Some capitalists do choose to manage companies. Since they run the business, they not surprisingly choose to pay themselves huge salaries (along with other perks) that are derived mostly from the surplus value exploited from the workers. While some forms of production do require coordination, this does not justify capitalist forms of production

or the grossly disproportionate amount of wealth capitalists are given. In a slave society slave drivers and owners would sometimes do coordination necessary for production while making their slaves produce for them. Just as it is possible to coordinate production without slave drivers it is also possible to coordinate production without capitalists. Coordination can be assigned to a worker (or committee of workers), elected, recallable and mandated at worker assemblies and paid a normal wage, just like any other task. There have been many examples of worker-run cooperatives, run on a non-hierarchical basis without capitalists, producing things just as effectively as a capitalist corporation. There is no reason why individuals involved in coordination tasks should be given greater wealth or power than those doing other tasks, let alone given the dictatorial power bosses & capitalists have over the workplace.

Like slave owners, capitalists may spend a large portion of their time manipulating their underlings to maximize the amount of money they make, but that time neither produces anything nor justifies the privileged position of the capitalist. Most of the “work” done by capitalists running a business is in reality manipulating workers so as to maximize exploitation (thereby maximizing profit). Most capitalists hire people to do whatever coordination and administration is necessary for production and do little of it themselves. In contemporary capitalism this has led to the growth of a separate techno-managerial class that controls the workers for the capitalists. In general the higher up the hierarchy and the farther from the point of production the less genuine coordination is done. A thief that does a lot of scheming is still a thief.

In the United States the richest 1% of the population (the capitalist class) owns more wealth than the bottom 95% of the pop-

the reason some countries are rich and others poor has more to do with imperialism than with the degree of government intervention. There is no correlation either way.

Their selective identification of “free markets” and “government intervention” isn’t limited to comparisons between countries. A corporation is basically a centrally planned economy. The different parts take orders from those higher in the hierarchy, they do not trade with each other. Modern capitalism is really a series of interlocking command economies (multi-national corporations) which trade with each other (just as the Soviet Bloc countries traded with each other). Corporations are actually the opposite of markets, the fact that they are defended under the laissez-faire philosophy further shows how facile their support for the “free market” is. Capitalism itself requires government intervention in the economy in the form of enforcing property rights. Without this the system will implode. Advocates of laissez-faire capitalism typically respond with something along the lines that it’s the government’s role to protect “individual rights” and so such intervention is justified. But left-liberals and state socialists say the same thing – that the kind of intervention they advocate is justified by “human rights” or something along those lines. The laissez-faire capitalist is no more against “big government” than the left-liberal or state socialist, they just disagree on which state policies should be implemented. In reality, whenever people who claim to advocate “shrinking government” in favor of “free market” capitalism get in power they implement extensive government interventions that benefit the rich (beyond enforcing private property). “Free market” regimes have a long record of giving large subsidies to big business, funding the military-industrial complex, following a foreign policy designed to help maintain a favorable foreign investment climate and even imposing tariffs when needed to support weak domestic industries. “Free enterprise” means state protection for the wealthy and market discipline for everyone else.

do not address the root problem and at best treat the symptoms rather than the disease.

The idea, supported by many on the right, that a more *laissez-faire* form of capitalism will fix all of its problems is based on a selective reading of evidence. Their methodology is to select prosperous countries, claim they are examples of the ‘wonders of a free market’ (no matter how extensive government intervention in the economy is) and to select poor countries and claim that they are examples of how government interventions ruin a country (no matter how little government intervention exists). In the early 1990s supporters of ‘free market’ capitalism pointed to Argentina as evidence that their theories were correct — it’s prosperity at the time was claimed to be proof that deregulation and the free market are the answer. Several years later Argentina went into a depression and the economy imploded. The “free marketers” then changed their tune — the problem, they claimed, was that Argentina had lots of extensive government interference in the economy. Some even claimed it was “socialist.” When the country was prosperous they claimed it was ‘free market’ but when it became less prosperous they claimed it was ‘socialist.’

The ‘free market’ crowd also likes to compare countries with high degrees of state intervention in the economy and countries with lower intervention in the economy, like North Korea and South Korea. Aside from the Koreas comparison being invalid (the South received far more foreign assistance than the North) the fact that South Korea is frequently cited as a ‘success story’ for the ‘free market’ shows how selective their idea of a ‘free market’ really is. South Korea industrialized through a series of five year plans. There’s another famous country that industrialized through a series of five year plans: the Union of Soviet Socialist Republics. Their concept of a ‘free market’ is so fickle that it leads them to make a semi-command economy — South Korea — one of the countries they commonly cite as an example of how great “free market” capitalism is. In reality,

ulation combined⁷. It is physically impossible for that one percent to work harder than the other ninety-five percent. There simply aren’t enough hours in the day. The average American worker works around 50 hours a week; for the capitalists to work ninety-five times more than the average worker he would have to work 4,250 hours a week! There are only 168 hours in a week; it’s not possible for this wealth disparity to be the result of capitalists working harder.

II. The Authoritarian Structure of Capitalism

Capitalism is inherently authoritarian and anti-liberty. The structure of a company (or state enterprise) is essentially totalitarian in nature. There is a hierarchical power structure, with those at the top exerting almost complete control over those under them. Those on the bottom must obey those on the top. While there may be some amount of consultation from the top to the lower levels, the same can be said of any slave society. There are no elections, no voting. Those on top have absolute rule. Capitalism, like all class societies, is an economic dictatorship.

True, theoretically a worker can leave a job, but s/he must still sell his/her labor to a capitalist if s/he wants to survive. Workers can only change jobs if the economic conditions are good enough that they can find a different job. However, that different job has the same basic authoritarianism as the old one and so it isn’t really an escape from this. Under good circumstances you can switch bosses but most people can’t choose not to have a boss. This is not the result of some law of nature but of the fact that the capitalist class has a (state protected) monopoly over the means of production. The fact that one

⁷ Gutman, Huck “Economic Inequality in US” <http://www.commondreams.org/views02/0701-05.htm>

can quit a job does not make capitalism just — if you could immigrate from a society ruled by a totalitarian state that still wouldn't make totalitarianism right. The same is true of economic totalitarianism. A slave that can choose his/her master is still a slave.

Defenders of the capitalist system like to distract from this authoritarian structure by babbling on about how theoretically it is possible under capitalism for a person to go from the bottom of the hierarchy to the top, joining the capitalist class. While most forms of capitalism do have some degree of social mobility, apologists for capitalism tend to overstate it. Only a tiny number of workers ever manage to join the capitalist class. The few examples of workers who do manage to join the capitalist class are usually from the better off sections of the working class and often receive help from the state or other members of the capitalist class. A person born to wealthy parents will be much more likely to be wealthy as an adult than a person born to poor parents; the odds are stacked. Even going from worker to petty bourgeoisie (small business owner) is difficult to do. For the few who even have the opportunity to set one up, most small businesses go under within ten years and the majority do not become large businesses or catapult their owners into the capitalist class. Often they just become slaves to the bank. While there are occasionally exceptions, overall the immense majority of people have little choice but to sell their labor in order to survive. If all workers were able to rise out of the working class easily the system would collapse. In order to have a hierarchical system you have to have some on the top and others on the bottom.

Even if the amount of social mobility in capitalism were as great as supporters of capitalism claim, it would not matter. If it is possible for someone to move from the lowest position of an authoritarian system to the highest position, it is still unethical because it is an authoritarian system. If it were possible to go from homeless person to dictator within a fascist system,

The small capitalists, or petty bourgeoisie, (small business owners) are a different class. Like the normal capitalists, they own means of production (though usually only a small amount) and make profit through employing wage-labor. Unlike the capitalists they do not own enough wealth to live off it without working, but they also do not have to sell their labor to make a living. Generally they do productive work alongside the workers they exploit, and must do so if they expect to survive. In practice, many are dependant on the bank, which means they are dependant on large capitalists because they control the banks.

The managerial or techno-bureaucratic class controls the working class (and sometimes other classes) for the capitalist class. This group includes most of middle management, bureaucrats, technocrats, etc. They're basically part-worker and part-owner. They have to sell their labor to survive but also have the power to hire and fire workers. Under some forms of capitalism the techno-managerial class is virtually non-existent — most of their functions are either unnecessary or performed by capitalists themselves.

III. Capitalism Cannot Be Reformed

Some, while acknowledging that contemporary capitalism is flawed, claim that modifying capitalism through a series of reforms can avert these problems. Some say that more regulations will fix the problems. Others say that fewer regulations will fix the problems. Some call for massive state programs to cure those ills, while others claim that abolishing large state programs will end these problems. Some propose seemingly radical programs that, under the pretense of completely re-organizing society and abolishing capitalism, actually maintain the foundations of the capitalist system. While some of these reforms may produce minor improvements, they

Sometimes other classes are present as well. Societies that have only recently transitioned from a feudal to a capitalist economy usually have a large number of peasants inherited from the previous economic system. Peasants do not have to sell their labor to survive because they have access to their own land and live off it. They are not capitalists either, as they do not exploit wage laborers to make their living. The development of capitalism usually transforms peasants into workers given enough time.

The unemployed, or lumpen-proletariat, are another class. Unemployment is a common byproduct of capitalism. Having part of the population unemployed keeps wages down and makes it easier to control the workers. If a worker knows s/he can easily find a different job elsewhere s/he will be less concerned about being the victim of a layoff and can demand higher wages, better working conditions, etc. It is much easier to control workers when they have the threat of unemployment hanging over their heads. A completely free market would tend to oscillate between periods of high and low unemployment. When unemployment is low wages rise and it becomes harder to maximize the degree of exploitation and profit. This causes many capitalists to begin to replace workers with automated machines (or find other ways of cutting costs, like layoffs), as they cost less compared to paying workers high wages. However, implementing more automation (and most other cost cutting) throws people out of work, thereby increasing unemployment. This causes wages to fall and makes employing workers cheaper. Thus, eventually unemployment begins to fall again because it becomes more cost-effective to employ workers as compared with increasing automation. This cycle then repeats indefinitely. In practice, this cycle either does not happen or is lessened because many states implement regulations and monetary policies to ensure that unemployment does not go extremely high or extremely low.

fascism would still be wrong. In many Leninist states there were individuals who went from being a worker to being part of the ruling class, in some cases even joining the Politburo, yet that does not make Marxist totalitarianism an acceptable system. In Colonial Brazil, there were slaves who managed to become free and even become slave owners themselves. It was as rare as workers becoming capitalists in contemporary capitalism, but it did happen and was theoretically possible for many slaves. Just as the theoretical possibility of a slave becoming a slave owner does not justify slavery, the theoretical ability of a wage-slave to become a capitalist does not justify capitalism. The existence of social mobility does not justify a social system.

Another way supporters of capitalist like to distract from the authoritarianism of capitalism is to emphasize the market and downplay or ignore wage-labor & the hierarchical aspects of capitalism. They invent a fantasy world of people producing widgets & trading them for thingamabobs and then pretend that this fantasy land has some relationship to how a real-life capitalist economy works. We do not live in a society of independent widget producers trading their products on the market, we live in a society where most people have little or nothing to sell but their labor. This fantasy neglects the fact that wealth is extremely concentrated and the role of wage-labor, which is extremely important as most people make their living by selling their labor. This widget-trading fantasy ignores the inequalities of power between workers & capitalists and so presents a false picture of capitalism that makes capitalism look less authoritarian. Just because markets exist does not make a system just. Markets existed in most slave societies, that does not make slavery just. Markets reflect the will of the wealthy & powerful, as more money can be made by catering to the needs of those with more money.

No industrial society can be run along the lines of this widget trading fantasy. Industry creates things like factories, mines

and other workplaces with a high division of labor and lots of people working together in the same place. In industrial societies you have many people using the same means of production (eg. a factory). Those means of production are too big for a single individual to be able to use them efficiently – factories require lots of people to work in them. A society made up of independent producers presupposes that everyone has their own means of production and then trades what they produce on a market. An industrial society, by virtue of making the means of production too big to be used by a single individual, makes such a thing impossible. Factories and other large means of production can be privately owned, with bosses telling the workers what to do, they can be state owned, with state-appointed bosses telling the workers what to do, or they can be held in common, with the workers themselves determining what to do.

Capitalism can be contrasted with other forms of class society such as feudalism and slavery. Class is another name for economic hierarchy. In a class society some people have power and control over other people with regard to economic matters. Those on the top of the hierarchy, who exploit and live off the labor of those below it, are called the ruling class.

In an economy based on slavery the ruling class is made up of slave owners who exploit the slaves they own and live off their labor. The slave is sold once and then belongs to that master until the master decides to sell him/her. This differs from capitalism in that the slave is sold once and for all whereas in capitalism the worker must sell him/herself repeatedly by the day or hour or some other unit of time. If the wage contract were made to last indefinitely, instead of for a fixed period of time, it would in fact constitute full-fledged slavery. Thus capitalism constitutes a kind of transient slavery repeated over and over, which is why capitalism is also called wage-slavery. Examples of societies based on slavery include the Roman Empire, ancient Korea and the US South prior to the 1860s.

In feudalism society is divided into several classes with the nobility on the top and the serfs on the bottom. The nobility lives off the labor of the serfs who must give crops and various forms of unpaid labor to their lords. Serfs differ from proletarians in that they have their own means of production, land, and thus do not have to sell their labor to survive. They must, however, give up a part of his/her product (crops, usually) or part of the services of her/his labor to the ruling class. Examples of feudal societies include medieval Europe and Japan⁸.

The two main classes in a capitalist economy are the capitalist class (or bourgeoisie) and working class (or proletariat). In the United States, most people consider themselves “middle class.” This is a useless term since almost everyone is considered middle class, regardless of their economic situation, and it is thus of no use in describing class hierarchies and their relations. You can’t have a “middle class” that constitutes over 90% of society! The concept of the “middle class” in the United States acts to disguise the existence of classes in America. Those who must sell their labor in order to survive and do not have the power to hire or fire are members of the proletariat. Those who are wealthy enough that they do not have to sell their labor to survive (their income comes from stocks, bonds, rent, etc.) are members of the bourgeoisie. Since the capitalists exploit the workers, the interests of the capitalist class and the working class are directly opposed. In almost all capitalist countries the working class constitutes the majority of the population⁹.

⁸ This comparison is of course oversimplified since this essay is about capitalism, not pre-capitalist societies. Actual historical feudal and slave societies were more complex than are presented in this simplified comparison and there were significant variations as well.

⁹ Those capitalist countries in which workers do not make up the vast majority are underdeveloped countries that still have a large percentage of peasants. In those countries, workers and peasants added together constitute the vast majority of the population.