

Democracy At Work

A Cure For Capitalism

By Richard Wolff

Introduction

Cascading economic problems and crises, coupled with dysfunctional political responses, have plunged modern societies into deepening turmoil. Capitalism - the dominant economic system of our time - has once again become the subject of criticism and opposition.

A global capitalist system that no longer meets people's needs has prompted social movements everywhere to arise and coalesce in the active search for systemic alternatives. Yet the particular versions of anti-capitalism that actually prevailed over the last century no longer seem to offer a model or inspiration to those looking for an alternative to capitalism.

People are looking for a new solution, a new cure for capitalism's injustices, waste, and massive breakdowns. This book offers one such cure. In presenting the idea of workers' self-directed enterprises - which I call W S D Es throughout this book, I offer a new version of an old idea: that production works best when performed by a community that collectively and democratically designs and carries out shared labour.

In analyzing capitalism to show its shortcomings and establishing how W S D Es would overcome them, I use Karl Marx's theory of production, appropriation, and distribution of the surplus, his "class analysis". This is also a book with a political purpose: I seek to add the expansion of W S D Es to contemporary programs for progressive social change.

This book about workers' self-directed enterprises analyses W S D Es in relation to capitalism and advocates them as a superior way to organize production. The United States has recently suffered years of the worst economic crisis since the Great Depression of the 1930s.

For most people, the end of the crisis is not in sight. Tens of millions remain unemployed, many for extended lengths of time. Unprecedented numbers of foreclosed and homeless people live not far from unprecedented number of homes that stand empty.

Wages and benefits are trending downward while profits are simultaneously increasing. Just as these conditions force millions to need and want more from local, state, and federal governments, officials continue to announce ever more cutbacks in public services.

This crisis is reminding millions about capitalism's inherent instability, its historic failure for centuries to prevent the recurrence of downturns, and how poorly, unjustly, and cruelly it typically "manages" them.

A Tale of Two Crises

The current economic crisis comes after a period of thirty years during which business interests rolled back the New Deal that saved capitalism during the Great Depression of the 1930s. There is more than a little irony in that story.

The three years after the 1929 crash both shook and ended capitalism's roaring 1920s, as well as the Republican's hold on the presidency. A centrist Democrat, Franklin D. Roosevelt, became president. He and his party worried about deficits and balancing Washington's budgets.

F D R began his presidency acting much like most leading Democrats today. But the Depression provoked and strengthened forces that changed him. Those forces both pressed him and enabled him to change his policies and thereby become the most progressive and the most popular president in U.S. history.

The Great Depression provoked the formation and immense successes of the Congress of Industrial Organizations - C I O. The C I O organized millions of industrial workers into unions for the first time, bringing about the greatest unionization wave in U.S. history.

Member and leaders agreed that unions were working people's best weapon against the ravages of a severely depressed capitalism. They confronted employers and politicians. The C I O undermined the conservative or centrist Democratic program of the time - what today would be called "austerity".

The Great Depression also drove into high gear a variety of socialist and communist groups, movements and parties. Inside and outside the C I O, they mobilized large numbers of workers, students, farmers and others.

Together, the C I O, socialists, and communists made it impossible to continue policies that "managed" the Great Depression by bailing out the banks and major corporations, keeping government economic intervention otherwise minimal, and leaving the unemployed and foreclosed basically unassisted.

At the same time, the C I O, socialists, and communists brought millions into the streets shaking their fists. They criticized business and capitalism more and more intensely. These actions prompted and enabled F D R to present big business and the richest citizens with a plan.

On the one hand, they could accommodate F D R's demands for taxes on business and the rich to be used to meet major social welfare demands of the C I O, socialists, and communists. F D R believed he could thereby satisfy enough mass social needs to preserve the capitalist ownership and production systems intact.

On the other hand, if big business and the rich refused, F D R warned that they would soon face a population led by increasingly anticapitalist forces seeking much more fundamental changes to the system. F D R's plan split the ranks of big business and the rich.

Enough of them agreed to higher taxes on business and the rich to allow F D R to offer a parallel deal to the left. He urged them to be reformers, not revolutionaries: to keep demands for going beyond capitalism at the level of rhetoric but not take them into practical politics.

F D R built a powerful political partnership between that part of big business and the rich he had won over and the unions and the left, despite some dissenters on both sides of the equation. That partnership never fundamentally challenged boards of directors' dominant control over U.S. corporations.

Major private shareholders continued to select boards of directors who continued to make the basic decisions of what, how, and where to produce and where to distribute the surpluses they appropriated from their workers.

F D R's partnership proceeded to construct a kind of social democracy or welfare state in the United States, a genuine New Deal. F D R promised that such a program would get U.S. capitalism out of the Depression, provide better lives for most Americans quickly, and prevent future depressions.

The only alternative to the New Deal, F D R warned, would be deepening economic and social divisions, tensions, and conflicts. The partnership was crafted from both sides. One side was composed of business leaders and wealthy citizens, led by F D R, who believed it necessary and expedient to accommodate left forces unleashed and strengthened by the Depression.

On the other side were those leaders of the C I O, socialist, and communist movements who saw reform as the most that could be accomplished and revolution as premature at best and far too dangerous a gamble at worst.

To F D R's right, a considerable number of big businesses and rich Americans rejected his political partnership and steadfastly opposed its social democratic program. To F D R's left, some radicals and revolutionaries also rejected the partnership as a reformist sellout of the movement to overturn capitalism.

F D R's partnership prevailed politically. In the depths of the Great Depression, it launched costly programs that helped many millions. An expensive Social Security system was established to provide public pensions to the mass of U.S. workers.

An expensive federal unemployment insurance system was established to directly assist the unemployed. Expensive federal hiring programs were established that created and filled more than twelve million jobs during the depression years after 1934.

At a time when employers, employees, and government officials all complained of depleted resources and funds, Washington found and spent vast sums directly to ease the suffering of working people and to stimulate a deeply depressed economy.

It was not a shortage of money that had previously prevented the government from helping people. The problem was, rather, political, and F D R's partnership provided a solution. It saved U.S. capitalism. In the current crisis of capitalism, an F D R type solution has not emerged, for several reasons.

First, the fifty-year decline and consequent weakness of the labour union movement and the extreme decline of socialist and communist movements removed them as effective agents for such a solution. During his first term in office, President Obama did not even propose, let alone implement, any federal hiring programs, and supported the contraction, not expansion, of Social Security benefits.

Second, the majority of businesses and the rich see little need for any compromise solution that would increase their taxes. Third, no actually existing socialism poses an alternative today that might attract significant working-class support and thereby frighten conservatives into F D R type political partnerships.

Political Dysfunction Worsens Economic Dysfunction

The absence of a left-wing force from below has left the United States with a severe crisis but without government intervention adequate to sustain a broad economic recovery. Instead, continued mainstream faith in neoliberal economics, which oppose government intervention on principle, yields insufficient stimulus measures coupled with overreliance on government debt.

Meanwhile the Federal Reserve's monetary policy pumps massive sums into support for banks and global credit markets. This program seeks to save and bolster the largest businesses, the stock markets, and the richest 5 percent of individuals who depend on those businesses and markets.

These beneficiaries of public policy are also the key financiers for U.S. political parties, candidates, and officials. The latter devise and execute this classic example of a "trickle-down economics" program. Large and direct government assistance for business and the rich is supposed to "trickle down" and provide a recovery for the mass of people, too.

However, the trickle down economics program hasn't worked - and for reasons that are not hard to discern. The government-enhanced wealth at the top does not "trickle down" in the real world. Instead, boards of directors continue to see their self-interest in not sharing the recovery funds poured into their hands.

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Thus we experience continuing high unemployment, massive number of home foreclosures, declining real wages and job benefits, and inaccessibility of credit for personal borrowing. Stagnant consumption and investment are the results.

They undermine the recovery of business and the stock markets. The global capitalist crisis deepens. What is to be done? The political and economic establishment simply repeats its usual mainstream mantra: maintain the post-2007 trickle-down program with maximum hype about the government's efforts to end the crisis and wait until the crisis depresses wages and the costs of doing business enough that profit opportunities prompt capitalists to resume investing.

The establishment prefers to wait rather than to pay the costs of a government intervention sufficient to overcome the crisis. Capitalism, it insists, will eventually produce an economic upturn. An alternative, though predictable and inadequate, program has come from the still-small but growing coterie of Keynesians. They want a much bigger government fiscal stimulus paid for by bigger temporary budget deficits.

They insist that the rising national debt can easily be offset later, once robust economic growth resumes. As an enduring crisis brings economic suffering to most American families, the political system shows less and less capacity to solve the root problem.

Indeed, growing numbers of Americans see the political debates in Washington as irrelevant or even detrimental to their concerns. The mainstream trickle-down policies of George W. Bush and Barack Obama appear to have pandered to corporations and the rich while passing recovery for the vast majority.

They debate larger versus smaller cutbacks in public services and public employment. In short, Americans have suffered from years of an economic crisis they did not cause. They have watched a recovery program that did not help them. They have been lectured by the architects of that recovery program on the need for "everyone" to pay its costs.

And then the mass of Americans learned that "everyone" means them - not the people whose actions caused the crisis - and that they must suffer austerity cutbacks just when they urgently need more and better government services.

A Cure for Capitalism

An increasing number of people are seeking a very different solution to the economic and political morass engulfing the United States and beyond. For them, that solution must have several key components. One is a permanent end to the periodic crises generated by capitalism.

Another component is an economic system reorganized to secure greater income and wealth equality. Still another component is a genuinely democratic distribution of power among individuals inside both their workplaces and their communities.

To achieve this solution requires, first, a comprehensive critique of how capitalism works to yield its unacceptable outcomes. Second, we need a vision of an alternative economic system free of capitalism's structural flaws.

That system would constitute a cure for capitalism. It would overcome its otherwise intractable problems. This book uses and builds on Marx's critique of capitalism because, notwithstanding its limits, it remains the most developed and useful critique available.

The cure I advocate here is also informed by several traditions: movements for social justice, traditions of working-class protest against capitalism, and movement for cooperative economic action. The cure involves, first, replacing the current capitalist organization of production inside offices, factories, stores, and other workplaces in modern societies.

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In short, exploitation - the production of a surplus appropriated and distributed by those other than its producers - would stop. Much as earlier forms of class structure have been abolished, the capitalist class structure would have to be abolished, as well.

In corporations, the dominant form of modern capitalist enterprises, no longer would small boards of directors selected by a typically tiny number of major shareholders appropriate and distribute the surplus produced by employees.

Instead, the surplus-producing workers themselves would make the basic decisions about production and distribution. They would become, collectively and democratically, their own board of directors. Shareholder-selected boards would no longer direct what, how and where the enterprise produces.

Instead, all of the workers in enterprises would collectively become the directors deciding what, where, and how to produce and how to distribute the appropriated surpluses. Capitalist enterprises would thereby be transformed into workers' self-directed enterprises - W S D Es.

Secondly, such reorganized production sites would partner with similarly democratic organizations of residential communities interdependent on W S D Es. Because the decisions reached in W S D Es would affect residents in these communities and vice versa, a genuine democracy would require each interacting partner to participate in decisions reached by the other.

Codetermination by workplace and community democracies would become the new reality of social self-governance. Such a reorganization of workplaces, coupled with the institutionalization of democratic codetermination, would effectively end capitalism.

It would mark yet another milestone in human history, following the earlier transitions out of slavery and feudalism as organizations of production. The disappearances of slaves and masters and lords and serfs would now be replicated by the disappearance of capitalists and workers.

Such oppositional categories would no longer apply to the relationships of production. Instead, workers would become their own collective bosses. The two categories - employer and employee - would be integrated within the same individuals.

At the same time, reorganizing workplaces in this way would be different from the historic efforts in the twentieth century to go beyond capitalism. It would no longer be enough to just nationalize productive property and replace markets with central planning.

The crucial additional element would be the reorganization of all workplace enterprises to eliminate exploitation. Instituting W S D Es would structurally position workers as appropriators and distributors of any surpluses they generated.

The power imbalances between states and their populations that haunted the last century would thereby be structurally overcome. In this way, we could establish the material basis for the eventual withering away of the state that many Marxists envisage.

Reorganizing production so that workers become collectively self-directed at their worksites moves society beyond capitalism. In that sense, W S D Es represent an alternative to capitalism and state capitalism.

In W S D Es, decisions about production and distribution of outputs no longer primarily small subgroups rather than the majority of workers and their communities. Social criteria - democratically determined by self-directed workers and community members - would replace the drive for profit and accumulation in investment and all other economic decisions.

All workers would now have two job descriptions. First, they would be democratically and collectively assigned a specific production task within the workplace division of labour. Second, they would be democratically and collectively given fully equal participation throughout their term of employment in the design, operation, and change of that division of labour and in the distribution of its outputs.

No one could work without engaging in both roles. The ancient divisions between mental and manual labourers, between workplace controller and controlled, between bosses and wage slaves would be overcome, thereby achieving an immense step toward economic and hence social equality.

Building Support for the Cure

To win social approval for the creation and sustenance of W S D Es inside modern economies, a number of different campaigns could be pursued. A government program of financing and supporting new W S D Es could focus on the unemployed.

F D R's model of federal job creation, for example, could be modified to provide specifically for the unemployed to regain work within self-directed enterprises. W S D Es would thereby become a significant kind of enterprise alongside traditional capitalist enterprises.

Another parallel campaign could stress the social benefits of giving citizens genuine freedom of choice between work within a traditional, hierarchical capitalist enterprise or within a workers' self-directed enterprise. That choice doesn't currently exist.

This campaign would advocate extending government programs that assist small businesses and minority-owned businesses to include a major program for workers' self-directed enterprises. In such programs, government would provide subsidies, incentives, and technical support to particular kinds of enterprises, because markets dominated by capitalist enterprises would otherwise destroy them and because their existence provides important social benefits.

Still another campaign could be built around extending democracy from its currently very limited, residence-based, and mostly formal application to governing geographic areas. The basic idea would be to bring democracy to the communities that comprise worksites.

There are three compelling reasons to sustain such a campaign. First, no democracy is complete if it does not include the economy and its basic institutions. Second, the weakness and merely electoral formality of actually existing political democracies flow from their lack of economic democracy.

Finally, the capitalist organization of production inside modern corporations directly contradicts and precludes economic democracy. The problems of capitalism generally have been intensified and magnified by its recurring crises, especially now in the major downturn that began in 2007.

Capitalism's problems have also become more visible to millions of people. As criticism mounts, so has oppositional thought and action. Capitalism is not "delivering the goods" to most people, and they know it. But we need to know why capitalism is in such deep trouble to see a way forward, to find a cure.

Among the victims and critics of the capitalist system today, the fastest-growing demand is for a better alternative system. People are increasingly looking for changes in today's intertwined economic and political systems that can reasonably promise to do better than capitalism while avoiding the problems associated with earlier efforts to reform or replace it.

Part two of this book focuses on clarifying what needs to be done and why.

Part 1: Capitalism in Deep Trouble

Capitalism has had an extraordinary run in the world - and nowhere more so than in the United States. Its celebrants demand, and capitalism as a system deserves, significant credit for catapulting Britain's former secondary colony, the United States, to its status as a global economic, political, and cultural superpower in two hundred years.

The costs of the journey were huge and widely distributed; the gains were also huge, but less widely distributed. Here was a first sign of troubles to come. Moreover, a long-term rise in real wages bred conditions and expectations that eventually outran capitalism's capacity to sustain them.

Here was another troubling sign. The former colony turned to immigration and imperialism as key means to further its ascendency. Yet they also contributed to economic dependency on an evolving globalization of capitalism. This was another signpost.

Underlying and amplifying all of these problems were the basic structural flaws of the capitalist system. Its internal contradictions, tensions, and conflicts periodically generated downturns, crises, panics, and cyclical booms and busts.

These were often moments of harsh but clear insight into the system's darker dimensions. Slowly, people accumulated not only appreciation of capitalism's social costs and many victims, but also increasingly powerful anticipations of economic and social systems that would be better than capitalism.

Today, in the wake of one of capitalism's deepest and longest crises, critical insight has yet again been revived and sharpened. Today's critics can build on their accumulated understanding of capitalism's history and its present dilemmas.

Perhaps most importantly, the criticism of capitalism we can articulate today allows us more clearly than ever to envision a genuinely new solution. That solution not only overcomes many of capitalism's flaws and failures, it also learns which misunderstandings to avoid from earlier efforts to go beyond capitalism.

Together, the critique and the solution offer more hope for a breakthrough beyond a system in deep trouble than we have had at any point in the last half-century.

1. Capitalism and Crises

Like all important topics, capitalism has been defined and understood quite differently by different people and groups throughout history. That fact requires everyone using the term to be clear and explicit about the particular definition being used.

No one should proceed as if any one definition is the only one or is a definition on which everyone agrees. For example, many contemporary usages of "capitalism" focus on two key dimensions. The first is private property: capitalism is a system in which the means of production - land, tools, equipment, raw materials and products are privately owned by individuals and enterprises.

They are not owned collectively by society as a whole or by the state apparatus. The second dimension is the market: capitalism is a system in which productive resources and produced outputs are distributed by means of freely negotiated exchanges between private owners.

Distribution is not accomplished by means of the state's or any other collective agency's planned decisions. Thus, the twentieth century's great confrontation between "capitalism" and "socialism" was widely defined to be a struggle between private property and markets on the one hand and socialized property and government planning on the other.

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Private property is indeed a prevalent feature of capitalism. However, capitalist economies also typically contain significant amount so productive property and products owned by state apparatuses in the name of the society as a whole.

In the United States, for example, harbours, air space, transportation facilities, military equipment, large tracts of land, and many educational institutions are publicly owned. Likewise, markets are common mechanism of distribution, yet many capitalist economies also include the distirbution of goods and services in nonmarket ways.

In the United States, for example, food is distributed via food stamps issued to certain parts of the population, and many communities distribute fire, police, and school services to citizens based on local notions of citizen's needs, not on market exchanges.

Inside most households, members produce all sorts of goods and services - cooked meals, cleaned clothes and rooms, repaired furniture, and so on - distributed to other household members according to traditional forms of household planning, barter, and exchange, not by means of market exchanges.

Moreover, private property and markets do not distinguish capitalist from other types of economic systems in human history. For example, the slaves in the non capitalist economic system of the U.S. South before the Civil War were private property.

Similarly, in many parts of late medieval Europe, the land, horses, plows, and mills were often privately owned means of production, yet we refer to the economic system of that time as feudalism, not capitalism.

Markets were also often features of slavery and feudalism as well as capitalism. For example, feudal lords often sold the products of their serf's labour in markets; feudalism thus worked with a market system of distribution.

Similarly, the cotton produced by slaves in the U.S. South was regularly sold in world markets by means of exhchange for money. A commonly held view is that slaves lacked freedom because they were property and serfs lacked freedom because they were tied to their feudal manors, but workers in capitalism suffer neither of those forms of coercion.

Among the problems with this definition is the fact that, under capitalism, wage workers are not free because to live even iminally , they must work for others. They must sell their labour power to those who own the means of production in order to survive.

Because of these and many other difficulties, I define capitalism differently. I highlight the internal organization of production and distribution: how the social sites where goods and services are produced and distributed organize those processes.

A capitalist system is, then, one in which a mass of people - productive workers - interact with nature to fashion both means of production and final products for human consumption. They produce a total output larger than the portion of that output - wages given back to them.

The wage portion sustains the productive workers: it provides their consumption and secures their continued productive labour. The difference between their total output and their wage portion is called "surplus", and it accrues to a different group of people, the employers of productive labourers: capitalists.

The capitalists receive the surplus from the productive labourer by virtue of a wage labour contract entered into between capitalist and worker. This wage labour contract specifies a particular commodity exchange. The capitalist agrees to buy - pay the worker regularly for - her or his labour time.

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The worker agrees to sell her or his labour time to the capitalist. The worker further typically agrees to use the tools, equipment, raw materials, and space provided by the capitalist. Finally, the worker agrees that the total output emerging from his or her labour is immediately and totally the private property of the capitalist.

The productive labourers - those who produce the surplus - use the wages paid to them by the capitalists to buy the goods and services they consume and to pay personal taxes. The capitalists use the surplus they obtain from their productive employees to reproduce the conditions that allow them to keep obtaining surpluses from their productive employees.

The workers who sign contracts with capitalist employers fall into two categories: Productive labourers are those directly engaged in the production of goods and services that their employers sell. The term unproductive labourers refers to all those engaged in providing the needed context or “conditions of existence” for productive workers to generate surpluses.

The unproductive labourers have their wages paid and their means of work provided by capitalists. The latter distribute parts of the surplus they get from productive labourers to pay and provide for the unproductive labourers.

In short, the capitalist system divides people into three basic economic groups: productive labourers, capitalists, and unproductive labourers. For the last half-century, the capitalist economic system in the United States, and indeed in many other parts of the world, has gotten a free pass in terms of criticism and debate.

Intense debates have swirled around other basic institutions or systems, such as marriage, schools, health care delivery, transportation, and urban structure. Criticisms about their current conditions and problems have informed proposals for changes ranging from the relatively minor to the fundamental.

However, our economic system - capitalism - has been almost entirely exempted from critical discussion, as if some taboo recludes criticism. Business and political leaders, the main stream mass media, and the bulk of the academic community have substituted celebration and cheerleading for serious criticism and debate of capitalism.

This was their response to the Cold War. They insistently treated capitalism as beyond criticism, debate or basic change - and demanded no less of others. During the postwar period, critics of capitalism were marginalized. Laws were passed that linked such criticism to disloyalty.

Colleges and universities discriminated against such critics. Politicians competed in their adulations of capitalism and condemnations of all alternatives. Culture wars yielded purges of journalists, filmmakers, playwrights, and others suspected of sympathies with those who criticized capitalism as a system.

The post 1940s history of the U.S. labour union movement shows the stark social consequences of punishing critics of capitalism. First, the state apparatus pressed successfully for the systematic rooting out of those union leaders and activists who dared to include criticism of capitalism in their work.

They were excoriated for advocating “subversive” and “ideological” politics rather than doing their proper jobs of “serving their members”. Yet, as most unions fell into line, they also declined in part because of repeated attacks on unions as “special interests serving only their members” at the expense of the broader social good.

Criticism of particular capitalist enterprises or their particular practices did sometimes surface over the last half-century. It was possible to target capitalist enterprises’ monopolistic activities, racial and gender discrimination, and environmental degradations. However, critics learned to focus only on specific misbehaviours - not on the economic system that induced, rewarded and reproduced them.

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Many oppositional movements foundered or collapsed because they excluded those who dared venture some criticism of capitalism as a system. By contrast, in 2011, the Occupy Wall Street movement broke with the traditional taboo, clearly affirming the legitimacy of criticizing capitalism itself.

Like any social system long exempted from criticism and debate, the capitalist system deteriorated behind its protective wall of celebration. Big business subordinated smaller capitalists when it did not overtake them.

Laws protecting labour and labour unions were weakened, repealed, or simply not enforced. Freedom came to be redefined as first and foremost the freedom of businesses to decide what, where, and how to produce without interference from other parts of society.

The results of so long-lasting a bar on serious criticism and debate of the capitalist system are many and sobering. They include the return to levels of inequality of wealth and income typical of a century ago; consequent inequality in the distribution of political power and access to culture; atrophy of government-provided social services and supports; and multidimensional ecological crises.

The capitalist economic system persists so long as labour contracts between capitalists and both productive and unproductive labourers provide acceptable quantities of surpluses to capitalists and employment and incomes to workers.

Unemployed workers, unutilized means of production, and the resulting loss of output can coexist, often for years, in a stunning reproach to capitalism's pretensions to efficiency, equity, and progress. Capitalism's enemies treat disruptions as opportunities for organizing people - especially workers - to change or supersede the system.

No wonder then that capitalism has evolved mechanisms to avoid, evade, and respond to such disruptions. Among these mechanisms have been government interventions that mix rescuing capitalists by direct subsidies, moderating mass suffering by providing state support to the unemployed and others, and passing regulations to reduce the most egregious economic practices aggravating the crisis.

Simultaneously, ideological rationalizations of economic crises are expressed in claims that they weed out the inefficient enterprises and thereby strengthen the economic system. Finally, there are the bold assertions by politicians that newly enacted reforms and regulations will not only extricate society from its crisis but also prevent such crises from recurring.

1.1. Capitalism's Instability and Unevenness

Capitalism is a notoriously unstable economic system. Times of growth oscillate, often in extreme ways, with times of decline. This has always been the case since capitalism replaced feudalism in Europe and expanded globally from there.

Professional economists have had to admit that capitalism displays endemic "business cycles" but keep hoping that something might be done to prevent them or at least keep them from undermining the system. Capitalism also develops unevenly across space - and always has.

Thus the growth of wealth in some parts of the world goes hand in hand with the growth of poverty in others. Over the same period of time, employers often gain while - and often because - employees lose. This particular unevenness is a crucial cause of the global capitalist crisis that erupted in 2007.

British capitalism's success was the root of India's crisis and decline. The explosive growth of capitalist enterprises in China finds its counterpart in devastated former manufacturing zones of the United States, much as earlier Europe's industrial revolution worked to undo production systems in Asia.

Capitalism's disruptions have always provoked complaints from those who suffer their results. Such complaints can and often have evolved into criticisms of capitalism as a system and from there to calls to usher in noncapitalist systems.

The champions of the status quo sometimes respond with arguments that the causes of decline are not the fault of capitalism, but instead blaming natural conditions, political disruptions, or cultural patterns and so on.

For nearly a century now, it has been popular to blame capitalism's instability and unevenness on government interference in free-market economics. Economists, politicians, journalists, and pundits point to taxation, government spending, and regulation of markets as the culprits.

Some have sought to justify capitalism by insisting that its negative dimensions, such as cyclical downturns and inherent inequality, are simply the necessary price to be paid for economic and social progress.

They claim that the gains of capitalism's winners are greater than the losses inevitably suffered by economic losers in the system, and therefore that instability and unevenness are ultimately progressive. Capitalism is thus an efficient system, no matter how unstable or unequal.

Yet this notion of efficiency, much beloved by those who celebrate capitalism, is actually quite elusive. The problem is quite simply that the costs and benefits of capitalism at any time are infinite in number and project long into a future we can never know in advance.

The very concept of efficiency would have been banished from discourse, let alone science, long ago if it had not proven so ideologically useful. Efficiency discourses resemble capitalist notions of efficiency, which in turn resemble the medieval doctrines and debates concerning how many angels can dance on the head of a pin; they too will one day strike people looking back as bizarre and absurd.

One particular pervasive form of "efficiency" analysis, known as cost-benefit analysis, claims to compare the total of benefits to the total cost of any economic event or project and to then declare the system efficient if the total benefits exceed the total costs.

Elaborate calculations of costs and benefits suitably dressed in charts and graphs have been key props in the efficiency theater that has provided ideological cover for the endless struggles attending capitalism's uneven development.

Capitalism's recurrent crises can and repeatedly do undermine the capitalist efficiency narratives of their times. The efficiency argument for capitalism rings hollow in the face of high and enduring unemployment affecting jobless millions and their relatives, friends, and neighbours.

Watching the growing absurdity of foreclosures creating both homeless people and empty homes throws into serious question the standard defense of capitalist efficiency. Socialists and communists often simply inverted the standard argument by insisting that it was socialism or communism that was efficient and thus represented progress.

1.2 Welfare State Capitalism, 1945-1970s

In the wake of the Great Depression of the 1930s and World War Two, both the United States and Europe turned dramatically from relatively laissez-faire to relatively state-interventionist forms of capitalism. State authorities in most countries limited the powers and wealth of corporations and enhanced wages and state supports for the mass of people.

State-interventionist capitalism "with a human face" replaced the more laissez-faire, harsher capitalism that had been built up since the late nineteenth century. From 1945 to the 1970s, state-interventionist capitalism was the norm, with Keynesian economics its dominant theoretical frame of reference.

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From the early 1970s until the crisis of the U.S. economy in 2007, laissez faire capitalism was the norm, supported by the widespread acceptance of a neoliberal ideological framework. The last half of the twentieth century was thus a perfect example of the shifts within capitalism between more and less state-interventionist phases.

This time, the possibility of a break from capitalism's repeated oscillations to an altogether other economic system is stronger than it has been since at least the 1930s. The extremes of wealth and poverty produced in the fifty years before 1929 generated a critical response. So too, did the wrenching transformation of rural and agricultural people into an urban, industrial working class.

Organized and militant trade unionism developed, as did large and militant socialist and then communist political parties. While their development was uneven, socialist and communist organizations were large, strong, and unified enough to become an important political force as the 1929 capitalist economic crisis deepened into a broader social crisis in many countries.

In the United States, for example, social movements led by socialists and communists transformed a rather conventional, centrist new Democratic president, Franklin D. Roosevelt, into an active promoter of massive state-interventionist capitalism.

In the depths of the Great Depression, he found himself caught politically between the conservative business leaders and various socialist and communist parties. That alliance demanded immediate and massive government relief for the sufferings of average Americans brought on by the Great Depression.

Millions within that alliance criticized capitalism as the cause of that suffering and openly called for its replacement. Roosevelt's strategy took shape in this context. He maneuvered deftly toward his "new Deal", putting in place the basis for the form of welfare state capitalism that took hold in the United States from 1945 into the 1970s.

To the masses and the union-leftist alliance, he offered the following bargain: if you give up your anticapitalist, revolutionary politics, I will provide legal protections for unions, political legitimacy for leftist parties, and mass social welfare expenditures.

Roosevelt warned the capitalists that failure to accept the deal he offered would mean having to cut a far less advantageous deal with the socialist-communist alliance then spreading quickly across the country. Roosevelt's strategy succeeded.

The struggle within the alliance between revolutionaries and reformers ended with the defeat of the anti-capitalists. The capitalists were split. The portion that supported Roosevelt and his strategy was sufficient to win Roosevelt the political support he needed to carry through his major commitments to establish welfare-state capitalism.

The other portion remained steadfastly opposed to his plans and immediately began massive agitation against the New Deal. When the capitalists opposed to welfare state capitalism lost, they commenced their version of a long march to undermine and then undo the New Deal in the decades after 1945.

Roosevelt's reward for crafting the broad coalition was to become the most popular president in U.S. history. He won four consecutive elections, prompting the Republicans to pass a law limiting all future presidents to two consecutive terms.

The New Deal's opponents were determined to overturn the New Deal. On the one hand, they were deeply troubled by the growth of socialist, Marxist, and communist thinking and organizations across U.S. society.

The capitalist strategy of destroying the new deal coalition became the prevailing theme of the postwar period, and served as a prelude to undoing the welfare state it had achieved. The first major step was to break up the coalition by focusing attacks on unions and the left political parties.

The Taft Hartely act and the anticommunist witch hunts were chief components of the first major step in the late 1940s and 1950s. An old political coalitions was re-formed among capitalists, the Republican party leadership, and various conservative religious, racist, regional, media, and patriotic organizations.

The new right-wing coalition led the way to ending the wartime alliance with the Soviet Union as a key means to breaking up the New Deal coalition and thereby undoing the New Deal's achievements. The New Right did not always win.

It suffered some divisions and splits in the face of the African-American civil rights movement and the feminist movement. It also faced a broad cultural and political counterattack during the 1960s. Changing family attitudes, and sexual mores have repeatedly produced other splits.

Yet the New Right found a substantial glue to hold itself together in a revival of the peculiar American tendency to demonize government as the ultimate cause of all social evils. By insisting that the cure for those evils requires only the removal or elimination of government's intrusions on individual freedom, various factions of the New Right could agree on attacking the government.

For capitalists, this worked beautifully. They found they could focus animosity on the welfare state bequeathed by the New Deal to postwar generations. This strategy involved demonizing unionists, socialists, communists, and a vast array of liberal reformers as undifferentiated proponents of state power, government intervention, bureaucracy, social engineering, and oppression.

Each component of the New Right coalition found a way to define its goals in terms of opposing one state policy or another that it claimed was to blame for the particular problem it addressed. After 1945, however, capitalists were generally much more successful than other members of the New Right coalition in achieving their goals.

They were increasingly able to evade, weaken, or repeal New Deal laws and regulations. From 1945 to the 1970s, the rightist attacks took their tolls. The rightist coalition grew, winning more adherents especially among business and upper-income groups in response to such victories as the Taft-Hartley restrictions on labour unions and the shift in the burden of federal taxation from corporations to individuals and from upper-income individuals to middle-income groups.

The New Left that arose in the 1960s was deeply critical of the Democrats as well as the Republicans. The leftist surge of the late 1960s marked a major milestone in the demise of the New Deal legacy. On the one hand, it represented the protest, especially of younger Americans, against the long ideological and practical decline of that legacy.

On the other hand, the right's reaction to the 1960s' resurgence of struggles culminated in the 1980 election of Ronald Reagan, a key indicator of shrinking working-class support for a Democratic party that had proven itself incapable of inspiring much home because it could not even protect, let alone advance, New Deal gains.

Reagan's election also represented the right's renewed confidence and its determination to govern the next phase of U.S. history. The right-wing coalition's agenda largely dominated U.S. politics from the late 1970s to the beginning of the 2007 recession.

The Republican party led the way and the dominant center of the Democratic party followed., if less harshly and more slowly. Thus, the more progressive wing of the party became increasingly isolated and ineffective. The Democrats compromised on civil rights and liberties, sharpened already existing anti-soviet and anti-communist foreign policies, and embraced neoliberal economic policies.

Wolff, Richard (2012) *Democracy At Work: A Cure for Capitalism*. Haymarket Books, Chicago.

Much of the New Deal was systematically undone. Capitalism's previous swing, in the wake of the Great Depression, toward the hegemony of Keynesian economics, welfare statism, and social democracy gave way with Reagan's election to a rapid, sustained swing in the opposite direction.

Regan and British prime minister Margaret Thatcher rode this shift in capitalism back toward a relatively more laissez faire, anglo-american version of capitalism that came to acquire the name "neoliberalism". U.S. and U.K political leaders effectively reversed the post-1929 movement toward the more state-interventionist, social-democratic capitalism championed by the major continental European economies.

Much as the Democratic Party in the United States hesitantly followed the Republican Party's rightward lurches, so European social democracy moved slowly in the direction of the U.S.-U.K. model of capitalism.

In both cases, the shifts continued even when loud rhetoric proclaimed otherwise. In much of the rest of the world, too, similar shifts were under way. These political developments coincided with surges in economic growth, profits, employers' profitability, and income and wealth gains disproportionately appropriated by the upper-income groups.

1.3 Capitalism, 1970s-2007: The crisis building from below

The 1970s brought to an end more than a century of rising average real wages in the United States. It had been a remarkable run for workers, unmatched by workers' experiences in any other capitalist country.

U.S. capitalism had been so profitable, its workers' rising productivity so steady, that capitalist could sustain capitalist growth by continuing to raise real wages in response to the U.S. economy's major problems. That problem was a labour shortage.

From the beginning of the colonial era, as arriving Europeans ethnically cleansed the native population, the profit possibilities of vast, fertile lands, good harbours, welcoming European markets, and a conducive climate were endangered by the problem of finding enough labour.

Part of that problem was solved by the southern states by the slave trade. But a major part of the solution was wave after wave of European immigration. Not only were rising wages needed to entice immigrants, they were needed to keep them as wage-earners.

For more than a century before the 1970s, labour shortages were recurring problems, thus driving real-wage increases. The profitability of capitalism enabled it to pay rising real wages. But in the 1970s, a set of broad economic changes ended the historic labour shortage just as U.S. capitalism shifted to a relatively more laissez-faire phase.

Real wages for U.S. workers stopped rising, Wages in real terms, have never had a sustained rise since the early 1970s. The fallout of this transformation in the U.S. economy has been profound and contributed greatly to the crisis that began in 2007.

Demand for workers declined in two major ways, while the supply of workers rose in two major ways. The demand for labour in the United States fell because the introduction of computers across the manufacturing and service industries in the 1970s and 1980s represented a sharp turn toward automation in the U.S. economy.

The demand for labour also fell because of the simultaneous movement of many manufacturing jobs out of the united states to locations where workers could be hired for far less. The export of U.S. manufacturing jobs took off in the 1970s and 1980s, followed by the export of service sector jobs.

Both of these economic developments were responses of U.S. capitalism partly to a long period of rising real wages and partly to the postwar revival, by the 1970s, of real competitors to U.S. capitalism, especially in Europe and Japan.

Real-wage increases that once had been affordable became competitive liabilities, pushing U.S. capitalists to seek profits as well as competitive advantages by substituting cheaper foreign workers for higher-wage domestic ones.

Just as these decreases in labor demands hit the U.S. economy, two new groups of people were moving en masse into the U.S. labour market in search of jobs. First were millions of adult women who were changing their self-definition and their lives.

No longer satisfied with traditional roles as wives, housekeepers, and providers of childcare, and unpaid household labour, many women sought full-time paid employment. The supply of labour surged as women entered the workforce by the millions.

This development coincided with a new wave of immigration into the United States, this time mostly from Latin America, especially Mexico and Central America. Once again, capitalism's uneven development drove mass worker emigration from these areas - and for many, the United States was the most attractive destination.

Journalist Juan Gonzalez has called this immigration flow "the harvest of empire". The North American Free Trade Agreement - NAFTA, which President Clinton signed in 1994, facilitated U.S. - based multinationals' exports into and investments in Mexico.

This destroyed the livelihoods of millions of Mexicans, especially farmers and small shopkeepers, who faced unspeakable economic hardship unless they emigrated. Mexico not only managed to export millions who no longer had decent job prospects in their native country, it also benefited from the massive cash inflow of remittances sent by Mexican workers in the United States back home to relatives and friends.

NAFTA's benefits accrued to a tiny elite of Mexican employers, whereas its huge costs were more democratically distributed. These unequal consequences of NAFTA threatened major economic disaster for Mexico, which postponed it for a time thanks to the mass emigration and remittances.

After the next capitalist crisis hit in 2007, the housing industry dragged the whole U.S. economy into a deep, prolonged downturn that cost millions of Mexican and other immigrants their jobs in the United States. They began returning to Mexico.

What emigration postponed for Mexico the 2007 crisis in the United States brought crashing back to an utterly unprepared country. Mexico quickly descended into social disintegration, marked by spiraling unemployment, the explosion of the drug industry, police and government corruption, and daily accounts of violent social decline.

Thus the combination of computerization, exported jobs, women surging into the labour market, and a new wave of immigration ended the period of rising real wages in the United States. Capitalists from main street to wall street quickly realized that employers could slow or stop wage increases, given that supply now exceeded demand in the labour market.

Thus real wages today are roughly what they were more than thirty years ago. The end of the long history of rising real wages in the United States has never received the public discussion and debate it merits.

It has been traumatic for the working class. For decades, U.S. workers and their families believed that hard work would yield a rising standard of living for the family and that each generation in this blessed land would live better than the one before.

Wolff, Richard (2012) *Democracy At Work: A Cure for Capitalism*. Haymarket Books, Chicago.

The so-called American Dream was within every working person's reach. Claims about "american exceptionalism" focused on everything but the historic labour shortage that drove rising standards of living. Politicians and pundits insisted that America's unique capitalism delivered a permanently rising standard of living to most workers because of a benevolent climate, a culture that favoured entrepreneurship, civil freedoms, and even divine intervention.

Working class parents promised themselves and their children better diets, clothing, housing, cars, appliances, educations, recreation and vacations, and other rewards. Until the 1970s, rising wages had enabled workers to afford to deliver on these promises.

No wonder, then, that when real wages stopped rising no matter how hard one worked, workers were unwilling to give up on those promises. Absent any national discussion of the changing labour markets and their social impact, U.S. workers tended to blame themselves for the end of their rising real wages.

They felt individually responsible for what was actually a social problem, an economy-wide set of changes. Correspondingly, they sought individual responses to what they believed were individual problems.

If real wages per hour were no longer rising, then they would work more hours per week, take a second or even a third job, and encourage other members of the household to take on regular paid work. Millions of families pursued these strategies to cope with the changes in the economy.

Women, who in the wake of the women's liberation movement had their own reasons to enter the workforce, found themselves under new pressure to seek paid employment. Since the stagnant wages of male workers alone could no longer support the American Dream, married families needed the addition of women's paid labour to provide needed household income.

And over the next thirty years, women moved steadily and massively into the paid labour markets. The post-1970 change in the conditions and lives of American women changed their families and households in ways that also altered U.S. capitalism. Briefly, the mass movement of adult women into paid mostly full-time labour transformed households and families.

Wives and mothers had long held disproportionate responsibility for maintaining the emotional integrity of the traditional nuclear family and the physical integrity of the traditional household. Even after those women undertook paid labour, they still performed the major share of the emotional and physical labour involved in shouldering those responsibilities, far more than their male partners.

Women doing the "double shift" of workplace and household jobs simply could no longer devote the same time, energy, and attention to maintaining the emotional life of the family and the physical chores of the household as they had before.

Huge strains on families and households accumulated as a result of these changes. Divorce rates rose as tensions and strains within households mounted. Women brought their job stresses home; to incomes had to be jointly allocated and two sets of job-related expenses covered; children received less time and attention from parents.

Women's former household labour, such as shopping, cooking, cleaning, and repairing clothes, appliances and furniture, was increasingly replaced by purchasing substitute commodities. Given the poor mass transit systems in the United States, when wives and mothers took paid jobs, families often needed to buy and maintain a second automobile.

On U.S. television programs, situation comedies changed from celebrating the happy nuclear and patriarchal family of the 1950s and 1960s to laughing with compassion at the increasingly dysfunctional families of the last several decades.

Wolff, Richard (2012) *Democracy At Work: A Cure for Capitalism*. Haymarket Books, Chicago.

A historically unprecedented and growing proportion of the population began choosing not to get married. Flowing from these family and household changes, U.S. consumption of all kinds of psychotropic drugs, legal and illegal, has soared.

We became, in one revealing phrase a “Prozac nation”. Millions of family and household members felt acutely troubled that the support provided for them by traditional institutions seemed to be dissolving. Churches, synagogues, mosques, and the Republican Party, sometimes separately and sometimes together, found that by championing a “return to family values” they could very effectively draw new adherents.

The U.S. economy adjusted to all these changes in family and household life, which were themselves consequences of earlier economic changes. The prepared food and pharmaceutical industries boomed; so too did the women’s clothing industry, which quickly discovered that women who took full-time paid work outside the home needed new wardrobes.

The pornography industry grew fastest of all. As the manufacturing sector kept shrinking relative to the service sector, typically male-identified jobs declined relative to female-identified jobs. Men’s real wages stagnated and became insufficient to yield the American Dream for their families and necessitated more women entering paid employment.

The stresses and strains of all these changes made many men, raised with ideals of masculinity based on providing for their families, feel diminished, emasculated, and devalued. For many, pornography provided, in voyeuristic fantasy, the male control and domination that eroded in their real lives.

Despite more hours of paid labour by more household members, the financial conditions of millions of households did not improve much. Women’s entrance into paid labour added a set of new costs that absorbed a major part of their additional income.

Paid child-care was far costlier than family members caring for children in the home. Prepared meals cost much more than raw food. A second car sharply increased household expenses, as did buying and cleaning women’s workplace clothes for service-sector jobs.

Household maintenance became increasingly a cost covered by cash outlays rather than the product of household members’ labours. The higher education of daughters finally became as important a family consideration as that of sons, and that also meant higher household expenses.

U.S. families discovered that doing more hours of paid labour and covering the associated extra costs left too little net income to offset the impact of stagnant real wages. The American Dream increasingly moved beyond working families’ reach.

Threatened with the prospect of slowing consumption, advertisers intensified their association of personal worth with the extent of one’s consumption of commodities. Without rising real wages, and unable to earn enough with extra hours of labour, U.S. households turned en masse to the only remaining way to achieve the American Dream: borrowing.

Mortgage debt soared, partly enabled by rising home prices and partly contributing to those rising home prices. More borrowing to buy homes increased demand for them and, thus, their prices. As prices rose, homeowners could refinance and borrow more against the increased collateral their rising home values represented.

This wonderful “virtuous circle” yielded a housing expansion that fueled an economic upturn. When the Federal Reserve, anxious about a recession after September 11, 2001, lowered interest rates quickly and sharply, the housing expansion became a housing bubble.

When that broke in 2007, the virtuous circle turned into a vicious circle of falling houseprices, reinforcing declines in mortgage credit and rising rates of home foreclosures that further depressed housing prices.

The housing industry's depression from 2008 onwards has been a major cause of the depth and duration of the economic crisis, making it the worst since the Great Depression of the 1930s. Other forms of personal debt skyrocketed as well. The credit card was transformed in the 1970s from a non-debt-accumulating convenience for business and elite travelers to a debt-accumulating necessity for nearly everyone.

As working families more often needed two cars to enable multiple members to undertake paid work, auto loans became important components of household debt. Finally, higher education for multiple children attached mounting levels of debt to students.

Unprecedentedly high and rising consumer debt in all these forms became a basic feature of the U.S. economy in the new millennium. Across the 1980s and 1990s and up to 2007, U.S. families worked and borrowed more and more, while real wages stagnated.

Workers experienced physical exhaustion from added paid labour, emotional and psychological stresses from changing labour and gender roles and mounting anxiety about accumulating levels of debt that could not be sustained.

This mix of working-class responses to the end of rising real wages postponed the national reckoning with the significance, implications, and social costs of this historic shift. However, when households could no longer manage the costs of the postponement the system crashed.

Even so, despite repeated claims to the contrary, the crash was not primarily caused by a working class that could no longer earn, borrow, or spend more.

Crises, Forms of Capitalism, and Beyond

Across its history, the basic elements of capitalism have changed little, while other aspects of it have changed a great deal. One aspect that has remained nearly constant is the class structure of production. That is, the internal organization of enterprises.

Under capitalism, a mass of workers produce by their labour more than they get back as wages and salaries. In the language of economics, the value added by workers in production exceeds the value paid to those workers for the work they do.

The difference between the value added by workers and the value paid to workers is what Karl Marx called surplus.

Capitalism

In capitalist enterprises, the producers of surplus are different people than the appropriators of that surplus. The employer versus employee differential is a constant feature, whether it is a small individual capitalist with a few worker-employees or a huge modern mega-corporation with a board of directors that appropriates the surplus produced by tens or hundreds of thousands of employees.

The capitalists distribute the surplus as payments mostly to other people whose activities help to reproduce that capitalist enterprise. One aspect of capitalist economies that has periodically changed is the relationship among the state, private citizens, and capitalist enterprises.

In what can be called "private capitalism", the employers are private citizens who hold no position within the state apparatus and operate with relatively minimal interventions by the state. In what we can call "state capitalism", the employers are officials within the state apparatus.

Wolff, Richard (2012) *Democracy At Work: A Cure for Capitalism*. Haymarket Books, Chicago.

Between private and state capitalism, we have a range of intermediary situations where state officials operate all sorts of regulations and interventions shaping and influencing private capitalists, but do not become capitalist employers themselves.

We might call that state-regulated private capitalism to distinguish it from both private and state forms of capitalism. Production in all three types is organized such that hired workers produce surpluses appropriated and distributed by people other than themselves.

Modern societies' economic, political, and cultural relationships, their dynamics, tensions, and conflicts, are all shaped in part by that particular capitalist way of organizing the production of commodities. The histories of societies in which capitalism is the prevailing organization of production have everywhere been punctuated by periodic, recurring crises.

These have beset both more and less regulated private capitalism and also state capitalism. Such crises have provoked oscillations within national capitalism among their private and state forms. So, for example, when private capitalists encounter their recurring downturns, they have often turned toward more state regulation to offset, moderate, or reverse those downturns.

Moderate and short downturns usually generate relatively limited increases in state regulations, whereas worse downturns tend to provoke more and deeper state regulation. The Great Depression of the 1930s illustrated both degrees of regulation as it cycled through its multiple downturns.

Sometimes the reaction to and critique of private capitalism, in more severe and longer-lasting economic downturns, produce a transition beyond regulated private capitalism to a form of state capitalism. That happened in Russia after 1917 and in several other countries after the Great Depression and since.

State Capitalism

In State capitalism, the employers are state officials who have replaced the former private capitalists. In the new Soviet Union, for immediately after the 1917 revolution, the government closed the stock market, largely dispossessed private shareholders of their industrial enterprises, and nationalized these enterprises.

There were some temporary and limited experiments with noncapitalist organizations of production in the post-revolutionary U S S R. In those experiments, workers were, collectively, both the producers and the appropriators of surpluses.

However, despite the socialist commitments of the leaders and activists who led the revolution, those experiments were abandoned under multiple pressures. Soviet socialism came to be redefined in terms of what actually existed inside Soviet industrial enterprises.

There, hired workers produced surpluses that were appropriated and distributed by others. Thus Soviet industry was actually an example of state capitalism in its class structure. However, by describing itself increasingly as socialist, it prompted the redefinition of socialism to mean state capitalism.

To complicate matters, in the 1930s, there were also some more radical voices calling for transitions to "socialism" who did not thereby mean state capitalism. Instead they wanted to reorganize the production system so that workers themselves appropriated and distributed the surpluses they produced.

Socialism increasingly meant different things to different people. However, what prevailed in the Soviet Union were state-capitalist class structures of production. State capitalism provoked crises much as private capitalism did. The shape and management of the crises differed within the two kinds of capitalism.

What was similar across the crises in all sorts of capitalism was the typical rise of demands to overcome a crisis in any one kind of capitalism by transitioning to another kind. In the Great Depression of the 1930s, for example, demands arose for both a transition from private to regulated private capitalism and a transition from private to state capitalism - referred to as socialism.

The capitalist crisis since 2007 has generated demands for a transition to a more regulated private capitalism and also for a transition to state capitalism. Interestingly, such demands have come from both capitalists and workers, in diverse combinations. Thus, many recent critics of the relatively less-regulated private capitalism that has prevailed in the United States since the 1970s have demanded a sharply increased regulatory role for government.

So too, have segments of the employer class, who fear the possible political and social consequences of maintaining neoliberal capitalism. Likewise, the revival of interest in socialism as an alternative to capitalism has produced advocates of state capitalism as the necessary solution for a crisis-ridden private capitalism.

Segments of the employer class have reached similar conclusions as they compared the crippling effects of the post-2007 crisis on private capitalism and the much better performance of, for example, state capitalism in China.

Once again, in the current aftermath of the latest major capitalist crisis, we confront a simple truth. In every previous crisis, various policy advocates promised that their policies would not only lead the way out of the crisis, but also prevent future crises from crippling capitalist economies.

None of these policies, when applied, achieved that second objective. Future crises were never yet prevented, as the historical record attests. So stunning and relentless a record of failures to prevent crises provides yet another reason to go beyond capitalism.

Overcoming the crises that are endemic to capitalism requires changing more than the form of capitalism. It requires changing the internal organization of capitalist production itself. In precisely this sense, a solution to capitalism's oscillations between private and state forms that rejects both could redefine socialism by returning to an earlier and more radically anticapitalist definition of the term.

The Major Problems of Private Capitalisms

The functioning of capitalist economies depends crucially on the decisions made by a relatively small number of capitalists. In the typical larger corporations that prevail in the United States and many other capitalist economies, boards of directors selected by the enterprise's major shareholders are the decision makers.

Usually composed of nine to twenty individuals, these boards are very small collectives of capitalists. They make the decision on what to produce, how to produce, and where to produce. These decisions are part of what directing enterprise means.

The capitalists also gather into their hands the surpluses produced by the capitalist enterprises they direct. Those surpluses are the differences in each enterprise between the value added by workers and the value of the wages and salaries paid to them.

Capitalists gather the surpluses because the laws, traditions, and ideologies governing capitalism decree that the total output produced by workers is immediately and automatically the property of their employers.

At the end of each working day, , the workers lay down their tools and equipment and leave the site of production. They also leave behind whatever they produced, because the production of that output was simultaneously its appropriation by the employers.

When the employers sell the output, they realize revenues. They usually use one part of those revenues to pay the employees who made the output. They spend another part of those revenues to replenish the tools, equipment, and raw materials used up in production.

The remaining part of the revenues is the surplus, roughly the difference between the enterprise's revenues and the basic costs of producing whatever the capitalist sells.

Distributing the Surplus

The capitalists must distribute the surplus among a variety of people and enterprises that perform functions considered necessary to keep those capitalists in business. For example, part of the surplus must be distributed to managers who work in the enterprise's sales department, whose task is to sell whatever the enterprise produces.

Sales managers need salaries and budgets to make sure the enterprise's outputs are sold. But the managers and their staff are not among the workers who make whatever the enterprise sells. The work of managers and their staff is not productive of output in that sense, but it is surely crucial to the success and viability of the capitalist enterprise.

Only if the enterprise's outputs are sold will its capitalists obtain the revenues needed to keep the capitalist enterprise in business. Capitalists usually pay for their sales departments by distributing a portion of the surplus they appropriate from the output-producing workers.

The same sort of analysis applies to lawyers, security guards, creditors, and others who provide non-output-producing activities that capitalists require. The capitalists also distribute portions of the surplus to the government as taxes and fees to secure crucial public services on which the enterprise's survival depends, such as public education, police, road maintenance, and so on.

Capitalist corporations typically distribute another portion of the surplus to shareholder as dividends to secure their investments and confidence in the enterprise. Finally, capitalists distribute a portion of the surplus to themselves to pay for expanding the enterprise as a competitive strategy to stay in business.

In the language of business, the portions of the surplus that capitalists pay out in dividends and use for expansion are called "profits". Directing a capitalist enterprise includes the processes of appropriating and distributing the surplus generated within it.

Those processes are as basic to directing a capitalist enterprise as are making and enforcing the decisions about what, how, and where to produce. In capitalist economies, the people who direct enterprises, are capitalists.

Moreover they are distinguished from workers, whose hired by capitalist, by the fact that workers are excluded from directing capitalist enterprises. Thus the object and focus of this book - worker's self-directed enterprises - represents an economic evolution beyond and different from capitalism.

How capitalists direct enterprises plays a major role in shaping capitalist society. For example, to whom and for what purposes capitalists distribute the surplus influences the culture and politics, as well as the economics, of capitalist societies.

If capitalists are concerned about matters of crime and security, they can and will distribute large portions of the surplus to preventing crime, prosecuting those they deem criminals, and obtaining security.

Wolff, Richard (2012) *Democracy At Work: A Cure for Capitalism*. Haymarket Books, Chicago.

That will create a demand for and call forth a supply of workers to learn and perform those tasks. Capitalists' distributions of surpluses to those ends will influence the entire society's perceptions and conceptions of criminal dangers.

To take another example, if capitalists believe that top managerial executives such as CEOs play crucial roles in generating enterprise profits and growth, they can allocate huge portions of the surplus to them as salaries, bonuses, stock options, and so on.

This will likely result in widening income inequality, especially if combined with decisions to relocate production from higher to lower wage locations, to replace workers with machines, and so on. Stagnant or falling wage levels, combined with growing allocations of surpluses to top managers' fast-rising pay packages, can generate a political and cultural polarization based on growing income and wealth inequality.

Capitalists who are concerned about securing sufficient sales of their enterprises' outputs may allocate large proportions of their surplus to sales efforts, advertising and so on., thereby shaping, enlarging, redirecting, or otherwise changing the mechanisms of advertising, the mass media, and cultural institutions.

Private Capitalism and Democracy

The problems of capitalism flow in part from who directs productive enterprises and how they direct them. In capitalism, the directors are the capitalists; workers are excluded from direction. Driven by competition and other aspects of the system, capitalists direct the what, how, and where of production and the distribution of the surpluses they appropriate in their enterprises in very particular ways.

Capitalists define goals such as maximizing profits and achieving high rates of growth or larger market shares, and then direct their enterprises accordingly. Capitalists routinely pursue those goals, often at the expense of their workers.

For example, they fire workers and replace them with machines, or they impose a technology that exposes workers to health and environmental risks but increases profits, or they relocate production out of the country to exploit cheaper labour.

However, if enterprises were organized differently - if workers collectively directed enterprises and excluded capitalists - the problems of enterprises would be solved in different ways, with different social consequences.

In societies where the private capitalist organization of production prevails, the workers, the vast majority of people, must live with the results of capitalists' decisions in directing enterprises. However, they are allowed no general participation in those decisions.

Sometimes, workers alone or allied with others, can influence capitalists' allocations of an enterprise's surplus. If, for example, workers threaten job actions while consumers threaten to boycott an enterprise's products, their alliance might achieve changed surplus allocations to meet their respective demands.

These might include, for example, job-site daycare facilities for workers' children, medical insurance for workers and their families, and even pay supplements beyond basic wages. Capitalists recognize, in such cases, that the reproduction of their enterprises requires allocating some surplus to such usages.

Generally, the appropriation and distribution of enterprise surpluses is the exclusive right and responsibility of the capitalists, not the workers. Thus the problems of modern capitalism - for example, environmental degradation, extremely unequal distributions of income and wealth, and recurring, socially costly business cycles - result in significant ways from how capitalists direct their enterprises. Wolff, Richard (2012) *Democracy At Work: A Cure for Capitalism*. Haymarket Books, Chicago.

Derivative problems - for example, the undermining of democracy as corporations and the rich protect their disproportionate wealth and power by corrupting politics - also result, to a significant degree, from how capitalists direct their enterprises.

Modern markets confront each capitalist enterprise with the competitive threat that another enterprise will be able to offer an alternative product of higher quality, lower price, or both. The uncertainties of changing tastes and preferences, changing interest rates on loans, changing prices for necessary inputs, and so on confront enterprises with a vast array of threats to their survival.

Political shifts in the larger society mean that the taxes they have to pay, regulations they have to endure, and subsidies they may lose can also threaten their survival. The typical capitalist enterprise's response is to seek more profits, increase the size of the company, or gain a bigger share of the market.

Different enterprises stress one or another of these goals, depending on which is more important or available for its survival. In short, what capitalists do is governed by the system that unites the enterprises directed by capitalists, the markets in which they buy and sell, and the larger society and government for which they provide the bulk of goods and services.

Capitalists respond to the signals they receive from the markets, the media, the government, and so on. The goals they pursue - profits, growth, and market share - are their rational responses to those signals. How well capitalists achieve these goals plays a major role in determining their remuneration, their social prestige, and their self-esteem.

Indeed, some capitalists come to internalize the system's rules and imperatives. They define themselves and mold their personalities in conformity with the behaviours imposed on them as capitalists. So it may seem and be said - even by capitalists themselves - that they are greedy or have other character flaws.

However, when capitalists, for example, try to squeeze more work out of their employees while trying to pay them less, replace workers with machines, relocate production to low-wage areas, risk their worker's health with cheap but toxic inputs, - those are behaviours prompted in them by the realities of the system within which they work and for which they are rewarded and praised.

Many capitalists do these things without being greedy or evil. When capitalists do display greed or other character flaws, those flaws are less causes than results of a system that requires certain actions by capitalists who want to survive and prosper.

The main problems and failures of the capitalist system we have been discussing pertain to private capitalism, whether they are more or less regulated. These problems and failures follow in large part from the internal organization of capitalist enterprises.

Their directors often respond to the threats and opportunities facing the enterprise in ways that damage the interests of their workers, workers' families, and the larger communities. That is how the system works and generates its particular and often serious economic problems.

What happens if we shift our focus from economics to politics? Politics in the United States has become utterly dependent on and corrupted by financial contributions to candidates, political parties, lobbyists, think-tanks, and special committees, recently further enabled by the Citizens United Supreme Court decision.

The disparity of interests between capitalists and workers and the disparity of the concentrated resources they can and do devote to supporting their favoured positions, politicians, and parties undermine a democratic politics.

In fact, we must question the very possibility of genuine democracy in a society in which capitalism is the basic economic system. A functioning democracy would require that all people be provided with the

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time, information, counsel, and other supports needed to participate effectively in decision-making in the workplace and at the local, regional and national levels of their residential communities.

The economic realities of capitalism precluded that for the overwhelming majority of workers, in stark contrast to corporate directors, top managers, their professional staff, and all those with significant incomes from property.

Such persons also have concentrated wealth in the forms of their enterprises' surpluses and their personal property that they can donate to their preferred representatives among the society's major institutions, parties and candidates.

The political leadership created through such networks in turn advances these groups' interests in a capitalist system that rewards them richly. Only a highly mobilized and coordinated organization of workers could hope to secure the financial resources that might begin seriously to contest the political power of capitalists' money by combining very small contributions from a very large number of donors.

This possibility has sufficiently concerned capitalist interests that they have devoted enormous resources to sustaining opposition to workers' organizations. That opposition helped to produce the last fifty years' decline in the U.S. labour union membership as a percentage of workers and of political parties seeking to represent workers' interests against those of capitalists.

It is important to note that combinations and coalitions of corporate directors, top managers, large shareholders, and their various professional staffs have often used their financial resources in struggles among themselves.

However, their struggles do not blind them to common interests in securing the political conditions of the capitalist economic system. Thus they worked together to secure the massive U.S. government intervention to overcome the capitalist crisis that hit in 2007, even though the bailouts went more to some firms and industries than to others.

Similarly, they nearly all endorsed the refusal of the Bush and Obama administrations to undertake a federal hiring program to slash unemployment, even though firms and industries would be differently affected by such a program.

In the decades since the 1970s, stagnant real wages, rising hours of paid labour performed per person and per household, and rising levels of household debt all combined to leave working families with less time and energy to devote to politics - or indeed to social activities and organizations in general.

Working-class participation in politics, already limited before the 1970s, shrank significantly during the neoliberal period. At the same time, the soaring profits of U.S. business and personal wealth of the richest Americans increasingly poured into U.S. politics.

In the first place, they had quickly growing resources that allowed them to influence politics to a greater extent than ever before. In the second place, they had greater incentives to do so than ever before. The inequalities of individual wealth and income in the United States were growing.

The profitability of business, and especially of the largest corporations, was likewise growing. This posed a challenge. Rising economic inequalities are always issues of concern to those at the top because of the risks of envy, resentment, and opposition.

There is always the possibility that the economically disadvantaged will seek to use political means to recoup their losses in the economy. The 99 percent might turn to politics to negate the economic gains of the 1 percent. Thus it became - and remains - more important than ever for the 1 percent to use their money to shape and control politics.

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The last three decades of US politics did not see a change of political opinion from more left to more right. Rather, what happened was a relative withdrawal from politics of those social groups that favoured social-welfare and income-redistribution policies and a relative increase in the participation of business and the rich, who used their money to shift the tone and content of U.S. politics.

The result of this political shift has compounded the social costs and negative impacts of the economic crisis since 2007. Our dysfunctional economic system has suffered the added burden of a dysfunctional political system.

Political parties and politicians stumble over one another in pandering to corporations and the rich. Bush and then Obama have insisted on limiting government programs to reduce unemployment to those that “provide incentives and encouragement to the private sector” to hire more people.

The political establishments in both parties refuse to discuss federal programs to hire the millions of workers who are unemployed. Instead, the crisis since 2007 has prompted all levels of government to cut many programs and payrolls, imposing “austerity” budgets just when the mass of people need exactly the opposite.

A virtual taboo precludes public discussion of how the costs for more government spending and larger government payrolls could be defrayed by taxing corporations and the rich. What prevents another New Deal-type trickle up economic policy from being adopted is a political system compromised by its dependence on money drawn predominantly from certain social groups.

Not surprisingly, those groups insist on trickle-down economics. The government helps them first, foremost, and overwhelmingly. The rest of the economy and society then wait to see what, if anything, actually trickles down.

The development of U.S. capitalism, especially since the 1970s, has produced extreme economic inequality, the second major crisis in the last seventy-years, and a political system in which money trumps democracy.

To change this requires a cure for capitalism that targets both its economic and political problems directly and effectively.

The Major Problems of State Capitalism

Since its inception, capitalism has had both celebrants and critics. Criticisms of capitalism, while diverse, have largely coalesced into a major global tradition of anticapitalist theories and practices that have mostly taken the names “socialism” and “communism” over the last 150 years.

As socialist ideas spread and came to be held by large groups of people, they took the form of statements, platforms, and programs advocated by social movements, organizations such as labour unions and political parties.

People and organizations committed to socialism were sometimes able to construct small socialist communities within larger nonsocialist societies. In the latter half of the nineteenth century in Europe, socialist movements became strong enough to take power in major cities and even whole nations via general strikes, insurrections, revolutions, or parliamentary elections.

The Paris Commune of 1870-71 marks one major milestone of socialist development; the Russian Revolution of 1917 marks another. There have been many milestones over the last century. As socialism spread after the 1860s - especially via the powerfully influential writings of Karl Marx and Friedrich Engels - it entered into debates and social movements of many different countries at quite different

levels of economic development and with quite different mixtures of capitalist and noncapitalist economic systems

Correspondingly, different understandings of socialism and interpretations of Marx's and Engels's works contributed to a rich and diverse tradition.

Key Differences Between Capitalism and Socialism

The first key difference between capitalism and socialism deals with who owns the means of production: land, machines, factories, offices, and so on. Capitalism is the system in which private property predominates.

The means of production are privately owned and are contributed to production only if in return the private owners obtain a share of the production's output - surplus or profit. In contrast, socialism is defined as a system in which productive property is socialized - becoming the property of the people as a whole - and is then administered by the state for the people as a whole, not for the surplus or profit of private owners.

A second key difference between the two systems lies in how they distribute productive resources and outputs among enterprises and citizens. Capitalism is a market system. In capitalist economic systems, resources and outputs are distributed by means of market exchanges, in which their private owners bargain with one another to reach mutually acceptable price ratios for what they exchange.

In contrast, socialism is a system that distributes resources and outputs by means of national planning. Rather than allow market exchanges to determine who pays how much to get what, state officials plan production inside state enterprises as well as how resources and outputs are distributed among enterprises and to the consuming public.

Private property and markets are the key economic institutions defining capitalism, whereas state property and planning define the socialist alternative. While those who favoured capitalism disagreed about almost everything for much of the last century with those who favoured socialism, both sides largely agreed on this definition of the key differences between the two economic systems.

Their major debates and conflicts pitted private against socialized property and markets against planning. To this day, these remain the key definitional differences between the two systems for many people.

Twentieth Century Socialisms

Over the last 150 years, the problems besetting capitalism have provoked socialist movements, electoral campaigns, and sometimes revolutions. Because socialism has become the major alternative to capitalism in most people's minds, problems in capitalism have almost always provoked interest in socialism as a possible solution.

When socialist movements have come to power in capitalist economies, they tend to take steps toward more socialized and less private ownership of the means of production and toward more state planning and a reduced role for markets.

Socialism and Surplus Analysis

In the decades after the 1970s, more and more socialist theorists began to question some of the basic assumptions and arguments of the socialist tradition. Many went back to the greatest socialist theorists - above all to the analytical framework of Marx - and there found new explanations for the collapses and changes of socialist systems during and after the 1980s.

A new way of thinking about capitalism and socialism emerged during this period of critical reconsideration of the socialist tradition. It not only provided an explanation for the reverses of

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socialism, but also opened up a whole new way of understanding certain shared problems of capitalism and socialism.

From the standpoint of surplus analysis, what defines an economic system, for example, capitalism, is not primarily how productive resources are owned nor how resources and products are distributed. Rather, the key definitional dimension is the organization of production.

More precisely, the definitional priority concerns how the production and distribution of the surplus are organized. Marx is the source of the basic analysis of capitalism in terms of the production and distribution of the surplus.

In capitalism, productive workers add more value to the commodities produced in and sold by the enterprise than the value of their wages paid by the capitalist who hired them. That additional value or surplus is appropriated by the capitalists.

They distribute portions of that surplus to a variety of others to support activities they believe are needed to keep the capitalist enterprise in business. This particular way of organizing production and distribution of the surplus is capitalism.

What, then is socialism? If socialism is to be a distinct economic system, then it must clearly differentiate itself from capitalism in terms of how surplus is produced and distributed. Marx's critique of capitalism offers a clue as to the defining characteristic of socialism in his suggestive references to "associated workers" and other images of workers having replaced capitalists as directors of productive enterprises.

Specifically, in a socialist economy, workers - who produce the surplus - themselves appropriate and distribute the surplus. Note that it is precisely the workers who play the key roles of appropriating and distributing the surpluses they generate in production.

The producers and appropriators of the surplus are then identical: the same group, collective or community of persons. In such a surplus-focused analysis, socialism and communism are differentiated from capitalism in terms of being nonexploitative, since the producers of surpluses also appropriate and distribute them.

But here we face a dilemma. Most of the anticapitalist movements that called themselves "socialist" in the last century did not prioritize, explicitly include, or institute an economic system in which the production and distribution of surplus were carried out by those who produced it.

That is also true of those that called themselves "communist". Instead, these terms and the differences between them were defined in classic terms of private versus state ownership of the means of production and of market versus planning mechanisms of distribution of resources and products.

Communism came to mean - especially once the Soviet Union was established in 1917 - an economic system in which state ownership replaced private ownership quite extensively, especially in industry, and in which planning dominated or even displaced markets as a means of distributing resources and products.

In contrast, socialism came to mean an economic system in which state ownership went further than was typical of private capitalism and planning was more economically significant than in private capitalism. Thus, for example, most countries in northern Europe have for decades been considered more or less "socialist", although definitely not communist, whereas the Soviet Union, China, and Cuba, for example, were considered communist.

When socialists and communists came to power and instituted new economic systems, they did not prioritize or include workers' self-directed enterprises as basic features of their economies. Neither

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socialism nor communism advocated or put in place the non capitalist economic system I have described in this book as Workers' Self-directed Enterprises.

However much they wanted to or thought they had, they did not take society beyond capitalism to an alternative system. What they had achieved were changes in the form of capitalism. Socialists and communists moved from private to state forms of capitalism.

Both advocated a much larger role for the government in the economy. Socialists wanted the state to regulate, control, and partially socialize private capitalist enterprises. Communists wanted the state to more extensively and intensively regulate and monitor, but also to more thoroughly socialize, the means of production.

However, there were always dissenting socialists and Marxists who critically evaluated state capitalism from a socialist perspective. Other socialists and Marxists developed this space in multiple ways. Some criticized Soviet-type socialisms on the grounds of their inadequate or absent democratic institutions; they contrasted top-down with bottom-up constructions of socialist systems.

Many questioned the durability or even the possibility of genuine socialism if unaccompanied by genuine democracy. By positioning workers within each productive enterprise as themselves the appropriators and distributors of that enterprise's surplus, the economic system is itself democratized.

Then it can support and facilitate a democratic polity. When workers directly receive and distribute the surpluses they produce, democracy is finally grounded economically. In sum, what socialists and communists have sought were different degrees of state capitalism.

The Soviet leader Lenin had the courage and carity to use the terms "state capitalism" to describe what he and other Bolsheviks had achieved by the early 1920s in the Soviet Union. He saw it as a necessary intermediate state on the road toward genuine socialism or communism, imposed by the economic conditions of Russia and by the fact that socialism could not exist in only one country surrounded by hostile capitalist powers.

Later, socialist and communist leaders, from Joseph Stalin onwards, declared that the state capitalism they had achieved and were administering was already much more than that: it was a form of socialism or even communism.

The difficulties and obstacles to moving beyond state capitalism were thus made even more challenging by insistent declarations that the move had been accomplished. The skeptics who doubted that accomplishment or openly spoke of the differences between state capitalism and socialism were quickly banished to the margins of allowable social opinion - or worse.

However, from our perspective, none of the actually existing socialist countries has so far been able to develop much beyond state capitalism, no matter how insistently and persistently they called their societies socialist or communist.

Thus, struggles that were fought as pitting capitalism against socialism were actually conflicts among relatively more and less regulated private and state capitalisms. The more moderate leaders, usually called "socialist", achieved transitions from unregulated or lightly regulated private capitalisms to full state capitalism, in which the state took over large portions of the country's industrial enterprises.

In both cases, the international organization of the vast majority of industrial enterprises remained capitalist. The productive workers continued in all cases to produce surpluses: they added more in value by their labour than what they received in return for their labour. Their surpluses were in all cases appropriated and distributed by others.

In short, capitalism, socialism, and communism as they were understood and actually existed over the last century shared a common organization of the surplus in their industries. That organization was capitalist.

It was not an organization in which the producers and appropriators of the surplus were the same people. The great debate between capitalism and socialism, the debate that so many had declared finally resolved in capitalism's favour by the 1990s, turns out to have been a debate between private and state capitalism.

Within actually existing socialist states there have been greater and lesser movements back toward private capitalism over the last half century. Especially after the 1980s, socialized property in the means of production reverted to private property. Planning apparatuses gave way to market mechanism of distribution.

Relatively more economic and social equality returned to greater inequality. To the millions who struggled for socialism and communism over the last 150 years, the last several decades of movement back toward capitalism have been deeply distressing and demoralizing.

Socialism and Democracy

The problem that prevented actually existing socialisms and communisms from becoming more egalitarian, democratic societies was precisely their state capitalist organization of production. The socialists who led those societies had not prioritized or even understood the reorganization of production necessary to make a transition from capitalism to a different economic system.

Existing socialist societies were, like private capitalist societies, undemocratic and marked by social inequalities. In socialist societies too, the exclusion of the mass of workers from directing their workplaces produced alienation and nurtured resentment.

There was a general disinclination to take responsibility for social developments in the broader communities, for economic development generally, or even for the immediate circumstances of one's own workplace and residence.

Exclusion from economic decision-making on the job seemed to lead many workers to refuse or exclude themselves from community decision-making elsewhere. In private capitalism, the capitalist organization of production renders political democracy a mere formality without substance.

That same organization of production limited socialist societies, whatever their initial egalitarian and democratic achievements for the mass of citizens. In the end, when major crises hit those societies in the 1980s and their state apparatuses could not contain or manage them, the mass of people could imagine no other option than a transition back toward private capitalism.

When severe crisis hit state capitalism, the only conceivable alternative for nearly everyone was another oscillation to private capitalism and a rejection of "socialism". A few left wing socialists and communists tried to challenge the framework of oscillations among private and state capitalism understood as socialism.

They often advocated instead transitions from actually existing socialism to genuinely democratic socialism in which social ownership and planning coexisted with democratic political structures and practices such as liberalizing civil liberties, allowing multiple parties, and so on.

These socialists paid for less attention to how to ground a socialist political democracy on an economic democracy quite different from what prevailed in actually existing socialist economies. Achieving real democracy requires a transition from a capitalist to the workers' self-directed system. Only when real democracy is established on the job, only when we institute economic democracy, can we expect or build a democratic politics.

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My proposal of democracy at work is also a cure for the failures of actually existing socialisms. When crises hit state socialist regimes, those tensions and conflicts produced imbalanced, ineffective government interventions that heightened social divisions and encouraged the idea the private capitalism offered the best solutions to the problems of state capitalism, called “socialism”.

The twentieth century has rendered a profound verdict on the old debate between reform and revolution. Many in this debate had long seen these as alternative strategies for social progress. In the 1930s, for example, reformers believed that the best achievable response to the Great Depression was the set of New Deal reforms implemented by President Roosevelt.

In contrast, revolutionaries advocated a variety of structural economic transformations that would go further than Roosevelt’s more regulated private capitalism. Likewise, Russia in 1917, revolution established many reforms, but the revolutionaries who wanted to transform society more profoundly were ultimately defeated.

In short, reformers prevailed over revolutionaries everywhere. Yet a century later, the reforms achieved - after much social struggle - have proved insecure, vulnerable, and reversible. Modern-day socialists are somewhat like the antislavery activists of the mid-nineteenth century.

Antislavery agitators split into two subgroups. The first, horrified by slavery, chose to agitate for improvements in slaves’ diets, clothing, housing, the treatment of their families, and so on. A second group of antislavery activists agreed with the first group’s demands and goals, but were also bitterly angry with them about the limitations of their politics.

They insisted that the basic problem of slavery was slavery itself, not merely the living conditions of the slaves. Even if reforms in the conditions of slaves might be won, so long as they remained slaves, those reforms would be insecure and reversible.

This more radical group - the abolitionists - insisted that slavery would have to be dissolved in favour of universal personal freedom and emancipation. Modern anticapitalist socialists and communists have split similarly into two subgroups. The reformers have agitated for better wages and working conditions, protective laws, economic regulations, and so on.

Revolutionaries agree with those demands, yet also denounce their limits. For example, even if such reforms are achieved, they will remain insecure and reversible so long as nothing is done about the workers’ subordination to capitalists.

The capitalist organization of production must now be dissolved. Workers must become their own directors, receiving and distributing the surpluses they produce. They must become the collective decision-makers in productive enterprises, no longer the directed wage and salary receivers.

Slaves had finally to become their own masters to move society beyond the inhumanity, inequality, and indignity of slavery. Wage and salary earners have likewise to become their own directors, to move society beyond the inhumanity, inequality, and indignity of capitalism in all its myriad forms.

Workers' Self-Directed Enterprises as a Cure

The world is at a crossroads. It is struggling with the second major collapse of private capitalism in seventy-five years - this one far more global than the last. Criticism of private capitalism and opposition to it are growing everywhere.

Opposition to its traditional rival - the state capitalism that so many considered to be socialism - ended Soviet and Eastern European socialism and now challenges the remaining state capitalism that call themselves socialist.

Dissatisfaction with the two major economic systems in the world - private and state capitalisms - is provoking a search for a real alternative to both of them. Stale arguments and ineffective programs meant to salvage more or less regulated private capitalism leave critics unmoved.

Why focus on regulations and other government interventions when all of the post-1930s history shows how hollow and reversible they are? Likewise, why support a transition to state capitalism -whether or not it is called "socialism", when such past efforts solved only a few of private capitalism's basic problems, suppressed political democracy as much as or more than private capitalism, and proved as vulnerable to severe crises?

At the same time, the collapse of Soviet and Eastern European state capitalisms and partial turns toward private capitalism elsewhere, especially in China, have left a profound legacy. Large numbers of people in formally state capitalist societies that reverted back to private capitalism seem determined not to oscillate back again, even when they experience private capitalism's stark crises, failures, and injustices.

As long as the critics of private capitalism cannot specify an alternative other than a more regulated private capitalism or state capitalism, they will not inspire or mobilize a social movement able to break out of repeated oscillations between them.

So long as the critics of actually existing socialism, state capitalism, offer no better alternatives than reversion to private capitalism or state capitalism "with more democracy", they will not organize such a movement, either.

Working classes will respond to both critics, as they already have implicitly: "No, thank you, we have been there and done that already. It is a dead end." Serious critics of capitalism need to present and champion the goal of a new economic system different from and beyond both private and state capitalism if we are to inspire and build the social movement now needed.

Going beyond the now-exhausted oscillations between private and state capitalisms requires a clear understanding of their limits, rooted in their shared organization of production. It requires a genuinely different organization of productive enterprises: workers' self-directed enterprises.

What "Self-Directed" Means

To define a workers' self-directed enterprise (W S D E), I will begin by contrasting it with a modern private capitalist organization. In that corporation, shareholders vote, one vote per share, to determine who will compose the board of directors - usually between nine and twenty people.

Those persons are almost never workers inside the corporation. A few board members are sometimes also a corporation's top managers. This board then collectively appropriates and distributes the surplus generated inside the corporation.

This board also decides what commodities to produce, how to produce them, what technology to utilize, and where to locate their production and distribution facilities. Finally, the board chooses and hires both the management and the workers in the enterprise.

Often - nearly always, in larger corporations - a very few major shareholders own a controlling bloc of shares. That is, they collectively have the dominant shareholder voice or power. They select the members of the corporation's board of directors. If the major shareholders are displeased with the board's decisions, they can change the board's composition.

By contrast, in a W S D E, no separate group of persons - no individual who does not participate in the productive work of the enterprise - can be a member of the board of directors. Even if there were to be shareholders of a W S D E, they would not have the power to elect the directors.

Instead, all of the workers who produce the surplus generated inside the enterprise function collectively to appropriate and distribute it. They alone compose the board of directors. The workers collectively determine what the enterprise produces, the appropriate technology, the location of production, and related matters.

They do this in conjunction with the surrounding communities at the local, regional and national levels. In a state capitalist enterprise, the board of directors is typically a specific set of state officials. They collectively appropriate the surpluses produced in the industrial enterprises they direct.

The Soviet Council of Ministers, for example, functioned as a kind of centralized capitalist board of directors, the parallel structure to the board of directors of a private capitalist corporate conglomerate. There the state functioned, in effect as the sole shareholder representing the ownership of socialized productive industrial assets.

Of course, instead of such centralized state capitalism, there could be decentralized state capitalism. In that case, the appropriation and distribution of surpluses is delegated to lower levels of state officials who direct less-aggregated units of industrial production.

Both state and private capitalisms have periodically experimented with more and less centralized appropriation and distribution of surpluses. The basic difference between both private and state capitalist economic systems and the alternative system built upon W S D Es is that only in the latter do the workers who produce the surpluses collectively appropriate and distribute those surpluses.

However, before detailing how W S D Es would work internally or how they would interact with one another, consumers, and surrounding communities, we need to differentiate W S D Es from worker-owned enterprises, worker managed enterprises, and cooperatives generally.

Worker Owned Enterprises

When workers partly or completely own the corporate enterprises in which they work, they occupy a position like that of other shareholders within private capitalism. In most cases, shareholders have two key functions: they elect the directors of the enterprise and they receive portions of the appropriated surplus from the directors as dividends.

Owners of shares in capitalist corporations are usually passive relative to the directors. Under U.S. law, for example, it is the prerogative of the board of directors to determine what portion of appropriated surplus is distributed as dividends to owners.

They are free to distribute none, as is often the case. In effect, owners of shares have only the power to change directors at annual elections. The key capitalist roles - directing production and appropriating and distributing surpluses - are played by the directors of capitalist enterprises, not by their owners.

Employee stock ownership plans have been established in various enterprises across the landscape of U.S. capitalism. Comparable worker-ownership programs exist in many other countries as well. Sometimes they have been instituted from below. For example, workers have sometimes prevented an enterprise from closing by buying it themselves and maintaining production.

Sometimes they have been instituted by private capitalists seeking workers to buy an enterprise no other capitalist wants or to pay a price no other capitalist will. Sometimes state authorities intervene to establish worker-owned enterprises.

In any of these cases, when ownership changes from private individuals outside the enterprise to the workers inside, partly or totally, it is very different from a change in the direction of the enterprise. If workers become owners of a capitalist corporate enterprise, they have the right to elect as members of the board of directors persons other than themselves.

They usually do that and leave the directing of the enterprise to those directors, much as nonworker shareholders typically do. It might be legally possible for worker-owners to transform the enterprise so that they become not only owners but also, collectively, directors. However, that has very rarely happened. Worker-owned enterprises are thus conceptually and also empirically different from W S D Es.

Worker-Managed Enterprises

The difference is even more marked between worker-managed enterprises and W S D Es. Management is a different function from directing in private and state capitalist corporations. Typically, corporate boards of directors search for, select, hire, and remunerate managers.

A managerial chain of command is established and its top levels, such as C E O, report regularly to the board of directors on the managers' execution of the board's basic directions. The function of managers is to monitor, supervise, and control both the production of commodities inside capitalist enterprises and all of the ancillary nonproduction tasks needed to achieve profits and growth.

Under worker-managed enterprises, workers who perform managerial functions do not thereby displace capitalists or move the economy beyond capitalism. Workers who self-manage still function to execute the basic enterprise decisions made elsewhere by the directors.

Capitalists have sometimes given or urged management functions onto workers. That can make management cheaper by saving the cost of professional managers; it can also make management more effective, because workers prefer self-management to management by others.

In sum, under worker-managed enterprises, capitalists give the workers more control over the work in the hope of receiving in turn more profits and growth. It is possible that workers who gain experience in management might want to use that to agitate for positions on an enterprise's board of directors.

Then a W S D E could emerge. However, that has very rarely happened. Conceptually and empirically, worker's self-management, like workers' ownership, is different from W S D Es. Because socialism and workers' self-management have been historically associated with each other and have often been treated as if they were identical, it is especially important to clarify their differences.

Workers' self-management and workers' self-direction are very different ways to reorganize productive enterprises. Whatever its virtues may be, workers' self-management has mostly served private or state capitalism. Historically, experiments in workers self-management have ended when they no longer served the interests of their capitalist directors. In contrast, W S D Es represent a social transition beyond capitalism.

Cooperatives

The term “cooperative” or “co-op” has a very long history in many countries and has been used to describe a broad range of institutions and enterprises. Cooperative ownership, cooperative purchasing, cooperative selling, and cooperative labour have all been called co-ops.

None of these, whatever their virtues, has any necessary connection with W S D Es. For example, groups of farmers have sometimes purchased and cooperatively owned land together, while each has hired workers and farmed a portion of the cooperatively owned land as a capitalist enterprise.

In this case, co-op refers to how the land is owned, but not to the organization of production or class structure of the farming enterprise. Similarly, groups of small capitalist enterprises producing software products may cooperatively purchase certain inputs they all need, perhaps sharing their use.

That would mean capitalist enterprises forming a purchasing co-op among themselves. For centuries, groups of small and medium-sized capitalist enterprises within the same industry have banded together into sales and marketing co-ops to secure higher prices than they would command individually. But none of these are W S D Es.

Even cooperative labour is something different from a W S D E. In nearly all capitalist enterprises, hired workers perform labour cooperatively. What distinguishes the W S D E is therefore not cooperative labour. Rather, two facts define W S D Es: that the appropriation and distribution of the surplus are done cooperatively and that the workers who cooperatively produce the surplus and those who cooperatively appropriate and distribute it are identical.

How W S D Es work Internally

Periodically, in any W S D E, the collective of workers that produces a surplus gathers to collectively receive that surplus and distribute it. The surplus is never appropriated and distributed by others. W S D Es are, to make use of Marx’s precise term, nonexploitative organizations of production because they do not involve one group of people appropriating the surplus produced by another.

That is how W S D Es differ from the exploitative class structures of capitalist, feudal, and slave production systems. Capitalism’s champions take pride in differentiating it from slavery and feudalism. Capitalism, they say, is based on free contracts between individuals.

It rejects the unfreedom of slaves and serfs. But capitalism shares with slavery and feudalism a common basic feature. Capitalism, like slavery and feudalism, is also exploitative. In contrast, W S D Es represent, finally, freedom from exploitation: slave, feudal, and capitalist.

In W S D Es, each productive worker’s job description not only includes the specific task that he or she performs within an enterprise’s division of labour but also requires each worker to participate equally in democratic decision-making by the enterprise’s board of directors.

Each productive worker is an equal member of that board. The collective of such workers constitutes the board. As such a board, productive workers collectively carry out the social distribution of the surpluses they have produced and appropriated. They use this surplus partly to pay taxes to the various levels of government that provide them with certain conditions of their existence.

They use another portion of the surplus to hire and provide operating budgets as needed to managers, clerks, security guards, lawyers, and other workers not directly engaged in producing surpluses but crucial in other ways to reproducing the enterprise.

The board distributes the portions of the surplus used to expand production, paid in dividends to owners of the enterprise, used to lobby state officials, and so on. In reaching its decisions regarding the

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distribution of the surplus, the board must contend with, accommodate, and reach compromises with others.

Thus, for example, the portion of the surplus that the board must distribute to the state as taxes is influenced by state officials, by cultural attitudes toward government, and so on. Many different social groups wield influence or power over the distribution of all the portions of the surplus alongside that wielded by the board. However, the board alone performs the distribution.

One key goal of the distribution of the surplus is typically to secure the reproduction of the W S D E. W S D Es, individually and as a group, recognize the need for all sorts of social supports if they are to survive and succeed. They must distribute portions of their surpluses to secure such supports.

For example, for collectives of surplus-producing workers to effectively direct their enterprises, the workers will need the appropriate education and training for themselves and for children coming after them.

They may decide to entrust such education and training to public schools sustained partly or entirely by taxes on their surpluses. They will be concerned that such schools have curricula that stress the techniques and attitudes needed for collective, democratic decision-making as central to economic activity and social welfare.

Public education thus would likely be very different in an economic system based on W S D Es rather than capitalism. To take another example, the board of a W S D E would likely see the need to secure certain management functions.

It might, like its capitalist counterparts, hire professional managers. On the other hand, it might prefer instead, for many reasons, to substitute a rotational system whereby all surplus-producing workers are periodically rotated through management positions.

The board might see this as an appropriate way to avoid reifying people into fixed positions of manager and managed - positions that might possibly pave the way for a return to capitalism. Workers who were thus temporarily removed from producing surpluses would nonetheless need to be funded for their management activities and time by the board's distributions from the surplus it appropriates from the nonmanagerial workers.

The extent to which worker-directors are also rotated through management functions would further differentiate a W S D E-based economy from capitalism. To take a final example, consider that an economic system built upon W S D Es might well be generally concerned about slipping back toward a capitalist system.

To that end, it would seek to avoid crises or cycles of the sorts caused in capitalism by overproduction, underconsumption, technological unemployment, and so on. It would work to overcome the social problems created under capitalism when an enterprise discovers a new way to produce output with less labour input, encounters a loss of public desire for its products, or find that it has overestimated the demand for its output.

One way to accomplish this would be to create a fund and a government agency to administer it. Any W S D E that faced a need to lay off workers would qualify for assistance. The agency would survey and interview workers to determine those most interested in new and different jobs.

It could provide needed training, relocation, and other services to effect employment changes from enterprises and industries needing fewer workers to those seeking expansion. In this way, unemployment would be eliminated without compromising various incentives for labour-saving technological progress and without ignoring changing patterns of citizens' demands for certain goods and services.

Wolff, Richard (2012) *Democracy At Work: A Cure for Capitalism*. Haymarket Books, Chicago.

A system based on W S D Es would secure its social position and support by such solutions to the problems of technical change and shifting demand patterns that have so often provoked or worsened economic cycles and crises in capitalism.

Inventors and innovators in a W S D E-based economic system would, like their counterparts in capitalist systems, face problems to solve and incentives to realize the production of new goods or services. Funds would have to be secured when the inventors and innovators did not have sufficient funds of their own.

Workers would have to be gathered who would leave existing employments to help start and staff the new W S D E. Similarly, incentives would have to be established, such as tax considerations, temporarily higher personal incomes for the worker/directors in successful new W S D Es, social recognition and rewards, and so on.

Interestingly, the W S D E-based system would not need a patent system, since it could provide alternative incentives for innovation just as it established alternative sources of needed funding. To end most exploitative organizations of production and establish a system based on W S D Es is a basic and foundational social change.

Such a change cannot happen alone or in isolation from a host of other social changes. Those other social changes are either prerequisites for W S D Es to be established or they are changes that W S D Es will encourage and support to reproduce, secure, and expand themselves.

It is thus an error to think about the emergence of W S D Es as if everything else in the societies where capitalism prevails would remain the same. Both the long-term features of capitalist economic systems and the crisis conditions they produced in 2007 have opened up new possibilities for a movement toward W S D Es as the basis of an alternative economic system.

If W S D Es emerge and come to a prominent position within modern capitalist economies, they will need to change many social conditions to be able to survive, expand, and secure mass support. Redesigning the curricula in schools, rotating workers through management positions, reorganizing sources and incentives for productive innovation, and creating an effective program to avoid unemployment are all examples of changes produced by W S D Es.

Indeed, concrete steps toward these goals have been achieved over the past fifty years by the Mondragon Corporation in Spain, which now includes eight-fifty thousand members in its constituent worker cooperative enterprises.

The Two Kinds of Workers in Every W S D E

We are now ready to tackle a particularly thorny issue in the analysis of an economic system based on W S D Es. This concerns the division of employees of every W S D E into two groups with different relationships to the production and distribution of the surplus.

The first group comprises the workers who produce surpluses and who also compose the board of directors in W S D Es. They are the workers who directly produce the outputs of the W S D Es. Every W S D E also employs another, different kind of worker who provides the conditions and ancillary services that enable the surplus producers to function. I will call these workers enablers.

Enablers include the secretaries, clerks, receptionists, security guards, cleaning staff and so on who maintain the paperwork and physical spaces that provide the necessary conditions for the first group of workers to produce a surplus.

Other types of enablers include managers, lawyers, architects, and counselors who provide still other conditions. Enablers are just as crucial for the reproduction of the W S D E as are the surplus-producers. However, unlike the surplus-producing workers, enablers do not directly produce the surplus; rather, they provide various conditions for the surplus-producers to function effectively.

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The enabling group of workers obtains its sustenance and the means to perform its functions by receiving distributed shares of the surplus from the worker-directors. In other words, the surplus-producers need the enablers to be able to produce surpluses, while the enablers need surplus distributions from the surplus-producers to be able to perform their enabling functions.

To survive then, W S D Es must work out mutually acceptable relationships between the two kinds of workers. The enablers and the surplus-producers must together and democratically answer the following questions: 1) how much surplus will be produced, appropriated, and thus be available for distribution and 2) what portions of that surplus will be distributed to secure which conditions of surplus production provided by which distinct subgroup of enablers.

There will be contradictions to resolve, areas of agreement and also of disagreement among and between surplus-producers and enablers. The end of exploitation - a defining point and purpose of W S D Es - requires that the producers of the surplus be identical to the appropriators and distributors.

However - this is a key consideration - that does not require excluding enablers from full democratic participation with the surplus producers in deciding the size and specific distribution of the surplus. The power to decide the size and distribution of the surplus is democratically shared by all the workers in a W S D E. The physical processes of appropriating and distributing the surplus are reserved for the subset of surplus-producing workers.

In summary, the two different kinds of workers are interdependent. They are both required for the W S D E to survive. They each determine key components of the work activity and the incomes of the other. Their need to work out and constantly adjust their relationship democratically will profoundly shape W S D Es' internal life as well as distinguish it from the internal life of the capitalist enterprise.

Handling Technical Change

W S D Es would handle typical economic challenges in a manner quite different from capitalist enterprises. Suppose an affordable new technology emerges that allows an enterprise to produce more output with considerably less labour and little change in other inputs.

In private capitalist enterprises, such technological advances are usually implemented by innovating boards of directors, unless they are blocked or altered by labour unions. Surpluses accruing to the innovating private capitalist enterprise rise and some labourers get laid off.

In this example, the beneficiaries of the technical change - the board of directors of the private capitalist enterprise - are also the decision-makers. Those bearing the costs of the technical change are excluded from the decisions about technological change.

The net social costs or benefits of the technical change are indeterminate. However, the injustices of the decision making process and of its likely outcomes are quite clear. From the history of state capitalist economies, we know that technical changes posed a different problem.

State capitalist enterprises were less driven by market competition to install new technologies or else disappear. At the same time, their dimensions and political context committed them to maintaining employment as a kind of basic human right.

Thus, state capitalist enterprises typically developed their technologies more slowly than their private capitalist counterparts. Their slower technical advances helped to undermine state capitalism because, on an international scale, they were competing with economies based on private capitalism.

W S D Es would manage such technical changes differently. In contrast to private capitalist enterprises, the decision to install the new technology would involve a much larger and more diverse collection of decision-makers.

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To allocate a portion of the enterprise's surplus to purchase and install the new technology would be a decision that surplus-producing workers and enabler would have to reach together democratically. Instead of a dozen or so board members making that decision, hundreds or thousands of workers would participate.

Unlike capitalist firms, the decisions of W S D Es would take into account a much larger set of concerns about the impacts of a proposed technical change not only on the surplus but on its distribution and on workers, their families, and the surrounding communities in which the workers live and with which the W S D Es interact.

The net costs or benefits of the technological decision reached by a W S D E, like those of capitalist enterprises, remain unknown, but the democratic and social justice dimensions of these deliberations are vastly improved.

In contrast to the often conservative technological decisions of state capitalist enterprises, W S D Es would manage the interaction between technical change and job security differently. A specialized agency would need to be established that would immediately swing into action upon learning of an enterprise considering a labour-saving technical change.

It would always know, from constant monitoring, which existing enterprises need more labourers, which have registered that wish to commence new production, all the relevant skill and experience requirements, and where affected labourers and enterprises are located.

Rather like a matchmaking service, this agency's task would be to match the employees willing to change jobs with job availability and to arrange for appropriate training and inducements to facilitate the reallocation of personnel.

No loss of income would attend the transition period for workers who left one job for another. To run this agency would cost a small portion of all the surpluses distributed by W S D Es to sustain its staff and activities.

This agency's reports and services would form one basis for the decision by all workers about whether to make the technical change in question. Finally, consider the incentive to innovate technically. Invention and innovation in private and state capitalist enterprises is slowed or blocked by workers who fear that they will participate minimally in the gains from and maximally in the costs of installing the technical change.

In an economy based on W S D Es, the gains and costs would be shared across the totality of employees in ways they would democratically establish. For example, periodically, debates would be arranged and votes taken as to how to share the gains in productivity.

Since workers in W S D Es decide the size and distribution of surpluses, that includes deciding whether and when to use a portion of their appropriated surpluses to purchase and install technical changes. In capitalism, where workers are excluded from choices about technology, they choose between labour and leisure based on the wage given by their competition in the labour market.

In contrast, workers in W S D Es make their labour / leisure choice together with and as part of their decisions about technological change. The quantity, pace, and quality of technical advance would differ from that in capitalist economic systems.

The historic promise of capitalists - that their technical innovations would eventuate in less labour time and more leisure for the mass of people - has never been kept. In the contemporary United States, for example, more family members are working more hours of paid labour than ever before in U.S. history, and, likewise, more than workers in virtually all other countries.

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The sizable gains in productivity of which capitalism's celebrants boast have accrued instead as rising surpluses and profits to those who decide about technology: the capitalists, not the workers.

Handling Environmental Issues

The modern histories of private and state capitalist economic systems offer many examples of their capitalist enterprises' failures to take into account the environmental impacts and costs of their decisions.

Both forms of capitalist enterprises routinely use technologies with negative and costly impacts on their workers' physical and mental health as well as harmful effects on surrounding communities. They also choose to produce outputs and utilize inputs with the same drawbacks.

The ways in which enterprises define and maintain the quality of air, water, temperature, humidity, noise and so on in the workplace are typically undertaken without adequate -or any - regard for their surrounding impact on the short term and long term wellbeing of people in the enterprise or their communities.

A root of this problem is the small number of people directing private and capitalist enterprises, who are often located far from the site of enterprise production, and the goals and incentives driving them. Competitive survival, profitability, growth, and market share drive private capitalist enterprises; those goals comprise their bottom-line concerns.

Fulfilling government production plans, increasing surpluses, holding reserves to offset planning shortages and errors, and so on drive state capitalist enterprises. From the standpoint of both systems, environmental concern is typically a luxury that private and state capitalists believe they cannot afford.

W S D Es would approach environmental issues quite differently. First and foremost, workers live, play, and raise families in and around their sites of work. For them the costs of environmental degradation are a much more important and immediate consideration than for a small group of outside capitalist directors who have enough wealth to avoid living or working in places vulnerable to environmental degradation and its effects.

The bottom-line objectives of private and state capitalist would be subordinated to environmental considerations in W S D Es decisions. We cannot know the net costs of benefits of, for example, less investment in new capital and labour power for growth coupled with more investment in improving the natural environment of enterprise work.

But we can know that environmental concerns are far more likely to be raised and counted in reaching decisions in a W S D E.

Handling the Distribution of Incomes and of Jobs

One of the conditions for the long-term survival of W S D Es is greater democracy in the noneconomic parts of society. Likewise, real democracy in communities and the larger society is tenuous, if not impossible, without economic democracy inside enterprises.

Genuinely shared and democratic decision-making by workers in W S D Es requires limits on the different resources each individual worker brings to such decisions. To pay some workers many times more than others or to compensate some workers so poorly that they need three jobs and have neither the time nor energy to participate in politics or workplace deliberations would undermine and eventually dissolve W S D Es.

Thus, a system based on W S D Es and reproducing them over time would likely mandate minimum and maximum income levels for all workers, based on democratically chosen criteria. Within those boundaries, W S D Es would determine and adjust their schedules of wages and salaries.

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W S D Es would not likely support or allow the individual income disparities found in private or state capitalism.

The Spanish Workers' cooperatives gathered in the Mondragon Corporation have also achieved important steps in this direction. This would be the case partly because the survival of the W S D Es such would require far lower income disparities.

It would also be the case because democracy in politics outside the W S D Es requires far narrower income disparities than characterize capitalism.

Reducing income disparities in an economic system based on W S D Es can return an old issue - rotation of work - to the forefront of social agendas for change. Income differences can be reduced by narrowing the differences in wages and salaries assigned to specific jobs in an enterprise's division of labour.

Alternatively, the same result can be achieved by rotating workers regularly through a variety of jobs to which different wages or salaries have been assigned. In a W S D E-type system, workers in each W S D E could rotate through nondirector jobs while always also serving as equal members of the collective board of directors.

For the reproduction of an economic system based upon W S D Es, a job rotation system would have many benefits. First, repeating one particular job within a division of labour for a lifetime or even for years does not develop a broad range of different experiences and competencies.

Yet that broad range is precisely what would best prepare each worker to evaluate options and make the decisions involved in directing the enterprise. Second, performing different jobs sequentially enables a particular "learning by doing" to develop.

Workers do not necessarily know what kinds of work they do best or by which they are most personally satisfied. It certainly might not be their first job. Moreover, which jobs most engage people's skills and enthusiasm can change across a lifetime.

Finally, specific jobs also change with technical and social conditions. Rotating workers through jobs can address these issues far more effectively than has been accomplished by private and state capitalism. Rotating workers more broadly to learn their preferences and areas of greater productivity among jobs, and then perhaps rotating them more narrowly among just those jobs, would achieve not only a more egalitarian income distribution but also a more effective distribution of jobs.

Moreover, room can be left for each enterprise to decide the periods of time assigned to each job based on criteria such as the job's arduousness, how long it takes to develop or improve the appropriate job skills, and so on.

Within the larger economy, to induce workers to shift into certain industries, the W S D Es within such industries might pay higher than usual wages and salaries for an initial period. Such temporary pay increases could come from a fund for that purpose derived from a portion of all W S D Es' surpluses.

A W S D E-based economic system could thus address the ancient problems of the division of labour and specialization of function. Beyond a certain degree and a certain period of time, keeping one person in one job may reduce productivity and profitability.

If a fully rounded personality and a diversely engaged body and mind are connected to personal happiness, genuine democracy, and work productivity, then a W S D E-based economic system with rotation of jobs will be far more fulfilling than work has been under private or state capitalism.

Property Ownership, Markets, Planning, and the Efficiency Myth

Macrolevel and Microlevel Transformations

Among socialists themselves - and even among Marxists presumably familiar with Marx's focus on the production, appropriation, and distribution of the surplus - the focus on state ownership and planning has always been remarkable.

There were always some who did see the need for microeconomic transformation inside enterprises, envisioning various forms of more direct control by workers, not mediated or distorted by government or party.

Yet they rarely concretized those forms in specific terms of the surplus, speaking more often in general terms of direct democracy. Moreover, the practical exigencies of the Soviet Union after 1917 and of "actually existing socialist" economies thereafter led them to emphasize expanding output via state ownership and planning.

This too helped to push issues of radical transformation inside enterprises to a very secondary status, especially among those who equated socialism with what those economies were struggling to establish. They often banished notions of workers becoming also the direct, first appropriators and hence distributors of enterprise surpluses to the murky future realms of socialist utopias.

The macro-level changes brought about by traditional socialism did not survive in part because they were not accompanied and reinforced by micro-level changes in the internal reorganization of enterprises. A viable and durable socialism requires both micro- and macro-level transformations of capitalism.

That is a major lesson of the first century of efforts to establish and build socialism. The point is to integrate the two levels in theory and in practice to yield a new conception and practice of socialism that can better critique and challenge capitalism in the twenty-first century.

Ownership of W S D Es

To deepen this analysis, let's consider the ownership of the means of production. Various ownership arrangements can coexist within W S D Es. The state might own the means and make them available to W S D Es.

If so, the arrangement might involve only centralized state ownership or perhaps some mixture of state, regional, and local governments owning various kinds and quantities of productive property. Alternatively, instead of the state, the workers within the W S D E could themselves own the productive property they use in the production process.

They could do so collectively or individually. Finally, ownership of productive property could be conventionally private and chiefly individual; for example, ownership could take the form of shares traded on a market, and so on.

The salient point is that the internal organization of surplus production, appropriation, and distribution in W S D Es is different from and can coexist with various forms of ownership of means of production. Whichever property ownership system W S D Es coexist and interact with will affect their evolution.

In the case of a traditional socialism that begins to integrate W S D Es into its economy, we might expect that nationalized or otherwise socialized property would be the macro-level partner of W S D Es at the micro level.

On the other hand, because traditional socialists have learned critical lessons about nationalized property, alternative partnerships might emerge. Property ownership could be partly centralized and partly decentralized at regional and local levels.

Wolff, Richard (2012) *Democracy At Work: A Cure for Capitalism*. Haymarket Books, Chicago.

Property ownership could be shared between state entities at various levels and the workers in each W S D E. There might also be room found for some private individual ownership, shares, and stock markets. On the other hand, workers might reject these forms of property because of their close associations with private capitalist economies.

Presumably, W S D Es would accumulate experiences with and therefore come to choose among the alternative possible property ownership arrangements. In the past, capitalist organizations of enterprises found ways to adopt, adapt to, and invent various combinations of individual, partnership, corporate, and state ownership of productive property.

Advocates of the transition from capitalist enterprises to W S D Es will likely disagree and debate the strengths and weaknesses of the alternative property ownership arrangements that could coexist with W S D Es.

That debate began long before the capitalist system achieved hegemony, continued during it, and will continue afterward. It has provoked an accumulated literature that should inform this debate and can be interrogated and rethought for the conditions and purposes of a new economic system in which W S D Es prevail over other organizations of work.

W S D Es and Markets

A parallel sort of reasoning applies to that other pillar of traditional socialism, the notion that state planning should displace markets as the mechanism of distribution of productive resources and outputs. In that sort of socialism, broadened to include W S D Es as the prevalent organization of enterprises, government planning would distribute productive resources to and direct the inter-industry flows of outputs among W S D Es.

Government plans would also govern the distribution of goods and services to customers. Market exchanges would be marginalized or eliminated in such combinations of traditional socialism and W S D Es. However, this is not the only way to link W S D Es to one another and to consumers.

Markets offer another way. W S D Es can coexist with planning or markets or combinations of both. From Yugoslavia to Mondragon and beyond, there are historical examples we can learn from. The interactions of W S D Es with planning bodies will differ from their interactions with markets.

The evolution of W S D Es will depend in part on whether they coexist with planning, markets, or combinations of them. The larger point here is that the internal organization of enterprises is different from the nexus of relationships among them and between them and consumers.

A basic component argument of the neoclassical economics that prevails in the world today asserts that markets are “more efficient” than any government intervention, especially planning, could ever be. Not surprisingly, in state capitalist societies this argument provoked the converse counterargument, with proofs for the greater efficiency of socialist planning.

The efficiency argument hangs on identifying and measuring all costs and benefits of either distributional mechanism. Yet that is not, and never has been - feasible. The costs and benefits of either run into an unknowable future.

The project of identifying all potential consequences and measuring them in some common unit is simply impossible. It follows then, that efficiency claims and calculations, let alone “proofs” for them, cannot logically serve to evaluate markets versus planning or private versus socialized productive property - or indeed anything at all.

How W S D Es will come to coexist with private versus socialized productive property and to coexist with markets versus planning will not be determined by spurious claims about their comparative efficiencies.

Wolff, Richard (2012) *Democracy At Work: A Cure for Capitalism*. Haymarket Books, Chicago.

It will be determined through the construction of particular, specific postcapitalist economic systems as they emerge in transitions from both private and state capitalist systems.

Economic and Political Democracy

The reproduction of the W S D Es is fostered, facilitated, and broadly supported by their members' similarly active democratic participation as resident in the governance of their local and regional communities.

By definition, W S D E requires all workers to participate fully in directing their enterprises; this will be far easier to achieve and reproduce inside enterprises if those same workers are accustomed to functioning similarly in directing the communities where they reside.

Likewise, political democracy in the larger community, if it is to be more than merely formal, requires the economic democracy embodied in W S D Es. This argument is both theoretical and historical. Nothing will more effectively inspire and activate workers to become informed, competent, and full participants in the democratic governance of the communities in which they reside than functioning in that way inside their workplaces.

However, modern capitalism precludes workers from democratic participation inside their enterprises. Thus, contemporary residentially based democracy rarely succeeds in drawing the mass of people into active, ongoing democratic political decision-making.

Even when workers are not directly or formally excluded from real participation in governing their communities, their exclusion from directing activities where they work tends to build in them expectations of parallel exclusion where they live.

Under such conditions, many workers lose interest in the political process and governance in general. Then they rarely participate beyond sometimes responding to candidates who seem to represent "at least some change" or "a lesser evil" or "passionate advocates" for some specific issue.

Habits of participatory behaviour, assumptions about what is appropriate and "normal", expectations, and tastes for participatory power are developed in workplaces and carry over into residential communities, and vice versa.

Participatory democracy at each social site depends on and fosters participatory democracy at the other. W S D Es need participatory democracy in the surrounding localities, regions, and nation for their own survival and will therefore encourage them.

Democracy in the Workplace

W S D Es also stimulate political democracy in another way: by developing an ideological argument out of their own need to survive. W S D Es, especially in their early stages of formation and growth, may encounter suspicion from people and enterprises used to the capitalist organization of production.

W S D Es may be attacked for being utopian, inefficient, and so on. Against a host of such dismissive arguments, proponents of W S D Es have already and will increasingly deploy an argument about democracy.

That argument begins by celebrating democracy as a basic social value, one at least verbally endorsed in modern societies by nearly everyone. In contrast, however, the democracy actually experienced in residence-based electoral systems gives people extremely limited control of what governments actually do.

Beyond residential communities, in another and at least equally important part of social life - workplaces - democracy of any kind is disallowed. The majority of able-bodied adult citizens in most countries now spend most of their waking lives labouring in and preparing for workplaces.

If democracy is a genuine foundational social value, it ought to govern the workplace first and foremost. Yet workers in most modern capitalist corporations are required by law to accept working conditions over which they exercise no democratic control.

If they refuse, they can be fired - and the primary option available to them is to work for another employer under similarly undemocratic conditions. For most workers in capitalist systems, there is no democracy in the workplaces where they spend most of their lives.

It is vital then, to connect the transition from capitalist enterprises to W S D Es with the extension of political to economic democracy. Establishing and spreading W S D Es becomes part of completing modern society's limited democratization.

Retaining the hierarchical capitalist organization of enterprises is, in fact, the obstruction of democratization. This line of argument also affirms that the extension of political to economic democracy accomplishes a crucial strengthening of political democracy as well.

Workers who are required to learn the skills of participating fully in directing their W S D Es will be much more inclined to demand equal participation in their community-based politics. Likewise, workers from W S D Es will be far better prepared for such participation. In short, transition to W S D Es will strengthen political democracy.

Decisions of communities at the local and regional levels affect enterprises in countless ways. For example, curricula in schools affect labour productivity; public environmental protection programs affect enterprises by influencing illness and absence problems for employees; road building and maintenance affect traffic issues for enterprises; laws and judicial decisions influence disputes among enterprises and their adjudication; an publicly funded and directed research creates new products and new technologies that affect what enterprises produce and how they do so.

In capitalist societies, enterprises have long understood and responded to the influence over their affairs exercised by political authorities. This is why corporations have devoted growing portions of the appropriated surpluses to lobbying and funding parties, candidates, and various kinds of political action committees.

Containing Democracy

Capitalist surpluses distributed to government in the form of taxes have largely aimed to reproduce capitalism generally. The additional capitalist surpluses distributed in the forms of lobbying expenses and political contributions have aimed to support specific capitalist industries and enterprises.

Distributed capitalist surpluses in both forms have aimed at blunting systemic political risks in state as well as private capitalisms. In private capitalist systems, the boards and major shareholders or capitalist enterprises and those they make rich have long understood that even a limited democratic politics based on universal suffrage poses a systemic risk.

The employees of capitalist enterprises could find in their numerical voting strength the means to improve their economic position. They could, in short, utilize democratic politics to reduce and offset what they have lost because of an undemocratic economics.

They could demand government intervention in the economy to their advantage and at the expense of capitalist enterprises' boards of directors, major shareholders, and the top 10 percent of income recipients and wealth owners.

Wolff, Richard (2012) *Democracy At Work: A Cure for Capitalism*. Haymarket Books, Chicago.

Workers, united for political effect, could vote for taxes and regulations to further these ends. They might push for workers' political ascendancy, as the majority, to control the state and then, via the state, to control and even take over ownership of capitalist enterprises.

That was, after all, a major thrust of traditional socialism over the last century. It represented one realization of the systemic risk politics represented to private capitalists and their wealthy dependents. In the state capitalist systems that composed most actually existing socialisms, similar systemic political risks existed.

The workers in state capitalist enterprises were, again, the majority. If united and focused, they could have used their numerical political strength to alter the economic decisions about what and how to produce and how to distribute the surpluses and to what social ends.

They could have challenged the power and privilege of the managers and political officials who benefited by controlling their surplus. Both private and state capitalisms have had to "manage" the systemic risk posed by the potential for workers to use politics to limit, offset, or end their losses from undemocratic workplace organizations.

Private and state capitalism expend portions of their appropriated surpluses to control and blunt that risk. Like spending a portion of the surplus to provide security from criminals and outmaneuver competing businesses, spending to control the political landscape is another cost of capitalist business.

When private capitalist enterprise prevails, dominant coalitions of parties funded by private capitalists can be assembled. Capitalists have to devote portions of their surplus to sustaining allied political, economic, and cultural organizations as the social base for such party coalitions.

This especially includes the cultural organizations that originate and disseminate theories, religions, and other ways of understanding how the world works that serve their interests. To control politics requires shaping how the mass of people understand the workings of the world, what the Marxist theorist Antonio Gramsci analyzed as building a "hegemonic bloc".

Where state capitalism prevailed, there was often only one major party. Then the hegemonic bloc had to be defined and organized by state capitalists from among groups or factions within that party. The basic processes were the same, but they had to be adjusted for the specifics of state rather than private capitalism.

The mass of workers, excluded from directing capitalist enterprises, both state and private, can reasonably look to residence-based politics to counteract that exclusion and its effects. Universal suffrage and representative political democracy have sometimes opened up such possibilities within private capitalist systems.

Socialist tradition and ideology could sometimes do likewise instead of state-capitalist systems. However, capitalists in both systems have also noticed those possibilities, seen them as threats, and found effective ways to limit and control them.

They have built hegemonic blocs inside and outside of government to secure the reproduction of the social order they preferred. They have kept the workers from democratizing their enterprises. That in turn has kept the workers and their interests from directing the decisions on what, how, and where the enterprise produced or how to distribute the surplus it yielded.

Capitalists' success also reinforces the basic contradictions at the heart of the capitalist organization of production. The workers in both kinds of capitalism sense their exclusion, politically as well as economically, from making the key decisions in what are endlessly hailed as "democratic societies" in one and "people's democracies" in the other.

Wolff, Richard (2012) *Democracy At Work: A Cure for Capitalism*. Haymarket Books, Chicago.

This sense leads to resignation, deepening cynicism, and hostility among many workers. Such feelings express themselves in massive disinterest in politics and in economics - beyond securing the weekly paycheck.

Endless exhortations about the need to be involved and concerned and to participate in civic affairs become raw material for comics. Reactionaries transform those empty exhortations into imaginary “good old days” that would return if only their political projects were achieved.

Democracy and Crises

The historical irony is that the exclusion of the mass of workers from economic and political directorships also ends up costing private and state capitalism massively. Both variant of capitalism worked their way into major crises in part because of that exclusion; both had serious problems emerging from those crises for the same reason.

For example, during the Great Depression, the combination of basically conservative Republican and Democratic political leadership allowed the 1929 crash to descend, by 1933, into 25 percent unemployment, mass impoverishment, and impending economic collapse.

However, the mass of workers were then, exceptionally, able to break out of their resignation, cynicism, and despair. Under the leadership of the Congress of Industrial Organizations and socialist and communist parties, they channeled their energies into a unified, focused, and mobilized counterhegemonic push.

Roosevelt had drastically to change course. He was pressured from below to approve massive expenditures to benefit the bottom of the economic pyramid. This version of “trickle-up” economic policy, paid for in significant part by taxes on corporations and the rich, worked far better to moderate the crisis than the prior trickle-down policy had done.

Private capitalist hegemony had weakened enough to enable a serious counterhegemonic thrust to get far enough to force a basic change in economic policy, if not to challenge capitalism as such. To take another example, consider the second major capitalist collapse in the last seventy-five years, the one that began in 2007.

For three decades before the crisis began, private capitalist hegemony was strong enough to roll back much of the social democratic welfare state regime installed by Roosevelt. That hegemony radically altered the distribution of wealth and income, returning the country to pre-1929 extremes of inequality.

The predictable atrophy of consumer demand when real wages stopped rising in the 1970s was postponed by a debt explosion that hit its limits in 2007. In short, the economic effects of private capitalist hegemony contributed to a crisis of capitalism.

Likewise, the political effects of that hegemony steadily destroyed the labour movement, as well as the communist and socialist parties that combined to produce the counterhegemonic thrust that turned Roosevelt around.

So in recent years, despite a deep and lasting capitalist crisis, we remain tethered to a trickle-down economic policy. Finally, to take an example from state capitalism, consider the economic crises that erupted in the 1980s in many actually existing socialisms.

Those crises mobilized a mass of workers who had accumulated unaddressed grievances against the state capitalists. partly because of their systematic exclusion from directing roles in the economy or in politics, their resentment could be mobilized in support of a return to private capitalism.

Wolff, Richard (2012) Democracy At Work: A Cure for Capitalism. Haymarket Books, Chicago.

In a sense, it was the reverse of a mistake made by so many in the C I O and in socialist and communist parties in the 1930s who saw a shift to state-managed capitalism as the solution to the problems of private capitalism.

The outcome of the crises in state capitalism might have turned out far differently if workers there had understood their system as a state form of capitalism. Such an understanding might have rallied massive support for a very different response to the state capitalist crises of the 1980s.

That response would have argued that what failed in actually existing socialisms was neither state ownership of the means of production nor state planning. What failed was the basic organization of production.

Actually existing socialism failed to transform the internal capitalist organization of its enterprises into W S D Es. Thus, when crisis hit, angry and disaffected workers were resentful and uncooperative with the top-down measures imposed on them to cope with the crisis.

Those workers could not overcome decades of exclusion and organize to support an alternative strategy for overcoming crisis. They could not see their way to advocate a policy for state capitalist crisis that stressed transition to W S D Es.

Working class forces in private capitalist countries had been unable to respond to their grave crises by advocating transition to W S D Es in the 1930s. Working-class forces in state capitalist countries proved similarly unable to push for such a transition in the 1980s.

It is time for those forces to put forward this micro-level demand and add the transition to W S D Es to their agendas for social change.

W S D Es in Modern Societies

Whether W S D Es are created as new enterprises or as products of transitions from differently organized enterprises, they will enter into complex relationships with the larger societies in which they develop. As enterprises, they will necessarily interact with other enterprises, both other W S D Es and enterprises organized differently - capitalist or otherwise.

They will need to deal with government at all levels. They will likewise interact with consumers and, more broadly, politics and culture. First, the physical inputs of W S D Es may need to be obtained from other W S D Es or from non-W S D Es. Likewise, the outputs of W S D Es may well become physical inputs for other enterprises, both W S D Es and others.

In short, every society in which W S D Es emerge will need to organize its inter-enterprise flows among and between W S D Es and differently organized enterprises. Market exchanges negotiated by the enterprises would be one way to organize such flows, government planning would be another, and all manner of combinations of market and planning would provide a large menu of distributional mechanisms.

The Competitive Success of W S D Es

Before exploring these relationships, it may be useful to consider claims that competition between capitalist and noncapitalist enterprises necessarily must lead and always has led to the same result: dominance of the former and disappearance of the latter.

Such notions of some inherent unidirectional nature of economic development are common. Thus, for example, monopolies are said to destroy competition and big business to make small businesses disappear. However, neither theory nor historical evidence supports these notions.

Monopolistic enterprises around the world spend billions annually to secure their monopolies precisely because most understand their fragility. Monopolies can be and often are lost and replaced by competition in their respective industries.

The same applies to shifts between large and small business organizations. Just as small retail stores disappeared in the wake of chain stores and mega-stores like Walmart, something like the opposite happened for upper-income groups and for the poorest.

The latter two groups shopped more and more in small retail outlets: boutiques for the upper-income group and “convenience stores” for the poorest. In many countries, medium and small businesses succeeded in securing subsidies, tax exemptions, and other government supports equal or greater than those secured by big businesses.

They thereby reversed and arrested transitions from smaller to larger business units. If W S D Es organized mutual support and sufficient political strength, they too might prevail in competition with capitalist enterprises.

The same result might follow if workers in W S D Es prove to be more productive than capitalist employees. If W S D Es sharply reduce the remuneration of managers, eliminate dividends, and use those funds instead for technological innovation, they might thereby outcompete capitalist enterprises unwilling or unable to do likewise.

Successfully differentiating their products as being associated with democratic, noncapitalist work organization might help W S D Es to gain a competitive advantage over capitalist enterprises relying on conventional advertising.

Throughout the history of capitalism, when some communities established non-capitalist enterprises, these have sometimes shown themselves quite capable of successfully competing with capitalist enterprises.

The best example today is the Mondragon Corporation in Spain, with more than eight-five thousand worker-members and a fifty-year history of growth. Of course, sometimes the competition between capitalist and noncapitalist yields the latter's defeat.

The point is that no intrinsic or necessary outcome of that competition is discernible or logical. The complex of economic, political, cultural and natural conditions will combine to determine both the emergence of W S D Es in modern capitalist societies and the outcome of competition between them and capitalist enterprises.

Among those conditions are the contending ways in which citizens in those societies understand W S D Es and their relationship to capitalism. Depicting W S D Es as somehow intrinsically unsuccessful competitors of capitalist enterprises serves to exclude W S D Es from public consideration as alternatives to capitalism.

It shuts off comparisons of W S D Es strengths and weaknesses with those of capitalist enterprises. The effort to ban debate over alternative enterprise organizations in economics has historical parallels in politics.

For example, monarchists sometimes insisted that representative democratic government was unviable and impossible: it would necessarily dissolve into anarchy, requiring reversion back to monarchy. There was thus no point in debating the strengths and weaknesses of monarchy versus democracy.

Similarly, those who today fear debate over W S D Es versus capitalist enterprises seek to prevent it by inventing an inherent nonviability of W S D Es.

When W S D Es and Capitalist Enterprises Coexist

The emergence of W S D Es into contemporary societies would have all sorts of implications for differently organized enterprises. Workers in capitalist enterprises where they are excluded from directing, where they are exploited, will react in a variety of ways to the presence and growth of W S D Es in their communities.

Technological innovations acceptable to capitalist enterprises may not be to W S D Es. W S D Es will attend to the quality of working conditions differently from capitalist enterprises. In short, the entrance of W S D Es into a society's mix of enterprises will change all of its economic processes and conflicts and thus its evolution.

The specifics of such changes will vary with the quantity of W S D Es, their locations, and how they interact with the rest of society. W S D Es and capitalist enterprises will, for example, manage their challenges and disappointments differently.

Consider a W S D E troubled by the problem of falling revenues. That W S D E could well decide to lower individual wages and salaries and thereby enlarge the surplus available to solve the problem. The workers who collectively lowered their individual wages would be the same workers who received and used the enlarged surplus to solve the problem.

In contrast, workers in a capitalist enterprise would more likely resist such a solution since other people the capitalists who exploit them would receive and decide what to do with any extra surplus realized by lowering individual wages.

Distrust accumulated from conflict and struggles between capitalists and workers would contribute to such a result. Thus, W S D Es and capitalist enterprises would likely find and implement different responses to similar enterprise problems.

One particular issue that often arises about W S D Es can be briefly addressed at this point. Could W S D Es ever attain the large size that has been reached by many modern multiproduct and multinational capitalist corporations?

And if so, should they? There is, in principle, no reason why W S D Es could not attain comparable size. The issue they would then face replicates the problem of political democracy with large populations. A local vote for mayor is different from a national vote for president, yet it has proved possible for representative political democracy to accommodate size.

A commitment to economic democracy will comparably find innovative ways to achieve democratic decision-making in larger bodies. W S D Es are most easily understood as relatively small enterprises where the workers functioning collectively as their own board of directors can personally know one another, gather in subgroups and plenaries, and reach reasoned consensus on directional decisions.

Yet if a W S D E is successful in its production, it may grow large. It will then face the same basic sort of issue faced by communities that grow or amalgamate into larger ones and yet wish to retain the representative democracy.

The large W S D E may find that its ways of coping with its large size introduces all sorts of problem, limits, and compromises into its workers' collective directorship. It may then face internal tensions over the relative advantages and disadvantages of large size.

Yet W S D Es can opt against large size. They can choose to limit their sizes to hold onto a preferred version of workers' self direction. Indeed, we might expect an ongoing tension within and among W S D Es in an economy because of differences among workers over the question of optimal enterprise size.

Some W S D Es might reflect movements toward amalgamation, while others dissolve into smaller enterprises. Much the same thing happens among nations. Switzerland has resisted movement toward European unification. Czechoslovakia split into two nations, while Germany unified its two parts.

Various European nations are more or less enthusiastic to merge into one Europe. Similarly contradictory movements exist on the other continents as well. Tensions and shifts between larger and smaller W S D Es will characterize large and small capitalist enterprises and large and small units in a global system of nation-states.

Different sizes among W S D Es will result from many forces. However, one key force will be workers' evaluations of differences between larger and smaller enterprises. In W S D Es, workers will decide how to resolve the benefits and costs of size.

In contrast, in capitalist enterprises, workers have little or no influence over this decision. In general, that disparity of influence has fueled the tendency towards mega-corporate capitalism, typically at workers' expense. The growth of W S D Es would change that.

W S D Es and the State: Economic flows

Like their capitalist counterparts, W S D Es would find in the state a provider of services needed for successful enterprise performance, a taxing power, and a regulator. Both kinds of enterprises would be concerned with increasing the quantity and improving the quality of state services useful for their activities.

Both would be concerned with maintaining or lowering the taxes charged to them. Both kinds of enterprise would be interested in adding, shaping, or removing state regulations according to their impacts on the achievement of their respective goals.

Sometimes, capitalist enterprises and W S D Es might find common ground - for example, in supporting the state's building and maintenance of transport facilities and other infrastructure, state funded research, public education, and so on .

However, W S D Es and capitalist enterprises will often make contradictory demands on the state. Struggles over state policies may become flashpoints of social tension between the alternative ways to organize production.

W S D Es will be concerned, as capitalist enterprises are, with what is taught in the public schools. In this case, the two kinds of enterprises will pursue sharply different goals. W S D Es will need schools to teach the benefits and modalities of collective behavior to prepare future workers for their positions in W S D Es.

They will want schools to develop the aptitudes and teach the skills of a worker who is also an enterprise director. Thus the curricula should stress how to recognize and diagnose the problems of the enterprise as a whole, to draw upon alternative analytical disciplines and theories to fashion solutions, to design short and long run plans for enterprise change and growth, to divide tasks into subtasks and coordinate those responsible for the subtasks, and so on .

In short, W S D Es need public schools to teach all students how to design and direct large group activities and how to give and receive orders within a community of equals.

Private and public schools for the rich provide education designed especially for directors, upper managers, and their professional staffs and allies. The bulk of public schools provide the basics needed by the mass of workers - reading, writing and arithmetic - as well as social conditioning to follow orders from directors and managers in capitalist enterprises.

In the widest sense, W S D Es and capitalist enterprises will find themselves in competition that goes beyond economics to draw in political and cultural institutions such as the state. The competing demands on public education, for example, will lead both sides to seek public support and political allies.

Each side will pressure the state to respond to its agenda for state policies, state expenditures, taxes, and regulations. The coexistence of W S D Es and otherwise organized enterprises will pressure each to outperform the other.

Each will seek state assistance in this quest. Each will be threatened by the successes of the other. The ideological celebration of competition typical in societies with chiefly capitalist enterprises may well become muted when that competition is broadened to include W S D Es.

W S D Es will differ from capitalist enterprises in the decisions they reach regarding the location of production. W S D Es will be less likely to solve the problems of their enterprises by relocating production to distant places.

The directors of W S D Es are the same people as the workers who would either lose their jobs by relocation or suffer its material and psychic costs. Plant closings, outsourcing, job exports, and so on would occur in extreme cases, and then only if accompanied by state support for all the adjustments involved.

Capitalist corporations might enjoy a competitive advantage over W S D Es due to their far greater flexibility about relocating production to take advantage of cheaper wages, lax environmental controls, and other profit opportunities.

This would likely provoke intense struggles between capitalist enterprises and W S D Es over how to assess the larger social costs and benefits of relocating production versus finding other avenues to solve enterprise problems.

To take one historical example: for many years, capitalists competed by hiring low-paid child labour and using air and water-polluting technologies. Eventually, mass oppositions made these strategies harder to pursue or, on some cases, illegal.

Capitalist had then to find other ways to solve their competitive problems. They complained bitterly that important means of competitive growth had been blocked. But eventually they either complied or else relocated to avoid compliance.

Many of those capitalists who stayed and complied found other competitive strategies, some of which proved more advantageous than child labour or toxic technologies ever had. The arrival of W S D Es would change the classic struggle over enterprise relocation between labour, unions, and left parties on the one hand, and on the other, capitalists demanding maximum freedom from state interference with their location decisions.

With W S D Es, there will be ongoing demonstrations of the viability and, in some cases, superiority of solving enterprise problems in ways other than relocation. The survival of W S D Es over time, especially in industries and regions that capitalist enterprises have abandoned, would undermine capitalists' arguments for their freedom to relocate.

Finally, we may anticipate the possible objection that W S D Es' commitments to retain and build on local production facilities and systems would "deprive" less developed nations of the industrial jobs that might otherwise have gone there.

Capitalist who arrive after having secured all sorts of costly local benefits from cash-strapped local governments thereby reveal themselves. They never lose their interest in new relocations possibilities. The historical record is filled with examples of the positive benefits of arriving capitalist enterprises being offset by the negative consequences of their subsequent relocation a few years later.

Rather than exporting the footloose capitalist enterprise model, all nations would be served better if we exported the W S D E model instead. Less developed countries, even more than the developed ones, need secure, stable jobs in enterprises that do not maneuver to get exemptions from regulations concerning wages, working conditions, and the environment.

If a genuine commitment exists to assist economic development in the places that need it most, the W S D E model would be far preferable to facilitating capitalist competitions and its "race to the bottom" among all economies.

W S D Es and the state: Political Flows

For an enterprise to be a W S D E, two defining conditions must be satisfied. First, there can be no exploitation - no appropriation and distribution of a surplus by anyone other than its direct producers. The collective surplus-producers are likewise the collective appropriators and distributors.

Second, there must be democratic direction of the enterprise by both kinds of its workers. Thus both surplus-producing and surplus-enabling workers must together, by collaborating democratically, make certain key directing decisions.

They must decide how big a surplus will be produced and how much surplus labour will be performed by the surplus-producing workers. They must also decide which outputs will be produced, how that will be done technologically, and where it will be done geographically.

Finally, they must also decide how the appropriated surplus will be distributed by the producers: in what portions, to whom, and for what purposes. To satisfy these conditions, a W S D E needs a board of directors that includes the two different kinds of workers: the surplus-producers and the enabler.

Such a board would allocate the task of appropriating and distributing the surplus to its subgroup of exclusively surplus-producing workers. That secures the absence of any exploitation within the W S D E. The entire board would collaboratively and democratically make all the other directorial decisions.

That secures democratic worker self-direction. Communities must live with the results of the decisions and activities of the W S D E. Also, W S D Es are affected by the conditions and activities of their surrounding communities and the directing decisions made by their governing representative democratic bodies.

The democratic values that animate the concept of and social movement for W S D Es require that the communities and the W S D Es become democratically interdependent. The governing principle should be

that residents and workers participate in each other's decisions to the extent that each is affected by the other's decisions.

If residents are organized in a representative democracy, their representatives should participate in directing the W S D Es with which they are interdependent. Likewise, all the workers within the W S D E should themselves participate in the decisions taken by residence-based governing bodies.

The particular modalities of this democratic codetermination between enterprises and residential communities will, of course, be worked out, challenged, and adjusted in ways the people involved will develop.

There will be tensions, debates, and struggles over those modalities, just as there have been over every other political system. However, these will reflect the specific conditions of W S D Es and democratically governed residential communities.

In societies where W S D Es are the prevailing organization of production, capitalists will no longer occupy a crucial political position. Capitalists' use of the surpluses will no longer dominate politics.

We will no longer have capitalists making political use of the resources typically at their disposal - the surpluses will be the appropriate. Instead, the community of workers who direct W S D Es will be the prevailing political partner of residence-based governing bodies.

Two different but overlapping communities - one worker-based in the W S D E and one residence-based, could then tie together economic and political democracy. They might finally realize democracy, which under capitalism was never allowed to go beyond very limited electoral formalism.

Program and Personnel for Increasing W S D Es

There are many ways to increase the presence and effects of W S D Es in modern societies. Most of these are ways to move forward in the United States by responding to today's political opportunities. Of course, those opportunities vary from place to place within the United States and beyond.

They are always changing.

A Federal Jobs Program

The capitalist crisis that descended on the world late in 2007 had left a long legacy of unemployment. In the United States, unemployment has roughly doubled and has so far resisted all efforts to return to pre-crisis levels.

Moreover, those levels are already staggeringly wasteful. Millions of unemployed workers coexist with more than 20 percent unutilized productive capacity. Enormous potential output was thereby lost in and by a capitalist system that needed to address pressing social problems.

Millions of homes have been foreclosed upon, educations interrupted, and relationships and health damaged by continuing high unemployment and underemployment. When the U.S. economy suffered its last major capitalist meltdown, President Roosevelt undertook a direct federal jobs program to reduce massive unemployment.

Since 2007, the alternative program preferred by both the Bush and Obama administrations have clearly failed to solve the problem. Another federal jobs program could make a major difference in overcoming

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or at least reducing the dysfunction of a capitalist system that cannot provide jobs for people who want and need to work.

Moreover, a federal jobs program could also provide new freedoms of choice and opportunity to workers by including W S D Es. Unlike Roosevelt's approach in the 1930s, a jobs program today should include provisions to provide founding capital to workers willing to co mmit to building W S D Es.

Learning from and adapting the example of Italy's very successful 1985 Marcora Law, which enabled workers to take over enterprises that were in crisis, the U.S. government could offer unemployed workers here a similar choice.

Instead of a period of receiving regular unemployment payments, they could choose to get the total of such payments in advance as intitial capital for a W S D E. The condition would be that they find a group of o ther unemployed people willing to make the same choice and pool the funds for the W S D E.

Many advantages could flow from such a program. It would use government funds not merely to sustain the unemployed but rather to assist their immediate, self-motivated transition back into productive employment.

It is therefore less a program costing new government funds than one redirecting existing funds to better outcomes. We could expect greater commitment to the success of such a W S D E by the workers involved, given that its failure would not trigger unemployment beenefits for the workers involved and that its potential benefits would go far beyond wages.

In addition, such an experimental program could provide people with concrete, immediately observable examples of W S D Es. They could examine and consider a different organization of productin - a personal work environment very different from the traditional, hierarchical capitalist enterprise.

For the first time in U.S. history, workers would begin to acquire some freedom of choice between alternative work experiences. For that freedom o fchoice to become real for most people, W S D Es w ould have to proliferate quickly from their beginning in this proposed federal jobs program.

No doubt, new W S D Es enabled by some adaptation of a Marcora-style law would require all sorts of government support. These might include, for example, technical assistance, subsidized or guaranteed credit access, temporary tax exemptions, preferential purchasing of W S D E goods and services by government agencies, and so on.

The rationale for providing such potential supports for W S D Es is much like the rationale for actual supports provided now to small businesses, minority-owned businesses, and businesses in less developed countries targeted for assistance: it is in our collective interest to do so.

In this case, the interest lies in moving toward genuine freedom of choice among altternative organizations of production: working within democratically organized W S D Es versus within capitalist enterprises.

Choice between different workplace experiences is not the only new freedom we can anticipate. With the spread of W S D Es, consumers would also acquire new freedoms of choice. For example, if markets were to be the means of distribution among enterprises and consumers, the coexistence of capitalist enterprises and W S D Es would allow consumers to choose between their respective outputs.

Much as U.S. consumers can now at least sometimes select products that are "organic", "fair trade", or made in alternative cou ntries, they could select products made in alternatively organized enterprises. If governments required product labels to reflect the organization of their production, consumers'

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purchases of W S D E versus capitalist commodities would be votes for W S D E and against capitalist enterprises.

Finally, consider the mutual gains from a possible alliance between supporters of W S D Es and supporters of a “green” New Deal. They might press jointly for a federal jobs program addressing both their goals.

Both of them could likewise join those concerned with other specific outputs of a federal jobs program might target. The political force of such an alliance might approach that of the alliance among the C I O and socialist and communist parties in the 1930s, which won the most massive federal jobs program in U.S. history, filling more than twelve million jobs between 1934 and 1941.

Alliances with Cooperative Movements

There is a long history in the United States and in many other countries of cooperative enterprises. In many cases, associations have been created and sustained over many years that serve various needs of these cooperatives.

A movement for W S D Es should seek alliances with the existing cooperative movement. Immediate campaigns for laws facilitating the growth and viability of existing cooperatives might be the basis for obtaining, in return, the support of existing cooperatives for the formation of new W S D Es.

For example, there might be a joint campaign for a U.S. version of the Marcora Law and a change in the tax code to ease the tax burdens on existing cooperatives. Business and other schools need to be encouraged to teach courses on co-ops as a form of business students can learn about and aspire to.

Finally, W S D E supporters should consider a common electoral effort. It would include, on one side, existing co-op organizations, their customers, and their sympathizers. On the other would be those newly drawn to W S D Es as a central part of the solution to capitalism’s crises and long term dysfunction.

Combining forces, they might well frame a program and campaign to elect candidates favourable to building up a large and growing cooperative sector of the economy.

Alliance with the Trade Union Movement

Unions struggling with capitalist employers need additional weapons to reverse their long decline in numbers and social influence. A new relationship with existing producer cooperatives and the social movement for W S D Es could help turn the tide.

Strikes, boycotts, and other actions against capitalist employers could be strengthened if there were institutions and mechanisms to provide the workers involved in such actions with a credible new strategic option.

Suppose that workers could actually stop working for an unsatisfactory capitalist employer and easily work instead in a cooperative setting. Suppose that long before grievances with particular capitalist grew into such actions, labour unions began working with existing co-op institutions and the social movement for W S D Es to prepare them to better compete with capitalist enterprises.

Suppose that small, modest producer co-ops were established. Capitalist enterprises would have to worry about such noncapitalist competitors not only in terms of the price and quality of their competing outputs and their potential growth.

They would have a new concern: competition with an enterprise that offers an alternative internal organization, a different work experience, and a different vision and path to a new economic system. Under these conditions when capitalists provoke, threaten, or impose strikes, lockouts, plant closings, or relocations, they will face a new response.

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instead of anxious workers and unions deciding between caving in or calling the capitalist's possible bluff, their alliance with co-ops and a movement for W S D Es gives those workers and their union a new weapon in their struggle.

They are ready to take over and operate the plant or enterprise. They have assembled the expertise, built up their members' awareness and excitement about such an endeavour, cultivated connections with other co-ops locally, nationally, and internationally, and perhaps even built up capital reserves to counter-threaten capitalists in a new and potentially economy-changing way.

Co-ops, labour unions daily battling capitalist employers, and the fast-multiplying critics of capitalism revealed and inspired by the Occupy Wall Street movement could fashion a new version of the past alliances of unionists and progressives.

This time the alliance could coalesce around concrete alternative workers' institution - W S D Es - developing alongside unions' struggles with capitalist employers. The October 2009 announcement of an agreement between the United Steelworkers Union and the Mondragon federation of producer cooperatives in Spain represents an initial, important interest in some of these possibilities.

Many more alliances along such lines should be explored.

The "Organic Intellectuals" of the W S D E Movement

The Occupy Wall Street movement mobilized a sizable number of younger workers. They have been shocked, depressed, and angered by the results that contemporary capitalism has been delivering to them for decades.

They had anticipated and schooled themselves to qualify for jobs, incomes and lifestyles that are no longer available and are not about to return anytime soon. The revenge of the right wing was to mobilize its constituents to reject, and if possible erase, what it demonized as the "liberalism" of the 1960s and the remnants of the New Deal.

The right promised that prosperity would follow the political ascendancy of neoliberal economics. It promised a return to an idealized "good old days" based on reversion to a social conservatism built on religious fundamentalism.

Capitalism's latest phase of globalization since the 1970s needed to control the state in its service and therefore required a mass political base. The Republican Party gathered the usual white, conservative, rural, suburban, small business, and variously nativist groups to secure that base.

But most of its constituent parts were shrinking in size and commitment to the party. Only the socially conservative religious fundamentalists were growing and seemed willing to provide militants in support of the Republicans.

At the same time, stagnant real wages after the 1970s, the lengthening work hours of ever more family members, rising personal debts, and shrinking unions contributed to draw the mass working-class base of the Democratic Party away from political activism and engagement.

The party became more dependent on financial support from big business and proved unable or unwilling to prevent right-ward political shifts in government policies. From a high point of intense activity in the 1960s, broadly left and center-left movements went into deep decline, their leaders and militants often drifting into inactivity or depression.

The collapse of actually existing socialisms around the world in the late 1980s and after reinforced the decline. There seemed no alternative to a resurgent private capitalism trumpeting its inevitability even more loudly and self-confidently than communist leaders in Eastern Europe had declared theirs a few years earlier.

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However dispirited it became, the left in the United States never disappeared. Leftists watched after the 1970s as virtually every critical prediction of capitalism's destructive tendencies were realized. These included concentration of capital into ever-larger units, rampant financialization, and imperialism, as well as wars, speculative bubbles, and massive capitalist crises.

Anger and frustration accumulated on the left. With the stunningly rapid national and even international spread of the Occupy Wall Street movement in late 2011, an explicit protest movement began to crystallize.

The Occupy movement broke through decades of left resignation about the possibility and potential mass support for challenging the resurgence of private capitalism. The Occupy critique focused on capitalism's unacceptable concentration of wealth and power.

It explicitly welcomes and articulated direct challenges to capitalism. It reopened communication with the declining labour movement in the interests of active collaboration and mutual reinforcement. It reopened connections with and reactivated interest in what needed to be learned from older anticapitalist movements.

Occupy opened an explicit debate about the social costs of capitalism. In the United States and beyond, the capitalist emperor's latest outfit stands revealed. The systemic question "What is to be done?" is on the agenda again.

Occupy opened the space for and the urgency of that question in millions of minds. And if the experiences of the first wave of socialism in the twentieth century are not the models for today, then what about them is worth preserving, rejecting, or redesigning today?

What new contributions to conceiving a postcapitalist alternative can help focus and build upon what Occupy Wall Street began? Part of the answer to these crucial questions is the concept of and movement for W S D Es, which can speak to those active in or inspired by Occupy struggles precisely because W S D Es emerge from but also go well beyond traditional socialism.

W S D Es represent a basic critique of capitalism - both private and state - and also a concrete alternative to them. However, the analyses that show and elaborate these points need to be developed and disseminated.

A new W S D E-based social alternative needs its "organic intellectuals" if it is to be realized. By organic intellectuals, I mean, in part, those excited by W S D Es as possible centerpieces of a new social movement for modern societies.

I also mean individuals inclined and skilled enough to find effective means to communicate their excitement and thereby build such a movement. On the one hand, the left needs and desires to be concrete and practical, to have its feet on the ground, with direct responses to people's immediate needs and solutions for today's problems.

On the other hand, it needs to have and project its utopian dimensions. Those include its visions for what could solve not only today's problems, but rather the underlying structural conditions that keep regenerating them.

Utopian dimensions also include a clear vision of an alternative set of structural conditions that people believe might work and are therefore worth fighting for as an alternative to a deteriorating status quo. Capitalism has generated its own organic intellectuals.

In the United States and elsewhere, academic departments of economics have worked to train them at both undergraduate and graduate levels. Undergraduate courses focus chiefly on capitalism's

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extraordinary excellence in allocating scarce resources among competing demands and generating income distributions that justly reward all contributors to production.

Graduate economics programs elevate such utopian claims into formalized models that claim to show how and why capitalism yields a general optimally efficient equilibrium that maximizes the welfare of all market participants.

The organic intellectuals of the W S D E movement can present both practical possibilities and utopian visions of a socialism that is far more democratic than the standard examples from the twentieth century. By doing so, they may be able to persuade the occupy movement and the millions it has engaged that W S D Es belong on the agenda for social change.

The program for increased W S D Es needs to support and build the meetings, discussions, courses and centers that can generate and train organic intellectuals.

A New Independent Political Party

As W S D Es grow and proliferate, they will acquire and develop organic intellectuals who produce and elaborate their criticisms of capitalism and their programs for social alternatives. Given contemporary capitalism's difficulties, support will likely broaden and deepen a struggle for basic social change that includes W S D Es as a major component.

The conditions will thus emerge for a political party to advocate such change and contest for the governmental power to accomplish it. No existing major party shows the slightest inclination to go in such a direction.

Small left parties may do so, singly or in groups. Or perhaps a new independent party will need to be developed. In either case, modern electoral arenas are simply another place where social criticism and advocacy for W S D Es should be articulated.

Political parties can achieve legislative gains for the social expansion of W S D Es. Elections and representative legislatures are not the only or necessarily the central locations for struggles over social change, but leaving them to the enemies of the movement for W S D Es is tactically unnecessary and strategically unwise.

Conclusion

The word "cure" in this book's subtitle deserves a qualifying comment. It does not mean some state of completion, some end to problems, contradictions, and further change. On the contrary, it means moving from one set of problems that have become increasingly unbearable to a new and different set that we prefer.

W S D Es will no doubt have contradictions and tensions. The people caught up in them will struggle over them, much as people have struggled in and over capitalism's contradictions. However, the struggles over W S D Es will differ from those over capitalist organizations of production because they will no longer involve the tensions and conflicts between those people who produce and those who appropriate the surpluses.

Similarly, because a system of W S D Es will likely have much less inequality of income among participants in the work of enterprises, that inequality too will figure far less prominently in its struggles.

To consider a historical parallel, the cure of emancipation for slavery did not mean that ex-slaves put economic or other problems behind them. They no longer struggled over the problems associated with being the property of other persons; instead they engaged with new problems.

Wolff, Richard (2012) *Democracy At Work: A Cure for Capitalism*. Haymarket Books, Chicago.

In the United States, that meant entering into a capitalist system and confronting new forms of racist violence and economic exploitation and exclusion. Struggles in and over capitalism replace the old struggles in and over slavery.

Yet a clear global consensus accounts the transition from slave to capitalist systems as a major monument to progress, one that should be extended and made irreversible. Recognizing the limits and contradictions of transitions from one economic or social system to another can usefully accompany passionate commitment to such transitions.

Those who earlier saw the needs and reasons to move beyond private capitalism to various sorts of state capitalism included many who prematurely declared that the socialism of their dreams and the forms of state capitalism that actually emerged were the same.

But there were always also those who saw the contradictions and limits of state capitalism and questioned their equation with socialism. The history of private and state capitalism over the last century and the accumulated dilemmas of both now offer us strong reasons and evidence to believe that we must and we can do better.

Examining the limits of both kinds of capitalism returns us to their shared commitment to an internal organization of production based on exploitation, inequality, and hierarchy. That organization's persistence played a major role in preventing state capitalism from evolving into the genuine alternative to capitalism so many hoped for - and paved the way for reversion to the less-regulated neoliberal capitalism that now provokes intense social conflicts across the globe.

The transition of enterprises from their capitalist internal organizations to the genuine alternative of W S D Es emerges as a new program out of the history of capitalism over the last century. The elaboration and clarification of W S D Es in theory are one part of a way forward now.

Another part is the concrete practical establishment and expansion of W S D Es. Together, the theory and practice of W S D Es compose a powerful and attractive program that belongs on serious agendas for social change today.

