

## Alternatives to Capitalism

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[crs.sagepub.com](http://crs.sagepub.com)**Richard D. Wolff**

University of Massachusetts Amherst, USA

The worsening social pains of government austerity programs now intensify the vast social suffering caused by the crisis since 2007. Beyond this especially severe business cycle, longer term trends show capitalist mega-corporations moving blue and white collar work to lower wage regions far from the former centers of capitalist production (the USA and Western Europe especially). Profit and competition prompt such relocations. Modern telecommunications enable supervision of far-away factories, offices, and stores almost as easily as those nearby. In the US, what capitalist corporations began decades ago, abandoning urban centers like Detroit, Cleveland, and so on, is now being extended nationally.

In response, especially across Western Europe and the US, the last five years have renewed the critical questioning of capitalism as a system. Contemporary social movements such as Occupy Wall Street have been much quicker and more determined to target capitalism explicitly than has been the norm for social movements since the late 1940s. Sales of Marx's writings have soared. Renewed interest in socialism and socialist parties is widely in evidence. Anarchist rejections of capitalism are in vogue. Public opinion polls show widespread antipathy toward 'capitalism' and equally remarkable positive attitudes toward 'socialism'.

Factors enabling criticisms of capitalism in the US include the waning of anti-communism as national paranoia, the end of the Cold War, and the fading of its legacies. Criticism is especially provoked by the global crisis of capitalism since 2007. Clearly, the current crisis emerged from the system's internal contradictions; it was not caused by any external enemies.

Discontent with the social status quo not only fuels but also largely defines most contemporary critiques of capitalism. However, after some time of feeling and showing opposition to the status quo, increasing numbers demand some concrete, feasible alternatives to capitalism. They see the limits of proposed reforms (regulations, laws, monetary and fiscal policies) in the history of capitalism since the Great Depression of the 1930s. They view that history as proof of the impermanence of such reforms and their inadequacy to prevent crises, deepening inequalities, and most of the other ills long associated with capitalism. They see the need to question and challenge capitalism as a system.

However, they also wish at least to complement opposition to capitalism with some positive affirmation of a better alternative. Critiques of capitalism, its crises, and the inadequacy of 'solutions' such as bailouts, more regulations, and austerity have matured significantly across the last five years. They increasingly include explorations and advocacy of transition from capitalism toward systemic alternatives.

However, traditional socialism and communism, as exemplified in the USSR, the former Eastern Europe, and the People's Republic of China, are not widely accepted as desirable alternatives. This reflects partly their actual histories and partly their demonization by the last 70 years of hegemonic

anti-communism. The classical dichotomy pitting private property and markets (defined as capitalism) against national property and central planning (defined as socialism or communism) seems increasingly secondary to critics of capitalism today. Those critics sense that government ownership of productive property and central planning may not be necessary and are surely not sufficient to secure the socialist alternative to capitalism they had hoped for.

Yet they also return to and re-examine Marx's and the major Marxist theorists' critiques of capitalism as the richest resource of critical insight. They are searching for insights into alternatives to capitalism that would differ from the Soviet and Chinese examples. One major recent focus has been on Marx's stress in *Capital* on the production and distribution of surplus located in productive enterprises. This micro-level focus suggests that the alternative to capitalism – where one group of people produces a surplus while a different group appropriates and distributes it – would be enterprises in which the producers of the surplus are also collectively its appropriators and distributors.

The transition from the capitalist organization of the surplus (what Marx defined as 'exploitation') to a non-exploitative organization of the surplus *inside enterprises* was neither the theoretical nor practical focus of Soviet and Chinese communist revolutions. They remained focused chiefly on the macro-level issues of private versus socialized property ownership and market versus planning distribution mechanisms. I have elsewhere examined the salience of this shift of emphasis from macro- to micro-level alternatives to capitalism and applied the results to the rise and fall of the USSR (Resnick and Wolff, 2002). We show there how and why state ownership and planning can be exploitative and oppressive: a state capitalism masked or misidentified as the socialist alternative to capitalism.

In other words, something other (or more) than the ownership of means of production must change (from private to state) if transition to another, basically different, economic system is to occur. Likewise, something other (or more) than the distribution mechanism must change (from market exchange to planning) if such a transition is to occur. What changes must redirect the economic, political, and cultural behaviors of enterprises, individuals, and governments onto different tracks yielding a better system than capitalism?

The demands for concrete alternatives to capitalism and the critiques of classical socialism and communism from the left have coalesced into renewed interest in and new conceptions of *cooperative* enterprises. The idea is simple. Major enterprise decisions are no longer to be monopolized by the major shareholders and the boards of directors those shareholders select. That norm in capitalist corporations is to be abandoned. Instead, workplaces/enterprises are to be democratized. Workers are to become, collectively, their own board of directors in fully cooperative enterprises. As such, they would democratically make the major enterprise decisions. They would decide what, how and where to produce and they would distribute the surpluses (or profits) generated in and by their enterprise.

Such workers self-directed enterprises (WSDEs) already have a well developed website, [www.democracyatwork.info](http://www.democracyatwork.info), devoted to them. It shows past and present examples of functioning WSDEs, examines how they are formed, the problems they encounter, the solutions they have tested, the advantages over capitalist enterprises they offer, and so on. The website provides a continuously expanding bibliography, research papers on WSDEs, frequently asked questions about WSDEs and responses to them, links to the many organizations of cooperative and collective enterprises that now engage many millions, and so on. Other websites making parallel contributions are proliferating.

WSDEs represent the goal of a transition beyond capitalism at the micro-level, inside the enterprises that produce the goods and services upon which modern civilization depends. In such a transition, workers are activated continuously. They must change the structure of decision-making

inside the enterprise and then sustain the new structure. Workers in WSDEs retain ongoing responsibility for the enterprise's successful functioning. To that end, they must overcome the complex social resistances to establishing and sustaining democratic workplaces. These resistances include far more than the private ownership of means of production and various market mechanisms. They include the many features of the economy, politics, and culture that, over many years, adjusted to become supportive of the capitalist structure of enterprises. In politics, the executive, administrative, and judicial branches of government at local, regional, national, and international levels need major changes to become supportive instead of WSDEs. The same applies to cultural institutions such as schools, mass media, and so on.

For example, consider school systems whose elite institutions have long been geared to educate future top executive layers of capitalist corporations. Those institutions teach the skills and habits of enterprise overview, direction, design, and top management. School systems would have to reorient and redesign curricula and differently prepare teachers if their social role were to equip *all* workers to perform the directorial functions assigned to *all* within WSDEs. To take another example, laws governing the ownership of enterprises (whether ownership be private or public, centralized or decentralized, individual or collective) will need to be changed such that all ownership must respect the rule that all productive workers are also and exclusively members of an enterprise's board of directors.

WSDEs organize economic decisions to serve the interests of the majority of people in each enterprise, the workers. They eliminate the decision-making roles and positions of that minority that rules inside capitalist enterprises (major shareholders or owners and their chosen representatives, typically boards of directors). More broadly, the people themselves – in the persons of enterprise workers and residents of communities interdependent with the enterprise – become the key economic decision makers. Inside the enterprise, the workers become their own board of directors. As such, they receive and distribute the surpluses (profits) their labor generates. That defines the end of exploitation: *the end of any enterprise organization in which the producers of surpluses/profits are different people from those who obtain and distribute such surpluses/profits.*

The set of decisions to be made by self-directing workers also includes determining what the enterprise will produce, which technology it will use, where production will occur, and who will receive what portions of the distributed surplus. All workers in an enterprise will democratically participate in reaching those decisions. In addition, because those decisions impact particular residential communities, the democratic governing institutions in those communities must also participate in reaching enterprise decisions. Likewise, because those communities make decisions impacting enterprises, the latter's boards must participate in reaching community governance decisions. The entire structure and operation of economic and political decision-making will need to be reconstituted. To realize an economic system based on WSDEs, democratic decision-making will become a mutual codetermination by workplace and residential communities.

Inside WSDEs, workers as individuals will receive and dispose of their wage and salary incomes. As likewise members of the enterprise's board of directors they will dispose of its surplus or profits. Since the state's revenues and hence its ability to function depend chiefly on taxes drawn from wages, salaries, and enterprise surpluses/profits, the state finally becomes dependent on and thus ultimately accountable to the people economically. That provides the necessary economic counterpart to the state's dependence politically via universal suffrage. That counterpart enables real democratic accountability in society for the first time.

Capitalism blocked such accountability, the realization of democracy, in large part because it made the state and most political parties particularly dependent upon and accountable chiefly to a small minority. That minority comprised capitalists and those (top executives and major

shareholders) made rich by capitalists' distributions of surplus to them. By means of a transition from capitalism to WSDEs, economic democracy partners with and thereby transforms political democracy from its so far merely formal status into a reality.

Political democracy has been repeatedly limited, constrained and corrupted by capitalism. That happened because political democracy based on universal suffrage *could* redistribute or reclaim politically the profits concentrated in capitalists' hands by the functioning of the capitalist economic system. Majorities by their votes *could* negate capitalism. To prevent that, capitalists had to control politics. Their financial and related resources bought politicians, parties, mass media, lobbyists, think tanks, public relations experts, etc. With capitalism, democracy thus remained mostly formal, a much venerated veneer covering the absence of real democracy. To become real, political democracy must be intertwined with economic democracy inside enterprises.

WSDEs' decisions would also likely transform the economic and political landscapes of modern societies. For example, the personal distribution of income and wealth in those societies depends significantly on the distribution of the surplus generated by enterprises. Boards of directors and major shareholders now determine what portions of that surplus are paid out as dividends and interest to stockholders and bondholders. They likewise determine the pay packages and bonuses given to top executives. In WSDEs, it is extremely unlikely that worker-directors would pay huge sums to a few top executives while most workers have difficulties covering basic family expenses. Likewise, they would have different attitudes toward dividend and interest payments out of surpluses. In short, personal income distributions would likely change significantly toward greater equality.

WSDEs would also likely differ from capitalist corporations in how they evaluate alternative technologies and product mixes. Major shareholders and boards of directors today, often located far from actual production sites, can insulate their families from many toxicities associated with alternative technologies and alternative final products. Capitalistically organized enterprises often choose a technology or a product for production that boosts the firm's bottom line even if it has toxic effects. In contrast, decision-making within a WSDE would be less likely to do so since its workers, their families, and communities could less easily evade those effects.

Major shareholders and their boards of directors have traditionally valued profits over most other dimensions of the work process and their negative impacts on workers, residential communities, or the environment. Worker-directors in WSDEs, being as personally influenced by the work process as by its profits, would evaluate the totality of the enterprise rather differently. They would make countless enterprise decisions differently and thereby generate altogether different lives for themselves, their families and communities, and the environment.

WSDEs represent an attractive micro-level alternative to capitalism, especially where it is now crisis-cum-austerity ridden and declining. They do so whether or not paired with capitalism's classic macro-alternatives: socialized productive property and economic planning. WSDEs offer a positive complement to the criticisms of capitalism that have returned to public discussion in the wake of the crisis since 2007.

## Reference

Resnick S and Wolff RD (2002) *Class Theory and History: Capitalism and Communism in the USSR*. New York, NY and London: Routledge.