

# Bridging Utopia and Pragmatism to Achieve Direct Economic Democracy<sup>1</sup>

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## ABSTRACT

Owing to a poverty of vision anarchists are failing to bridge the gap between utopian economic models of society and reality – theory and praxis. The result is a de facto acceptance of the basest systems as ‘pragmatic’. Direct economic democracy, also known as libertarian socialism, is attainable but only in ways that connect to the experiences of daily life. By modifying existing institutions of production it is pragmatically possible to achieve societies resembling distant utopias. One of my proposals is that the top corporations have half their boards of directors filled by lottery from the demos modelled on the jury system, the other half by workers of the company. Here, citizens and workers would set corporate policy which affects society at large. My second proposal is to establish a standard national wage, leading to increased economic efficiency and development. These changes are possible only through critical pedagogy and radical direct action but the possibilities have been demonstrated by US labour and civil rights history.

**Key words:** *Radical Social Theory, Social Justice, Political Economy, Social Change.*

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## INTRODUCTION

The birth of market fetishisation was recorded and discussed by classical theorists including Durkheim, Marx and Weber. This commodification of society was not complete simply because those with capital dominated society’s institutions. Rather, market fetishisation of nineteenth-century capitalism extended to the bourgeoisie as a class. In contrast, tomes of labour history, including classic works of the aforementioned theorists, make clear that the average worker wanted as little to do with the forces of the free market as possible. There was a high level of class consciousness

amongst workers, though it was not always articulated. As a result, the domination of culture by capital was resisted. The victory of market ideology was complete in the twenty-first century, having become the common point of reference for understanding social issues. While radical coalminers shot back at capitalists during the 1900s Coal Wars, working Americans now shout pro-capitalist slogans on the way to the food lines or Tea Party rallies.

Unfortunately, much blame for this reversal can be apportioned to the bankruptcy of left ideologies. On the pragmatic side, too many groups on the left spend time developing public policies that could barely be considered even reformist. For example, one of the most respectable left economic think tanks, the Economic Policy Institute, provides great analyses of economic data but its prescriptions for reform rarely extend beyond recommendations for tweaking the tax codes or reviewing levels of stimulus spending. On the theoretical side, the few remaining left critical theorists still often prefer to expend their energies in sectarian debates instead of developing workable models for change. Similarly, utopian theorists pour over things that are alien to the average person. Who in the general population has even heard of 'Really Really Free Markets'? The final problem is the left's ideological rigidity, often exhibiting a naïveté about socioeconomic systems and how they change. Some left groups even think epochal transformation happens like the big bang: instantaneously through a 'great strike' or 'revolutionary moment'! Did feudalism appear in this way from antiquity? Did capitalism appear in its fully developed form in a fortnight? No. Any historian will tell you all this is a result of historical processes, often historically contingent. There is room for a different way of thinking about transformation. The changes we should be considering are the intelligent moves that will unfold historically in the direction of social equality, in this case direct economic democracy.

There are qualitatively different types of reform, those that keep the system intact e.g., anything coming out of congress or the White House and those that transform it as proposed here. This brings us to the core issue of what we mean by 'anarchy' and 'radical change'. Anarchy, to me, ultimately means egalitarianism coupled with social responsibility in contrast to right-wing libertarianism. And the pace of change is not central to the consideration of its radicalism. According to Dahrendorf (1959) societal change can be both revolutionary (sudden) and evolutionary (gradual) measured by the extent to which personnel in positions of domination are changed. He imagines a continuum ranging from total change of personnel to no change. In turn, what he calls radical change can range on a continuum from sudden to evolutionary. Thus 'revolutionary change' could refer to and is used interchangeably in the literature to describe both sudden and radical change – although it can be evolutionary and might be equally radical in its effects.

As mentioned, theoreticians often confuse radical and sudden change to be one and the same when they are not. Radical change is positively correlated with the intensity of class conflict. According to Dahrendorf, 'intensity refers to the energy expenditure and degree of involvement of conflicting parties. A particular conflict may be said to be of high intensity if the cost of victory or defeat is high for the parties concerned' (1959: 212). Sudden change is positively correlated with the level of violence. According to Dahrendorf:

The violence of conflict relates rather to its manifestations than to its causes; it is a matter of the weapons that are chosen by conflict groups to express their hostilities. Again, a continuum can be constructed ranging from peaceful discussions to militant struggles such as strikes and civil wars ... The scale of degree of violence, including discussion and debate, contest and competition, struggle and war, displays its own patterns and regularities. Violent class struggles, or class wars, are but one point on this scale. (Dahrendorf 1959: 212)

Although sudden and radical change can occur together, as with high levels of violence and intensity, these concepts can be disentangled.

As well as helping to shed light on the nature of radical transformation, Dahrendorf's analysis also illustrates the space that exists for critical pedagogy in struggle. The intensity of conflict shows precisely where these pedagogies become indispensable as a means to build class consciousness (Freire 2000, McLaren 2006). The work of Antonio Gramsci (1971) on the importance of developing a counter hegemony and the role of organic intellectuals is also relevant here.<sup>2</sup>

As a starting point, my claim is that we cannot expect ordinary people to instantaneously adopt a fundamentally different socioeconomic system that is alien to them. Rather, as Gramsci argued, we need to develop alternative models of society while demonstrating why and how these would be preferable to the status quo, thus eroding its legitimacy. In addition, he argued that people would need time working within these new models, to appreciate their feasibility and gradually become accustomed to the new structures. Only then would they be willing to act toward transformational change.

Gramsci's point was that if a counter hegemony grows large enough, it is able to incorporate and replace the historic bloc into which it was born.<sup>3</sup> Gramscians use the terms 'war of position' and 'war of movement' to explain how this is possible. In a war of position a counter hegemonic movement attempts, through persuasion or propaganda, to increase the number of people who share its view on the hegemonic order. In a war of movement, once the counter hegemonic tendencies have grown

large enough, it becomes possible to overthrow, violently or democratically, the current hegemony and establish itself as a new historic bloc.

It is in the context of Dahrendorf's and Gramsci's work that the proposal to fill the boards of directors of major corporations with randomly selected citizens and workers of the enterprise is made. In Dahrendorf's terms, totally replacing personnel in these positions of domination (corporate boards) would be a sudden, therefore, revolutionary change, more or less violent, leading to a radical end, although it may not seem as such, while avoiding the total destruction of existing institutional arrangements and the chaos that that would create in everyday life. Such a change inside corporate boardrooms would contribute to a wider process of evolutionary radical revolution.

Critics might ask: how radical is the change and is it any different from reformism? To be sure, the proposal looks different to theoretical anarchism found in academic literature. But this is an ideal type, as separate from reality as the theoretical ideal-type capitalism of classical economics.<sup>4</sup> My proposals are a form of what R.K. Merton termed theories of the middle range,<sup>5</sup> which will bring us as close as possible to a functional state of egalitarianism as a definition of anarchy. Those espousing ideal theoretical models will be disappointed.

## **A PRAGMATIC PATH TO DIRECT ECONOMIC DEMOCRACY**

Outright expropriation of productive property is synonymous with political revolution assuring the state's violent reaction. There is however a pragmatic alternative that would be difficult to achieve yet attainable and as revolutionary in its consequences: demanding that half the board of directors of all major corporations are filled through statistically random selection e.g., by lottery from the demos, and half from the employees of the firm. In general, lottery schemes are not new. Ancient Greeks used lottery systems to fill certain public offices. In modern times various theorists have proposed random selection of decision makers on grounds of fairness and egalitarianism (Burnheim 2006, Carson and Martin 1999). Here I extend the concept to 'workplace democracy'.

The lottery challenges the principle of representative democracy, engrained in liberal systems, though it retains a representative aspect. Specifically, representative democracy is founded on the principle of a smaller number of elected people *representing* a larger group in decision making. In contrast, under direct democracy people decide and vote directly for themselves. In representative democracy, candidates promise the electorate that they will vote a certain way on issues and, if elected, are expected to represent that constituency, although in reality they may not and

vote as they wish. Here the elected representatives claim to 'speak for' others. In terms of anarchism, even the most ardent proponents of direct democracy, from Bakunin and Proudhon to most modern writers, ultimately develop representative decision-making models. Delegates, elected directly from a smaller body, represent it at aggregate levels e.g., regional and federal. This happens for the simple reason that it is logistically impossible to get, for example, 300 million Americans to vote directly on all issues affecting the community on a daily basis.

In the lottery system, representation is opened up to all through random sampling. The language comes from statistics and surveys. A *sample* is a statistically representative selection from a larger population (Schaefer 2009).<sup>6</sup> When selection is performed randomly, e.g. via some form of lottery, the result is a *random sample* meaning every member of the entire population has the same chance of being selected (Schaefer 2009). This also means there will be identical proportions of all groups between the random sample and the population (see any statistics text). For example, say we have a population of three-hundred million voters that includes X per cent blacks, Y per cent fascists, Z per cent anarchists, etc. If we randomly select say 1200 individuals (a typical sample size for surveys of this type) from that population, believe it or not we will mathematically end up with 1200 individuals that are representative of the larger population and in the same proportions namely X per cent blacks, Y per cent fascists, Z per cent anarchists, etc.

How would the sample reach its decisions? The proposal here is similar to the models of deliberative or discursive democracy based on the writings of Jürgen Habermas (1997). Accordingly, it is suggested that public deliberations be held for deciding various issues. A choice is made by the demos when an issue is fully deliberated and consensus reached. Therefore, legislation derives legitimacy from the deliberative process. Fishkin (1991) has discussed decision-making by way of a deliberative opinion poll. A representative sample would be generated from the community to discuss an issue. The group would then be polled and their recommendations forwarded to the decision makers or adopted outright.

Under the proposed model, Fishkin's representative sample forming a deliberative opinion poll would in fact be the randomly-selected decision makers, namely those replacing the corporate members on the boards of directors. Randomly selected citizens and company employees would discuss and deliberate matters at hand. More importantly, they would also have the power to adopt outcomes of deliberation by virtue of being the decision makers themselves. Therefore the model would incorporate various elements of direct democracy both structurally and procedurally in the economic sphere.

No randomly selected person for the board speaks for anyone other than

themselves. For example, an anarchist will vote in accordance with their own ideology which captures some of the ideas of other anarchists in the population. Mathematically this means the ideas of that group will be reflected proportionately in the voting group. It also means that large social groups who do not effectively have their interests represented in the current system (i.e. the working class) will have the largest number of individuals selected as representatives directly from their ranks given the proportionality of random selection from the demos. It also means you will have everyone else represented on the boards who is part of the demos e.g., capitalists, homophobes, and religious zealots. Is this desirable? To me, and probably most people, yes. In a democratic system, especially a system of direct democracy, everyone has a right to speech and representation no matter how reprehensible their beliefs. Once a system starts excluding anyone it is no longer egalitarian but on the path toward totalitarianism.

If the purpose of representative democracy is to reflect as closely as possible the will of the voting demos, it is possible to define *representativeness* in statistical terms. The difference between this proposal and the existing systems of representation is the idea that the board of directors (as representatives) do not claim to 'speak for' others – randomness and proportionality being the key. Statistically, it is impossible to obtain such a representative sample in parliamentary voting systems, even though in the popular usage of the word the elected officials are considered to be representative of the electorate. Who represents anarchists in the US senate? No one, yet there are anarchists in the demos. Who represents the poor in government? Clearly many politicians claim to 'speak for' the poor yet the poor's interests are almost never reflected in policy or laws, etc. In my model, we would have a group of civilians reflecting the make-up of society. The equal chance of selection by random sampling, upon which fairness is based, will result by mathematical definition in a sample that reflects/represents the pool where it came from/of whatever is in the population. In this case everyone (including religious and ethnic groups, LGBT, fascists, anarchists, etc) will be represented proportionately in the sample by the mechanics of random selection.

Consequently, a statistically random sample treats the entire population fairly. If all citizens are equals and the goal is to give everyone an equal chance to express their views then random selection is defensible. Decision makers selected this way will be as reflective of the divergence and diversity in the demos as scientifically possible and absolutely far more so than those generated by elections or appointment as under any existing system. Naturally, the democratisation of corporate boards will require direct action as the elite would never consent voluntarily to changes that challenge their power; it only consented to the introduction of labour

rights after a series of bloody confrontations and agitation spanning generations, e.g. union organisation or the eight hour workday (Asimakopoulos 2011). As Rudolf Rocker (1938) suggested, any substantive changes to the operation of capitalism have to be forced upon the state:

Political rights do not originate in parliaments, they are ... forced upon parliaments from without ... The peoples owe all the political rights and privileges ... not to the good will of their governments, but to their own strength. Governments have employed every means that lay in their power to prevent the attainment of these rights or to render them illusory. Great mass movements among the people and whole revolutions have been necessary to wrest these rights from the ruling classes, who would never have consented to them voluntarily ... Only after the workers had by direct action confronted parliament with accomplished facts, did the government see itself obliged to take the new situation into account and give legal sanction ... (Rocker, 1938: 111-112)

Unfortunately, due to space limitations this paper focuses on the value of the proposals rather than the extensive literature on the types and effectiveness of direct action or the methods of developing adequate support from the population for such action.<sup>7</sup> However, examples of such direct action can be found in many historical accounts of labour struggles and include: sabotage, occupations, destruction of business and elite property, mass demonstrations and violent resistance against police intervention (Adamic 2008, Brecher 1997). Americans should not forget their own history which clearly documents violent resistance as a key factor behind most if not all substantive labour victories, see for example the long history of agitation behind the eight hour workday (Asimakopoulos 2011). In fact, violence against state security forces is routinely practiced to this day in many industrial democracies e.g., Spain, Greece, Ireland, etc. (see various national news broadcasts 2008-11 on anti-austerity clashes). In Greece, my homeland, the media routinely show protesters including anarchists attacking security forces in demonstrations rather than the other way around. In more extreme cases people even engaged armed rebellion as did blacks in many US cities during the ghetto revolts of the 1960s (Asimakopoulos 2011).

However, it is assumed that the working class has no allies in this conflict. That workers should not rely on anyone but themselves for their emancipation is a cornerstone of libertarian socialists from Bakunin, ironically a Russian aristocrat, to Gramsci, an organic intellectual, onward. The argument being any group other than the workers, intellectuals included if we recall Bakunin's warnings, will ulti-

mately attempt to promote their own self-interest at the expense of everyone else's. The bourgeoisie have betrayed alliances with the working class at first opportunity in almost every revolution. It is the people who should take the leading role in the fight, demonstrating why critical pedagogy as developed by Freire (2000), McLaren (2006), and others is the long-term engine of egalitarian change.

If workers' groups become successful and overcome the state's resistance, why not simply demand outright expropriation of productive property, a political revolution in other words? If workers had such power and the historical time was ripe, then a revolution against the state to establish workers' control would be the appropriate goal. Unfortunately, this is not feasible in the foreseeable future for a number of reasons ranging from media concentration to lack of class consciousness – which, I argue, ultimately come back to the lack of critical pedagogy and working models of counter hegemony. There is simply not enough support from the working class population exemplified by American's consistently voting against their class interests. The question then becomes: do we wait until we develop sufficient support for that ideal revolution in the bye and bye or do we do something attainable in the here and now? Demanding executive control over businesses is not the same as expropriating them. Although the elite and state would battle against these changes they would be invested far less than they would in an all-or-nothing fight to the end if confronted by outright wealth expropriation.

### *This is what's radical: Public governance of productive property*

The working-class can demand that each major corporate board of directors be comprised exclusively of randomly selected citizens and workers of the firm while leaving stock ownership private, a scheme hopefully replicated in all industrial democracies. This is synonymous with ending *elite control* of private productive property and establishing private ownership with *public governance* which is a historically radical change.

Here it is helpful to sketch out the powers of corporate boards vis. shareholders and how that relationship would be altered. Currently, in the US and UK corporate boards are charged with maximising profits for their shareholders, every other interest being secondary. Second, shareholders have voting rights over various issues depending on legal jurisdiction and company constitutions. These rights include voting for the board of directors which in reality is commonly cited as having little if any impact on the board's decisions. These relationships would change as follows. First, as were historically the original corporate charters, corporations will be offered legal recognition in exchange for social contribution first, profits being secondary.

Second, shareholders have no voting rights; they are a 'silent partner' in investment terms. Why? Corporations affect society and private equity represents its own interests therefore determining non-democratically how the community will be impacted when unilaterally determining corporate behaviour. Community worker boards will be democratically representative of society given their selection method. Shareholders get to participate in corporate governance on equal footing with every other citizen given the statistical chances of proportional representation of their class on the community board seats – and worker seats if they choose to engage in actual work. However, during this intermediate period of structural social change shareholders continue to receive profits as return for their capital investment.

The new boards would still nominate all the top executives e.g., CEOs, CFOs, Presidents, etc. The officers could also be nominated by workers and ballot write-ins.<sup>8</sup> Once nominated, they would have to receive confirmation by a simple majority vote of the employees. Furthermore, these officers could be removed at any time and for any reason either by the board or by a recall vote of the employees that would override any board decision. In fact, any majority vote by the workers would override the board. This would apply primarily to operational control of the enterprise. Strategic control/decision-making must be weighed against community interests not just the narrow interests of company employees. This is why the entire board of directors makes strategic decisions which include the interests of both the community and workers given the make-up of the new boards. However, these board members should be recallable by the workers of the enterprise any time for any reason by initiatives or a simple majority vote. Of course, all this leaves many details to be considered. This is deliberate. It is up to the worker-citizens to decide those details, not someone else academics included, giving the new system flexibility. However, one thing is certain, no worker-citizen would vote for a CEO to earn tens of millions even as the company is run into the ground only to 'parachute' out with even more millions.

Having captured the governance of wealth which capturing corporate boards represents, the next major revolutionary step might be to expropriate wealth outright in a working system of communal ownership. Given experience with self-direction and using control of the boards to implement what today would be considered socialist policies, e.g. job security, reasonable workloads, increased leisure time, living wages and so on, the working class would be in a position of becoming self-assured, confident, and willing to further act on its class interests – conditions historically necessary for any successful revolutionary group, beyond participation in corporate governance. In addition, all this would allow time for further developing and fine-tuning a Gramscian counter-hegemonic model of society (Gramsci 1971).

What is suggested here, would lay the foundation for a true libertarian socialist epoch via a combination of direct action and democracy to achieve the ending of corporate rule over the media, politics, and the production process. Also, worker and community governance of corporations could evolve into a groundbreaking real-life experimental school for the practice of self-direction and organisation (Gramsci 1971, Guérin 1970, Proudhon 1980 [1863], Ward 1982). This would demonstrate to workers that they themselves are capable of self-directed production without corporate elite owners (Azzellini and Ness 2011, Brecher 1997, Chomsky and Pateman 2005). At some point the majority, realising that corporate ownership actually rests in the hands of the top 1 per cent may ask the simple question ‘*why?*’ and act on the lack of convincing answer *forcefully* (unlike the Occupy movement of 2011 that fizzled out, resulting in no concrete gains). Ending private productive property would be in the interest of society at large. For example, the top 1 per cent of US households received 34.8 per cent of the stock market gains of 1989-98, while the richest 10 per cent received 72.5 per cent, and the bottom 80 per cent received only 13.6 per cent (Mishel et al., series). Looking at table one it becomes clearer just how concentrated ownership of productive property is in the United States. Running company boards, supported by transformative education programmes through critical pedagogy and self-direction, would provide a strong impetus for self-rule. But until all that happens, worker-citizen staffed corporate boards would represent industrial democracy.

**Table 1.** Wealth distribution in 2001 for the bottom 90% top 10% and 1% of households

	Bottom 90 per cent	Top 10 per cent	Top 1 per cent
Percent of:			
Total Net Worth	15.5*	84.4**	33.4
Ownership of All Stocks	15.5*	89.3**	33.5
Pension Accounts	39.6	60.3	13.3
Business Equity	10.4	89.6	57.3
Debt	74.1	25.9	5.8

(Source: Domhoff <http://whorulesamerica.net/power/wealth.html>)

\*Bottom 80%

\*\*Top 20%

Furthermore, the proposal builds upon existing structural labour victories found in some industrial nations such as works councils – a concept embraced by anarcho-syndicalists. The importance of works councils relative to past examples of workers' control (Azzellini and Ness 2011) is that the former, rather than attacking the state in a premature effort to overthrow it, forced it after much working class agitation to cede these economic rights just as it would after renewed action to capture corporate boards. In short, there is a functional precedence allowing us reasonably to argue *these* changes are more feasible than outright political revolution at this time. True, works councils in of themselves are not the solution to effecting structural transformations because they do not have the power of outright corporate governance nor are they the focus of this paper. Yet, they exemplify how radical demands that once seemed impossible can be achieved even within the capitalist framework short of full blown revolution leading us who knows where ...

Germany and France offer good examples of how works councils operate and the type of workers' rights they have institutionalised (Rogers and Streeck 1994). These rights would be inconceivable in the US but nevertheless possible on the way to expropriating corporate governance. An important difference between national works councils is whether they are given codetermination in addition to rights of consultation and information. When only consultation and information rights are provided, the councils still have a high degree of power within the production process that greatly empowers workers:

Works councils laws invariably obligate employers to disclose to the council information about major new investment plans, acquisition and product market strategies, planned reorganisation of production, use of technology, and so on. And council laws typically require employers to consult with the council on workplace and personnel issues, such as work reorganization, new technology acquisition, reductions or accretions to the work force, transfers of work, overtime, and health and safety. (Rogers and Streeck 1994: 100)

However, when works councils are given codetermination they become even more powerful labour institutions because codetermination requires that employers obtain approval for certain decisions from the councils. Should the council refuse to approve a managerial decision, it can mount legal action and challenge the employer. Therefore, the laws provide resolution mechanisms such as arbitration, grievance committees, and special labour courts. Germany is an excellent example of a country with works councils enjoying codetermination rights:

German works councils enjoy information rights on financial matters ... In addition, however, they have codetermination rights on such matters as principles of remuneration, introduction of new payment methods, fixing of job and bonus rates and performance-related pay, allocation of working hours, regulation of overtime and short-time working, leave arrangements, vacation plans, suggestion schemes, and the introduction and use of technical devices to monitor employees' performance. They also enjoy prescribed codetermination rights on individual staff movements, including hiring, evaluation, redeployment, and dismissal, and the right to a 'reconciliation of interests' between the council and the employer on a wide range of other matters bearing on the operation of the firm. (Rogers and Streeck 1994: 101)

When talking about 'reconciliation of interests' it is important to note this means workers have power over what is produced, as well as any closures and relocations in parts or all of the company plant. Consequently, codetermination indicates extensive workers' power in its active institutional form. Even in the absence of codetermination, works councils in and of themselves are indicative of higher levels of institutionalised workers' power, given their right to access company information. This is the case with France's works councils where they are given rights to information and consultation, but not codetermination.

The societal control of corporate boards represents the next evolutionary step from works councils toward libertarian socialist societal organisation with an intermediary compromise to the abolition of private productive property. It is the implementation of institutionalised control of all the top corporations by the community and workers that makes this a radical change. For example, in practical terms, would such boards funnel tremendous sums of money to anti-labour political parties and officials as they now do under elite governance thanks to recent Supreme Court rulings? Would such boards hire anti-labour or union-busting consultants? Furthermore, such a fundamental change in class power relations will alter corporate behaviour to reflect the public good and eliminate production externalities and corporate free-rider problems. Communities could prohibit the use of corporate wealth and ownership to influence the political process or the news media. The managerial class of capitalist private property could be instructed to operate under new parameters of production, using sustainable technology, offering all employees substantive benefits, living wages, and reasonable workloads. This would also eliminate the most common excuse that corporations offer for not being socially responsible: 'we will not be competitive if we employ these practices, because our competitors do not'. If the workers who are also the citizens have the

final say on all boards, it is reasonable to argue that a consensus of demands will arise with high corporate responsibility, which will level the cost playing field for companies. This form of evolutionary revolution is very radical in that the authority of private productive property over society would be seriously limited if not eliminated altogether. Yet, this would provide fundamental changes that do not require the immediate destruction of key social institutions and the accustomed mode of daily life.

## NEW EVOLUTIONARY RELATIONS OF CONSUMPTION

New productive relations would also require new corresponding relations in consumption that will be proposed and possible upon capturing the governance of corporate boards. Namely, a socioeconomic system must address not only how to produce, whether it be under self-management or not, but also how to distribute products and services, whether it is based on a wage system or not. There is virtual agreement among left scholars regarding the shortcomings of a wage/market-based distribution system. However, one of the main problems, whenever self-management has actually been practiced, has been to figure out how one pays in and receives from the community resources – distribution in other words (Guérin 1970). Practical solutions have included counting hours worked as payment into the system for ‘community credits’ with which to ‘purchase’ supplies at the community ‘store’. This was the practical solution to problems with more idealistic libertarian socialist formulas of exchange mechanisms that would try to create a working state of the slogan ‘to each according to need, from each according to ability’. Unfortunately, such a simple idea turned out to be very difficult to put in practice. How can community governance be combined with an economic system that is egalitarian and fair? Namely, how do we *count*?

All too often, many left intellectuals are not economists and tend to associate words like price and wage with all that is wrong with society. However, the problem is not the concept of price or wage. Rather, the problem is how they are defined and what determines them. More to the point, prices and wages serve the basic functions of rationing/distribution and guiding the economy as to what needs to be produced. The real problem is that wage levels are set by class power relations that determine in turn which skill sets (labour) are valued by markets. This type of ‘value’ is therefore fictitious. Consequently, wages are a form of rationing based on class power instead of an objective measure of time worked or social contribution. For example, studies have confirmed CEO compensation cannot be objectively justified by market economics but by class power relations (Bebchuk and Fried 2006, Burton and

Weller 2005). Thus, the CEO has higher wages even though the *value* of his *labour* does not justify them. Rather, his wage is a return, a 'rent', a reward for his class power. Thus, the skilled wage premiums for the CEO are fictitious. For example, a typical CEO in the 1960s made 42 times more than the average worker compared to 531 times more in 2005 (WhoRulesAmerica.net). Clearly, CEO productivity did not increase by 500 per cent.

As for capitalist return for risk and innovation, that too is bogus because the rate of 'return' is also socially determined based on class power. Arguing that markets determine a fair rate of return for risk is premised on the value judgment that markets should be making this determination in the first place. Since markets represent capital, clearly capital in essence is determining its own value. Otherwise, why is an innovative activist who takes risks with his own money and time to form a charitable foundation not rewarded with billions for that risk and innovation even when the organisation is successful? The Steve Jobs of the world are simply not worth billions for anything they have done.

In the new model prices and wages are retained for their rationing and guiding functions but the basis upon which these are set would no longer be based on class power. Instead, if we accept that all people are equal then all socially necessary labour is also equal. If society should not be stratified, then neither should labour be so. This makes socially necessary *labour* a homogeneous concept or 'product' measured by standard units of time at a given social average of intensity and ability. Just like a gallon of milk is the same regardless of who produced it, one hour's worth of street cleaning is equal to one hour worked by a medical doctor. Why? Because all socially necessary labour is, well, labour. What Marx saw as *complex or compound labour* was instead knowledge. It is a society's pool of accumulated knowledge which builds on past discoveries that can be compound or complex. Labour is the *medium* through which knowledge is applied to the physical world in order to alter it. As such, all socially necessary labour, mental and physical, is equal (irrespective of who or what performs the work) to be measured by standard units of time, e.g. one hour's worth of work.

Marx was wrong about the nature of complex or compound labour and for associating any type of *value* with labour rather than with knowledge for the same reasons he attributed Aristotle's inability to deduce the next intellectual step toward a *labour theory of value*. Namely, according to Marx, Aristotle could not see the common link between commodities being human labour (free or slave) as creating 'value' because of his epoch's *zeitgeist* which was based on devalued slave labour. Here, Marx is referring to Aristotle's argument that there is no equivalency between a house and a bed:

Aristotle therefore himself tells us what prevented any further analysis: the lack of a concept of value. What is the homogeneous element, i.e. the common substance, which the house represents from the point of view of the bed, in the value expression for the bed? Such a thing, in truth, cannot exist, says Aristotle. But why not? Towards the bed, the house represents something equal, in so far as it represents what is really equal, both bed and the house. And that is – human labour.

However, Aristotle himself was unable to extract this fact, that, in the form of commodity-values, all labour is expressed as equal human labour and therefore as labour of equal quality, by inspection from the form of value, because Greek society was founded on the labour of slaves, hence had as its natural basis the inequality of men and of their labour-powers. The secret of their expression of value, namely the equality and equivalence of all kinds of labour because and in so far as they are human labour in general, could not be deciphered until the concept of human equality had already acquired the permanence of a fixed popular opinion. This however becomes possible only in a society where the commodity-form is the universal form of the product of labour, hence the dominant social relation is the relation between men as possessors of commodities. Aristotle's genius is displayed precisely by his discovery of a relation of equality in the value-expression of commodities. Only the historical limitation inherent in the society in which he lived prevented him from finding out what 'in reality' this relation of equality consisted of. (Marx 1977:151-52)

Ironically, Marx could not disentangle knowledge, value, and labour because he too was limited by his corresponding zeitgeist of hierarchical relations, in this case social not just economic, where status inequality was also a 'natural basis' for stratification. This prevented him from concluding, as he describes in this passage, that all labour is homogeneous assuming we are all equals. This led him to see labour as 'stratified' from the simple to the complex with corresponding wage premiums e.g., the artisan versus unskilled worker. For example, how could his, a professor's, or medical doctor's labour be equated to that of the janitor's? This is the same malady of ego which to this day afflicts even radical scholars of the left who see 'educated' labour as being worth more than ... But, if we are all equal, then we are all equally necessary or unnecessary. Can the medical doctor build her house, educate her children, sweep the streets, dispose of garbage, and produce her own clothing? Can a lawyer or college professor build their own automobile, computer, or furniture? This simple truth also 'could not be deciphered until the concept of human equality' evolved to include not only producers but citizens more broadly, e.g. where LGBTs, janitors,

atheists, blacks, immigrants, etc. are seen as having equal social status with heterosexuals, lawyers, whites, etc. and have 'acquired the permanence of a fixed popular opinion'.

Therefore in an equal society there is only one form of labour being neither complex nor compound any more than a gallon of milk can be more complex or compound relative to another gallon of milk. According to McCarthy, for Marx '[t]he source of equivalence of goods rests in equivalence of persons ... Marx indicates that the concept of value and the concept of human equality are elided into one concept: value' (1992: 113). Furthermore, although there is such a thing as use value, real value is something different. Value is not what someone is willing to pay for something nor the labour time required for producing it as Marx argued. Rather value has its foundation in knowledge. Everything derives value from the knowledge required to create it while labour is the tool, the *medium*, for giving form to knowledge in the physical world. The house and bed both originate in the knowledge of how to make them which is derived from society's knowledge base. In addition 'cost' is understood by Marx and contemporary economists as the expenditure of resources for producing or reproducing something. Labour's only cost is what it takes for it to survive and reproduce itself. Consequently, labour has no value in of itself. Similarly, Marx was wrong in thinking machines represent stored (compound) labour. Instead, they represent accumulated knowledge. Since labour has no value, neither do machines – beyond the material cost of creating and replacing them. The only value to be found is the knowledge that made it possible for humans to create mechanical copies of their productive abilities. Now machines can provide most of the labour required to run society. If these machines are owned by everyone then no one is compelled to engage in forced labour setting them free to engage in other creative activities. But, since it is the pool of accumulated societal knowledge (which is part of the commons or society's total wealth) that made the creation of these machines possible then they are also part of the commons to which we all have right to.

All this sets up the argument for the next major policy recommendation. Because there is no true value generated by labour, its cost being what it takes to survive and reproduce; knowledge which is socially generated being the true creator of value; and given the absolute equality of citizens, it is logical that there should be only one common wage for a standard work period. The minimum wage for labour is the cost to maintain and reproduce it. Beyond that, labour cost per unit is whatever compensation is socially agreed upon regardless of whose labour it is. The maximum hourly labour compensation, in turn, is determined by what a society can bear based on its material development and available resources. In short, the overall productive capacity determines the 'wage level' for a unit of labour which means it also

determines the average standard of living. This could be represented by a society's National Income as measured by national accounts. Consequently, so long as one contributes up to the required socially necessary time for keeping society running e.g., 3 hours per day, then they would be compensated equally as everyone else. In essence this is how you divide resources equitably once the means of production have been returned to the commons. Of course, there could always be allowances and adjustments in the system to reflect divergent needs based on disabilities, old age, etc. These are details to be worked out by the citizens themselves.

More importantly, since we would be given a standard national wage in compensation for our labour to obtain goods and services we desire, this system also maintains a guiding function of prices which command economies lack ultimately leading to misallocations, shortages, and collapse. This means individual choice still determines what and how much a society will produce in contrast to central planning. But, unlike the capitalist consequences of unequal wages, in this system people's needs would be met before luxuries are produced given the equality of compensation. In short, it maintains free consumer choice and flexibility of capitalism but with the equality of left *isms*. This is the democratisation of consumption, production, and the societal allocation of resources.

### *The National Wage*

Income inequality in the United States is staggering. In 2006, the top 1 per cent of the population received 21.4 per cent of all income, the top 10 per cent accounted for 47.2 per cent, whereas the bottom 50 per cent received only 14.6 per cent (Kennickell 2009-13). If we agree that labour is homogeneous and therefore all income should be equal what would be the standard annual compensation and for how many hours of work? The following example is only for illustration purposes of how this would work in a large society like the United States even though there are certain problems. Specifically, the financial analysis does not consider the dollar's role as the global reserve currency which permits the United States to extract significant income from the rest of the world. Given such caveats, from the 2007 national accounts of the United States personal income was \$11,912.3 billion (US Bureau of Economic Analysis). If we divide \$11,912.3 billion by the adult population of 235 million from the 2010 census the average income per capita would be \$50,691. Since all adults would be required to work and be compensated equally, \$50,691 would become in effect the National Wage (NW). Of course, it is up to the community to make allowances for the disabled, the retirement age, etc. which is a separate conversation. If one makes billions a year, as some hedge-fund managers do,

this compensation is equivalent to nothing. For the unemployed, underemployed, minimum wage earners, and working poor it is a dream come true. It is also probably more than many middle-class workers earn currently. Why? This NW would be tax free making it the equivalent of a \$65,898 pre-tax income based on a 30 per cent tax bracket. The average rent or mortgage for a clean non-trailer type dwelling is at least \$1,000 per month. Since housing is a guaranteed right in this system there are no rents or mortgages boosting the value of the NW up to at least \$77,898. This also does not reflect the savings from guaranteed free national healthcare, free education at all levels, no taxes of any kind e.g., property, sales, etc., no tolls or other such fees, free basic services e.g., utilities, etc. When everything is said and done the average living standard would be equivalent to that of someone earning over \$100,000 per year in 2010. Let's compare these figures to what people earn today. In 2007 median family income, meaning there could be more than one person working in that family, was \$64,427 for Whites; \$40,143 for Blacks, and \$40,566 for Hispanics minus income taxes and housing expenditures (Mishel et al., series). A family with two working adults in the new system would be earning a family income equivalent to \$131,796 pre-tax (in 2007 dollars). Therefore, although it is not a lifestyle of a billionaire or millionaire the majority would be materially better off under this system of equal compensation.

Fairness being the goal, the NW should also be adjusted to reflect a region's cost of living since living expenditures are lower in Cheyenne, Wyoming relative to New York City. This is a common criticism of minimum wage, social security, and similar social programmes. Namely, a flat nominal amount does not reflect the relative purchasing power for people living in different regions. Returning to the NW of \$50,691, when adjusted for Cheyenne it would be \$27,321 keeping in mind that there would be no payments for basic necessities such as housing (<http://www.bestplaces.net/col/>). Eventually, 'prices' may become homogeneous removing the need for indexing.

Things become more interesting when we consider the length of the workweek to earn the NW. Currently Americans work an average of forty hours per week to earn less than under the new system as shown above. However, when the workers are the owners there is no need for surplus labour to generate profits for private owners. Thus automation is embraced given guaranteed employment at the NW with the effect of reducing the amount of socially necessary work. If the American economy can function with a forty hour workweek – the longest among industrialised nations (Mishel et al., series), it is reasonable to assume that the workweek in the new system could drop immediately to twenty or fewer hours. With automation and new innovations to reduce necessary labour being embraced we could have that

utopian ideal often discussed by Marxists and anarchists of a three-hour workday for perhaps a three or four day workweek!

It gets even better. Nothing was said of corporate profits, most of which are not distributed as income. These profits are in essence based on goods and services being sold for more than the cost to produce them. First, society can decide how much more to charge for things above cost in order to finance social programmes including education, healthcare, housing, infrastructure, mass transportation, social security, and so on. Second, the community can decide to charge below or at cost for items that are important such as food staples while placing heavier premium pricing on luxuries and socially harmful products such as cigarettes and alcohol. Alternatively, society could eliminate what economists call externalities and 'free rider' problems. Consequently this system increases allocative efficiency of resources. For example, instead of building yachts, super cars, and mansions we would be building hospitals, schools, and housing for all. Instead of allocating resources for butlers, marketing executives, and financiers we would be employing educators, builders, and medical professionals.

### *What about wealth distribution?*

Wealth distribution in the United States is the most unequal in the industrialised world. In 2007 the richest 1 per cent owned 33.8 per cent of all wealth compared to only 2.5 per cent for the bottom 50 per cent of the population (Kennickell 2009-13). The dominant ideology of the United States is that anyone can succeed if they just work hard enough and are intelligent. Clearly, these distribution figures blow away this myth as it is hard to imagine that half of the population can be so unintelligent and lazy to own collectively so little. Likewise, it is incomprehensible to think 1 per cent can work so much more and be so intelligent relative to the bottom 99 per cent to own close to half of everything. How can 400 individuals be worth \$1.57 trillion in 2009 when hundreds of millions have nothing (Forbes.com)?

That the rich get richer at the expense of workers can also be demonstrated by the distribution of productivity gains. The rich are the ones that truly own corporations as demonstrated by stock ownership. For example, in 2004 the top 1 per cent of households owned 36.7 per cent of all stock compared to 9.4 per cent for the bottom 80 per cent of households (Wolf 2007). In turn, productivity has been increasing over the past few decades while workers received stagnant or declining shares. From 1992 to 2007 productivity increased by 25.4 per cent but median compensation grew only 0.8 per cent while remaining at zero from 2002-2007 (Mishel et al., series). Clearly a rising tide has not lifted all boats. Because

the working class has been totally defeated through de-unionisation, free trade agreements, and so on, all economic gains accumulate to the owners of capital. Consequently productivity gains with flat incomes can only be rationalised based on class power just like the compensation of CEOs.

It would be a waste of paper to engage in any further arguments and rationalisations as to this injustice especially since others have devoted entire forests worth of paper to demonstrate this plain truth: the wealth of the rich is based exclusively on class power and ownership of productive resources which translates into advantages and privileges in all spheres of life.

Consequently, there is no such thing as equal opportunity which is the final legitimising safe-stop myth in the United States against meaningful direct action and ultimately revolution. Class war is an ongoing fact rather than something to be avoided as so frequently warned against by the system's representatives e.g., politicians, capitalists, and judges. The problem is, the plutocrats have won a spectacular victory over everyone else and they try to keep this from the public conscious, in case there is resistance from the populace. This is why the media are collectively owned by the elite, to control the free flow of information and ideologies that lay bare the legitimising myths in support of counter ideologies.

If opportunity was equal, then resource ownership would also have to be equal in addition to the availability and quality of education, health care, and housing. Does this mean we would all be equal in poverty as has been often said about the former Soviet Union? Absolutely not. For example the total net worth of all Americans combined in 2007 was \$64,897.9 billion (Kennickell 2009-13). Divided equally among 235 million adults we would each have an instant net worth of \$274,885! This while earning the equivalent of a \$65,898 pre-tax income per year. As with income, wealth distribution should also be indexed relative to the cost of living in different parts of the country. Therefore, the national average of \$274,885 translates into a share of \$148,154 in Cheyenne, Wyoming (<http://www.bestplaces.net/col/>). Either way, the logic is that purchasing power needs to be factored in when setting the NW and wealth shares to obtain real versus nominal equity.

### *The Ability to Evolve*

Many systems can evolve, the question is at what cost and for whom. Few would disagree with capitalism's ability to morph into ever new forms. However, its ability to adapt to change is distorted since it is based on the price mechanism combined with unequal wage incomes that are often artificially determined as through regionally / globally segmented labour markets and class power (Asimakopoulos 2009).

In addition, although capitalism does evolve, we need to consider at what cost to society at large. For example, Polanyi (2001 [1944]) demonstrated the devastating effects of sudden radical change. Although he was writing about the disastrous effects of changing societal organisation toward capitalism, the work still provides insight as to the social cost of capitalism's 'evolution'.

Today, we are continuing to witness capitalism's transformation into a neoliberal global system. However the social costs are still high for most of the planet's population. Globally, segmented labour markets and contingent labour carry equally high costs for individuals in terms of stress and alienation and society in terms of inadequate aggregate demand caused by insufficient purchasing power. Thus, although capitalism is capable of evolution and survival, it does so at the expense of the great majority of society. Therefore, the superior system would be one that can be flexible without the socially devastating consequences needed to support it.

A socialist libertarian society would have a more flexible economic system without the devastation of capitalist change. Politically, self-governance assures decision-making that reflects people's direct needs and beliefs without being filtered through unresponsive professional politicians and ossified political institutions controlled by elite interests. The elimination of special interests by self-governance also assures that the economic system adapts according to social needs. Instead, today we have a skewing of the economy to benefit corporations (Zepezauer 2004). In addition, there is greater acceptance of economic change when people know that their living standards would not be adversely affected. For example, in a socialist libertarian society, workers of a buggy-whip factory would be more accepting of their plant closing due to obsolescence if they knew their livelihoods would be socially secured and alternative work (social contribution) provided.

If people are not afraid of technological change negatively impacting them there will be greater acceptance of full productive automation that our existing technology makes possible. Under capitalist production automation is resisted by workers that rightfully fear it will eliminate their jobs but, ironically capitalists too. The elite are woefully reluctant to fully automate society for two reasons. First, there would be immediate resistance by the masses of the newly permanently unemployed. Second, deep down, they understand that a capitalist system is fundamentally a wage system without which aggregate demand, therefore sales, collapse. This is the realisation of Marx's argument that existing relations of production, which are property relations, at some point turn into fetters for the productive forces. Now capitalist relations are fetters to fully implementing existing technology toward automation and rationalisation. A communal system of ownership blows the gates that are currently holding back society's productive forces. Of course, the elite could erect a utopian automated

society for themselves walled-off from the surplus population leaving them to fend for themselves as animals. However that is not capitalism nor do capitalists have the creative capacity to imagine such new dystopias.

This brings us to the issue of unnecessary labour of which there are two types. First, there is labour that could be performed through automation. This is inefficient from an economic perspective and it occupies people's time when they could be freed to engage in other productive activities or leisure. Second, capitalism employs armies of unproductive labour in unnecessary industries. Sales and marketing are the clearest examples including the financial industry (Baran and Sweezy 1966, Cassidy 2010).

As mentioned earlier, capitalism cannot change based on true need nor does it increase a society's total utility because of unequal income distribution. An efficient economy must produce those goods and services that yield the greatest total satisfaction (utility maximisation). However, when income is concentrated, the economy produces unnecessary luxuries for the wealthy that do not provide as great a utility as say affordable housing to a homeless family. Basically, unequal incomes result in allocative inefficiencies. When incomes are equally distributed then the economy is signalled to produce what is of most importance to all thus increasing total utility. Now resources are immediately allocated as needs develop with luxuries being satisfied last.

Finally, capitalism's driving motivation is oppression and the desire to escape it through market success (the dominant ideology). Unfortunately, this is a statistical improbability for the majority of the population. Socialist libertarianism's driving force is creative pursuit since freedom from want and wage slavery would be guaranteed for all.

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## NOTES

1. I am grateful to Dr. Ruth Kinna editor of *Anarchist Studies* for her comments and suggestions.
2. Organic intellectuals are: ‘the thinking and organising element of a particular fundamental social class ... distinguished less by their profession, which may be any job characteristic of their class, than by their function in directing the ideas and aspirations of the class to which they organically belong. The implications of this ... bear on all aspects of Gramsci’s thought. Philosophically they connect with the proposition that “all men are philosophers” and with Gramsci’s whole discussion of the dissemination of philosophical ideas and of ideology within a given culture. They relate to Gramsci’s ideas on Education in their stress on the democratic character of the intellectual function, but also on the class character of the formation of intellectuals through school’ (Gramsci 1971: 1). This corresponds to the ideas of critical pedagogy by Paulo Freire (2000) and later McLaren (2006) and others.
3. According to Gramsci for a social class to move from a position of *subordination* or defending its own *economic-corporate* interests to that of *hegemony* – a dominant class, it must develop its own intellectual and moral leadership including cultural production that would challenge that of the current hegemonic group. It would do so by challenging the legitimising ideology of the dominant group. In its challenge to the status quo it would initially make alliances with other social groups developing into what he calls a new *historic block*. Much of his ideas are based on a theory to praxis model explaining the value of organic intellectuals and educational systems in educating for action (see Gramsci 1971).
4. To clarify, all university economics courses begin with the ‘ideal type’ (Weber) description and tenants of a given economic system be it capitalism or anything else. As such, it is also clearly explained in standard textbooks that in the real world there are approximations to such ideal types but the actual ideal is never reached. This is true not only of capitalism but anarchism as well.
5. ‘*Theories of the middle range*: theories that lie between the minor but necessary working hypotheses that evolve in abundance during day-to-day research and the all-inclusive systematic efforts to develop a unified theory that will explain all the observed uniformities of social behaviour, social organisation, and social change. Middle-range theory is principally used to guide empirical inquiry. It is intermediate to general theories of social systems which are too remote from particular classes of social behaviour, organisation and change to account for what is observed and to those detailed orderly descriptions of particulars that are not generalised at all. Middle-range theory involves abstractions, of course, but they are close enough

to observed data to be incorporated in propositions that permit empirical testing' (Merton 1968:39).

6. In statistics the term *population* refers to what is being studied and could be made up of objects or individuals, e.g. voters, institutions or newspaper articles.
7. For a more detailed analysis of these topics see Asimakopoulos (2011).
8. Any worker of the enterprise can do this. Remember we are now talking about appointing executives like a CEO, not to be confused with executive board seats half of which are filled from the workers ranks by lottery.

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