

THE ECONOMY OF LABOR¹

By José Luis Coraggio

Introduction

The *economy of labor* can only be fully understood if contrasted with the economy of capital because, like other points of view that will be dealt with in this work, it is a possibility to be developed from the contradictions within the capitalist system, which is today undergoing an uncertain transition towards another system-world². Therefore it will be necessary to organize its conceptual framework together with a vision of the capitalist system that actually exists and its ideologies. This task requires the cooperation of Social Economics as well as the criticism made by Political Economics³ and institutionalist and anthropological economic trends. This vision must be seen as an open-ended construct to be further developed and tested by the reflexive experiences it guides.

Just as the *economy of capital* sees the economy as a whole from the logic of capital and its process of accumulation, and the system of interests of society becomes dominated by the general interests of capitalists or of certain fractions of capitalists, the *economy of labor* sees the economy as a whole from the logic of labor and its expanded reproduction, confronting dominant interests and asserting the primacy of the interests of the working class as a whole and of its numerous identities and groupings.

Just as the *capitalist enterprise* is the typical basic form of micro-economic organization of capital, the *domestic unit (DU)* is the typical basic form of micro social-economic organization of labor. Capitalist enterprises are able to unite themselves, build formal or informal networks and consolidate groups with common interests (lobbying groups, etc.) with the aim of enhancing the conditions for capital accumulation and increasing the high incomes of their executives. In the same way, domestic units can produce extensions of their reproductive logic by means of associations, organized communities, different types of formal or informal networks, by consolidating socioeconomic organizations whose aim is to improve the reproductive conditions of their members' lives.

These organizations may deal with specific aspects of reproduction (trade unions, associations of independent producers, self-managed service cooperatives, supply networks for lowering the cost of living, social movements advocating for resources –land, housing, health services, education, etc-, neighborhood associations), or they may have a more comprehensive and holistic approach to society: environmentalist, human rights, and gender movements, groups advocating for participation and control in government policy-making, etc.

Both forms of economic organization can develop meso-systems of self-regulation, strategic planning or representation of their interests. They are both linked –generally with some contradictions- to Public Economy and its policies, harmonization mechanisms and political-administrative organizations. In the same way, both forms of organization are more or less organically connected with political-party organizations and other political-ideological groupings.

Capitalist enterprise

1 Prepared for A Outra Economia (The Other Economy). José Luis Coraggio is a Professor-Researcher and Head of Urban Economic Systems at the Metropolitan Institute of the National University of General Sarmiento.

2 See: Immanuel Wallerstein, *The end of the world as we know it*, University of Minnesota Press, Minneapolis, London, 1999.

3 See: José Luis Coraggio, “La Economía Social como vía para otro desarrollo social” (Social Economics as a Way for Another Form of Social Development), in www.urbared.ungs.edu.ar

Apart from the variations in types of organization and technology, the ideal-type of enterprise (as defined by Weber), a type that has increasingly universal aspirations -spreading throughout capitalist enterprises and all forms of economic organization-, indicates that the social relations governing the production of goods and services –property, appropriation, exchange, competition or cooperation relations- are depersonalized, objectivized, to the extent that all resources, including people, are considered replaceable and positioned as objects or agents in a structure whose logic determines successful behaviors (now related to the strategic concept of “employability”).

In their struggle to accumulate, enterprises see every social, political, ecological, symbolic and other element, either as resources or obstacles, and they endeavor to use them for their own profit-gaining purposes. At a micro level that power is, however, limited by competition, and on a large scale by forces considered to be “extra-economic”, whether they be social (governments, trade unions, movements) or ecological (natural disasters, depletion or loss of “productivity” of natural resources).

In general, the capitalist enterprise will not spontaneously stop the pillaging of the environment, the exploitation of labor, unequal trade conditions or the degradation of the quality of life. Above all, the capitalist forces that move at a global scale will not be concerned over the social, political, psychological or ecological imbalances that their actions or those of its enterprises as a whole may cause. Therefore, it is necessary for Governments or the intergovernmental system to become democratized or assume the general interests of society as a whole, or for other forms of collective power (trade unions, ecological movements, consumer associations, etc.) to act as representatives of the general interest, promoting the most *socially* efficient ways available in the corporate system and coactively limiting the undesirable effects that corporate action has on people, society or the environmental conditions on which its current and future existence rests.

Reality shows the fallacies behind the assertion that free private initiative -through the workings of the market (the invisible hand)- leads to the general well-being, without even intending to (and therefore, corporate agents do not have to be concerned with achieving it and are not responsible for the actions of a hand that has no body). However, the assumption that capitalist enterprise is the universal paradigm of organization for all activities, specially economic ones, still prevails because of the political and economic strength that supports it. What we are proposing here is the possibility of developing a labor-centered economy geared to satisfy the needs of all and implemented through solidarity-based relationships. Developing that possibility entails a cultural struggle, because the immediatist behavior of citizens -as consumers- may further the imbalances ignored by capitalism and contribute to expand the reproduction of capital to the detriment of labor. Even sectors that are aware of the social economy might be led by the “evidence of the market” to internalize the forms of organization, values and efficiency criteria of private enterprise, even when they are not driven by profit⁴.

As long as there is a structure of desire and demand for goods and services such as is generated by the culture of consumption of capitalist society, the tendency of the masses of impoverished or poor consumers will be to replace their sources of supply with cheaper ones of a lower quality, to produce for self-consumption, to accept the degradation of the working conditions available, and to see all these changes as a result of a “lack of money”. The prolongation in time of these situations of historical deterioration and deprivation, together with the increasing loss of expectations regarding recovery and the return to prior conditions, is giving way to other possibilities: redefining what is necessary and useful, accepting other more appropriate ways of production and consumption.

This increases the advantages of finding other ways of making people’s capacities effective, by competing or associating amongst themselves to access other forms of livelihoods through community work, simple production of commodities in individual, family or cooperative ventures, through purchasing power coalition networks aimed at lowering the cost of living, by occupying public spaces and taking over other living conditions in their environment, and by the actions of advocate movements that lobby governments or corporations. That emerging *popular economy*, unrecognized by the governments or condemned to an illegal

4 See: Jacques Defourny *et al* (comp.), La Economía Social en el Norte y en el Sur, (Social Economy in the North and in the South), Corregidor, Buenos Aires, 2001.

existence, does not ensure everybody's survival, and a systemic approach is required to transform that chaos in an organically linked whole of production and reproduction, that can once again connect work to the fulfillment of the needs defined historically by democratic societies.

The domestic unit, the cell of the Labor Economy

The purpose of domestic units (DU) –formed by one or more persons or groups, linked by kinship or different kinds of affinity (ethnic, neighborhood ties, ideological, etc.)- is the expanded reproduction of the life of its members⁵. From this perspective, material living conditions and livelihoods are seen as: (a) commodities that can be obtained in the market by paying a price in money or through barter, (b) the outcome of labor: food, personal care, self-built housing, etc., (c) natural conditions: habitats, sanitation systems, means of transportation, public spaces, environment, etc-, or cultural conditions: social connection networks, personal safety networks, networks based on ties of affection, mutual help networks, etc. The immediate and inter-generational quality of life of its members depends on the possibility of accessing livelihoods and living conditions and on how these are employed.

The satisfactors obtained as the outcome of self-production (b), as well as the work force (sold in exchange for a salary) and the goods and services sold for a monetary income are the result of exercising the capabilities that make up the Working Fund of the DUs: physical energies, skills, abilities, dispositions, encoded knowledge acquired through formal or informal education, tacit knowledge acquired through practice or passed from one generation to another, skills that DU members have and that are enhanced by means of production and inputs, specially in the case of the production of goods, and with the general conditions of popular production that in many cases match the living conditions referred to in (c).

Livelihoods and living conditions are used privately or collectively as satisfactors to enable vital situations or to satisfy needs that are individual or shared by the members of the DUs⁶. Some livelihoods or means of production are consumed in the act of producing or satisfying needs, others last longer. As indicated above, apart from what is required to carry out domestic consumption or production, DUs need to access other conditions (general ones, of shared collective use) for domestic production or the immediate reproduction of life (and, therefore, of its working capacities).

The specific configuration of production, exchange and distribution relations inside each DU, or inside the different DU networks or communities, varies depending, to a large extent, on the values and institutions in which they are interweaved. Depending on the culture of the society, the structure and extension of the typical DU may vary enormously⁷. In the same way, among DUs there might be relations of exchange governed by utilitarian cooperation, centralized reciprocity, generalized reciprocity or communal identification, as well as strong competition between communities and individuals.⁸

In some cases, DU reproduction might basically be the functional counterpart of capital, as a low cost generator and reproducer of paid labor force –competing with other DUs to place their active members in the

5 See: José Luis Coraggio, Economía urbana: la perspectiva popular (Urban economy: the popular perspective), Abya Yala, Quito, 1994, and Economía Popular Urbana: Una perspectiva para el desarrollo local (Popular Urban Economy: A perspective for local development), Local Development Program, Booklet N°1, Metropolitan Institute, National University of General Sarmiento, San Miguel, 1998. Both papers can be found at the website www.fronesis.org

6 On the concept of needs and satisfactors, see: Manfred Max Neef et al, El desarrollo a escala humana (Development on a human scale), Zed Books, Santiago, 1990, and Antonio Elizalde H., “Nuevos Aportes para una Teoría de las Necesidades Humanas Fundamentales” (New contributions for a Theory of Human Fundamental Needs), (mimeo), Bolivariana University, Santiago, 2001.

7 In fact, the concept of “typical family”, used for statistical purposes or as a modern paradigm to refer to DUs, does not reflect the wide variety of forms of organization of DUs.

8 See: Marshall Sahlins, Cultura y razón práctica (Culture and practical reason), Gedisa. Barcelona, 1997.

labor market- and as consumer of its commodities. In other cases it might be an organization in which commercial-economic factors do not exist or are merely one aspect of the complex process of the relations of reproduction of life in the community or society.

Likewise: the relationship of DUs with nature may vary according to the environment and to culture; similar objects might have very different uses and meanings; interpersonal relationships might be characterized by brutal forms of patriarchy or cast segregation, or by forms of equality of rights between genders and generations. In some cultures marriage or the association between individuals are the result of free choices, in others they are determined by rules of exchange between clans or prohibitions among casts, races, etc.

In all cases, there are symbolic elements, relations of communication and of power, all of which play a role, and whose effectiveness cannot be reduced to a quantifiable utility or valued in money. Part of the difficulty of some trends in economic anthropology to understand the forms of domestic organization has been the attempt to recode and evaluate all its actions and institutions from the perspective of cognitive-instrumental rationality and a matrix of supposedly universal⁹ utilitarian values.

We believe that an ideal type of DU does not exist, neither is there an ideal type of community or web of DU communities, that is equivalent to the capitalist enterprise (except on a very abstract level with heuristic value but with little empirical content, as we will show below), because there is no standardizing global force equivalent to capital, thus admitting a wide range of variation along with the different idiosyncrasies of people or groups of people and the different cultures and economic situations.

The economic structure of DUs

From an economic perspective, the typical DU in a modern society must provide the material relational bases of its reproduction (and of each of its members), reproduction which is central to its meaning.¹⁰ And normally it does so by devoting part of the time of its *labor fund*, enhanced or complemented by living conditions, means of production and livelihoods that are accumulated or freely accessible. This fund is created productively in different ways that are combined in particular and varying forms throughout the cycle of formation and development of the DU, and which depend on the conditions of the context on which it is located. These forms are primarily:

- (a) as **reproduction work per se**, that is complemented to different extents by means of production (land, tools, machinery, inputs) to **produce means of “self-consumption” for the material and symbolic reproduction of its own life** (production of *goods*: food, clothing, housing, etc.; *services*: education or personal care of other members, participation in rituals, citizen management or other institutions of symbolic value, etc.; or of *means of production and inputs* for the production of the above);
- (b) as **commercial labor**,
 - (b1) **autonomous production (designing, adapting or copying) of commodities (goods or services)** for sale, or **re-sale of commodities** to use the proceeds obtained to acquire other forms of livelihood, inputs or means of production in the market;¹¹
 - (b2) as **wage earners**: labor capacities are employed by capitalists or other public or private employers in exchange for a salary, with which the DU acquires in the market other forms of livelihood for the reproduction of its members, or inputs and means of production to feed forms (a) and (b1);

9 See: Pierre Bourdieu, Las estructuras sociales de la economía. (Social structures of the economy), Manantial, Buenos Aires, 200. Also: José Luis Coraggio, “Hacia un proyecto de economía social centrado en el trabajo: contribuciones de la Antropología Económica” (Towards a project of social economics centered in labor: contributions of Economic Anthropology), lecture given at the Conference of the PEKEA (Political and Ethical Knowledge on Economic Activities Research Program), Santiago, September 10-13, 2002.

10 Reproduction does not only refer to the consumption of goods and material services, but also includes affections, identities and other interpersonal relationships.

11 Productive micro-ventures are only an ad-hoc way through which a domestic economy improves the conditions for its reproduction, and cannot and must not be separated from the logic of domestic economy.

- (c) as **training labor**: devoting time to increase its skills through study or formal, non formal or informal training;
- (d) as **communal or collective organization labor**: taking part in joint actions to improve directly (by generating conditions and livelihoods for collective use, collective housing or popular food services, etc.) or indirectly (by group advocating, negotiating and buying) the production or reproduction conditions of DUs associated in a more or less formal way (neighborhood-improvement associations, producer associations, service self-management cooperatives, consumer associations, trade unions, farmer movements, human rights movements, etc.)

This outline poses three main hypotheses from a micro socioeconomic point of view: (a) dependent paid employment has not been, is not, and will not be in the future, the only way to channel the labor capacity of the DUs and in that way access living conditions and livelihoods; (b) the economy of labor does not refer exclusively to forms of autonomous production undertaken by workers, whether individual or in groups -family ventures, cooperatives-, rather it covers all forms of fulfilling its capacities, with the aim of achieving the expanded reproduction of the life of its members: “domestic” labor, communal labor, diverse forms of association to improve the terms of exchange and, of course, dependent paid labor; (c) production, labor, and distribution relations are not objectivized and are subjected to interpersonal relationships of kinship or affinity that co-determine them.¹²

Monetary income is not the only way to access the products of somebody else’s work; it is also possible to do so through exchanges based on different kinds of rules of reciprocity (generalized reciprocity, centralized or redistributive reciprocity, etc.) or by barter of products and services.

At certain stages, the economy of DUs may include positive transfers of income (unemployment or accident subsidies, pension funds that involve a deferred income for previously performed work or other sources of rights, family assistance or assistance based on other kinds of relations of reciprocity), as well as monetary or in-kind donations. This must be balanced with flows in the opposite direction (payments to common retirement funds, taxes, aid to others, etc.).¹³ It also includes savings and loans flows. A matrix of flow of funds would allow to quantify the transfers between DU sectors, and between these and the public sector in its diverse levels and with the business economics of different fields. It is not unreasonable to ask what the sign of the net transfer in cash, goods and services between the whole of the economy of labor and the public sector will be. In spite of complaints that social politics means transferring aid to the poorest sectors, it could very well be a transfer between middle and indigent sectors of workers, leaving great earnings and accumulated fortunes untouched.

At a macroeconomic level, DU economy is conditioned by the relative prices of labor and goods and services that it offers and the livelihoods and means of production that it acquires in the market, as weighed by the structure of its inputs and consumption and that of its products. These prices do not merely reflect, as alleged, the differences of productivities between forms of production but rather they are the result of the differential access to technologies, knowledge and information –mainly as private goods and not as public goods- and of the relative powers in the market of employers and employees, of suppliers and users/buyers. They also reflect the action of the State as the agent that regulates or makes markets more flexible, both the labor market and the market of goods and services that make up the basket of basic commodities of a typical home, and its intervention by subsidizing or imposing taxes on the production or distribution of staples, and benefiting or limiting monopolistic earnings and income.

12 For a discussion on certain aspects of these definitions, see the exchange included in Gabriel Kraychete *et al* (Org.), *Economía dos Setores Populares: Entre a Realidade e a Utopia* (Popular Sector Economy: Between Reality and Utopia), Published in Portuguese by Vozes Publishings, Petrópolis, 2000.

13 For an empirical study on assistance relations, see Gustavo Kohan and Marisa Fournier, *La situación social local: La inserción laboral de los hogares de 4 partidos de la Región Metropolitana de Buenos Aires* (Local Social Conditions: Labor Insertion of Homes from 4 Boroughs of the Buenos Aires Metropolitan Area), Local Development Program, booklet N° 2, Metropolitan Institute, National University of General Sarmiento, San Miguel, 1998.

The need for a strategy and a confrontation of meanings

Changing the structures of the current system in favor of the majorities cannot be achieved by uni-dimensional programs (two favorite formulas are the granting of micro-credits and the provision of training for new jobs by “recycling” human resources). It requires a coherent strategy supported by significant resources, which at the same time entail a change in the correlation of forces between social majorities and minorities. Technological, political and cultural elements must be linked synergically to leverage workers’ initiatives, guiding them towards the construction of an economic system like the one we propose. And this demands a democratic, participative state, imbued with the values that come from the goal of expanded reproduction of everybody’s life.

A confrontation will thus take place in the public sphere between the logic of the economy of labor and the logic of capitalist economy. Such confrontation enables alliances –as mentioned above- between the multiple forms of workers’ organizations and certain fractions of small and middle sized capitalists, organized as linked productive systems or as territorial groups. By achieving integral local development, a setting can be provided to give visibility to individual interests and give rise to alliances governed by the principle of expanded reproduction. Under the current technological paradigm which is based on information and knowledge, but also on the super-exploitation of labor and the pillaging of nature, the confrontation with capital in the struggle for the reproduction of life is unavoidable.

The objective of capital is only self-serving: it is the accumulation of capital. The objective of labor goes beyond itself: it is the reproduction of the life of the workers. Capitalism, in association with the capitalist state, has tended to subsume the productive forces of science and scientific, technical and professional capabilities as components of capital, and has meted out the transfer of encoded knowledge to wage earners only to the extent that such transfer serves to obtain benefits from their work. On the other hand, autonomous and reproductive labor have tended to rest upon more practical forms of knowledge, being as it is generally isolated from scientific knowledge.

In the same way, the concepts and values associated with the notion of efficiency differ: in the case of capitalism, an efficient combination of assets, work force, inputs and products is required to generate the maximum rate of expected profit. In the case of the labor economy, social efficiency is required: reproduction of the best possible conditions -both material and symbolic- for life in society. While profits and the efficiency of the productive process governed by capital might be quantified (or are reduced to the quantifiable), quality of life is essentially qualitative, although it has quantitative aspects. As capitalism locates and re-locates facilities and redefines the territorial context of its markets to maximize profits, the DUs adopt localization tactics (national or international migration -be it temporary or permanent- of the entire DU or of some of its members that send remittances of income or goods).

For this development to occur, associativism must progress and surpass individualist competence. And this can be justified by the superiority of the moral values that solidarity implies or by a pragmatic reading: majorities need to cooperate and associate to survive and, of course, to improve their lives. In any case, associativism is not univocal, and it may have diverse and even opposed meanings: (a) from associations aimed at imposing a given social structure and restraining people, to free and open associations of individuals; (b) including both anarchist trade unionism, formed by proactive activists that are free to join and leave, and passive trade unionism with optional membership or imposed through agreements between union and government leaders; (c) and even including associations in defense of the particular interests of its members and associations created to act collectively in defense of everybody’s rights.¹⁴

The Latin American working class has been fragmented along with the chains of production, specially as a result of the massive unemployment and precarious situation that affects half of the working class. That

14 See: R. Di Stefano *et al*, *De las Cofradías a las Organizaciones de la Sociedad Civil (From Fraternities to Civil Society Organizations)*. The history of associative ventures in Argentina 1776-1990, Gadis, Buenos Aires, 2002.

process is already beginning to be reverted through a process of reunification of movements of the unemployed, of the landless, of wage earners and independent workers, and also of savers or small owners threatened with expropriation by capitalists –though we do not know how lasting this reunification will be. A case in point is Brazil, where the trade union federations or networks that aim to represent all workers must complement struggles for salary raises and the improvement of working conditions with the promotion of labor and consumption cooperatives articulated in complex productive and reproductive systems.

Today, the most pressing needs faced by dozens of millions of Latin Americans are food and clothing, but a number of unsatisfied needs are appearing again, such as the need for shelter, transportation, access to health care, essential services at social prices, accessing secondary and continuous education, and recovering spaces of socialization and affective containment. This set of needs -the true objective of the economy- demands a solidarity-based organization of the domestic units of male and female workers, organizing food security systems, buying in groups to increase their power in markets, exchanging services outside the monetary-based market, such as the barter networks that are currently spreading throughout Argentina. It also demands that the scientific and technological system, the universities and higher education institutions, and the public education system in general, get in touch with the learning needs of the agents and organizations of this sector of the economy.

In a future sector of the labor economy, women will continue to perform a central role, both in advocating activities as well as in production and reproduction. For some, as human life is increasingly threatened, it is the feminine morale that helps raise the morale of the urban masses and helps them openly oppose the increase in the prices of services and essential products, and rebel against usury and the looting of their savings by the most concentrated economic groups and by the creditors of an infinite debt. And if they unite they will develop once again their own networks of savings and credit. Movements of the unemployed that manage labor subsidies will be able to choose between organizing a popular economy, improving the habitat of the people and self-governing themselves, instead of developing new forms of political or social partisan systems. A popular economy effectively in place can make room for a Labor Economy system, capable of representing and truly empowering projects that promote quality of life in a more egalitarian, just and self-determined society.