

Topic 6

Accumulation and Sabotage

Why power?

- *Privatus, privare*, private: to restrict, to deprive, to rob
- Private property: the power to exclude

Industry and Business

- Thorstein Veblen
- Power vs. creativity, business vs. industry.
- Industry and creativity: workmanship, know-how, cooperation, integration
- Industry as a hologram
- Can “factors of production” exist?
- Technology: a “measure of our ignorance”?
- Business and distribution: ownership, exchange, power
- The two languages: what is “real”?
- Top down: business control of industry
- Absentee ownership
- The natural right of investment
- Strategic sabotage
- Can one profit from knowledge and production?
- Intellect or intellectual property rights?
- Can one profit from growth?

The origin of private property

“The first man who, having enclosed off a piece of land, got the idea of saying ‘This is mine’ and found people simple enough to believe him was the true founder of civil society.”

(Rousseau, Jean-Jacques. 1754. *A Discourse Upon the Origin and the Foundation of the Inequality Among Mankind*.)

The production function (a simple illustration)

$Q = F(\text{Labour}, \text{Land}, \text{Capital})$

$$\begin{aligned} Q &= 5 * \text{Labour} + 12 * \text{Land} + 0.5 * \text{Capital} \\ &= 5 * 13 + 12 * 7 + 0.5 * 50 \\ &= 65 + 84 + 25 \\ &= 174 \end{aligned}$$

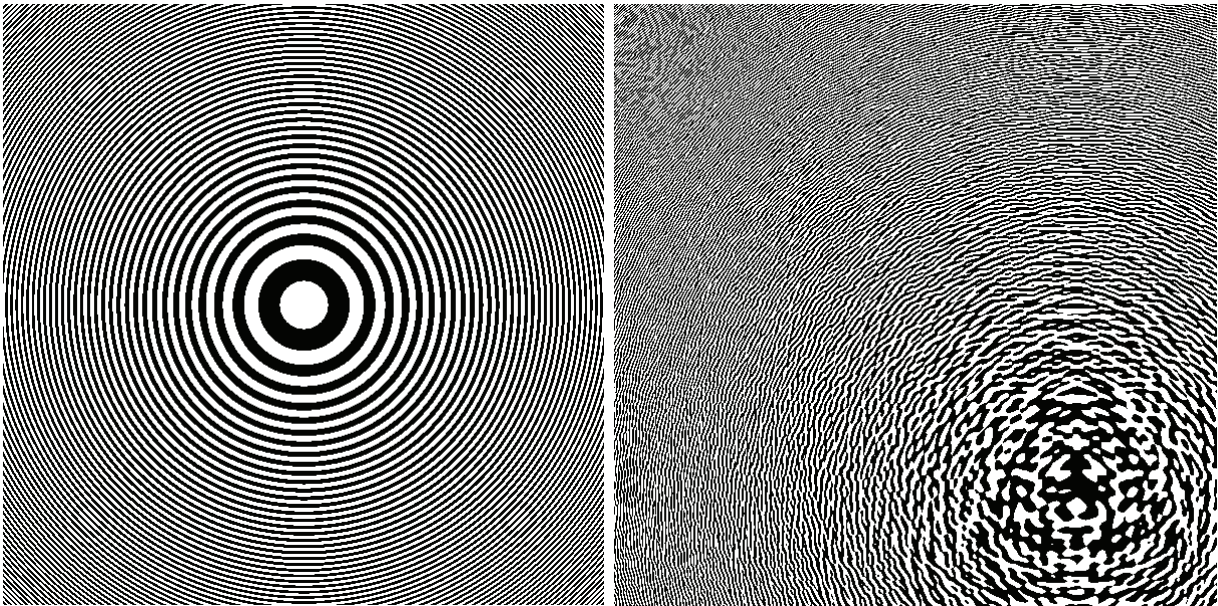
QUESTION: But what if output $Q = 201$ rather than 174? Where do the “extra” 27 units of output come from? Technology, of course!

The production function with a “measure of our ignorance” (a simple illustration)

$Q = F(\text{Labour}, \text{Land}, \text{Capital}, \text{“Technology”})$

$$\begin{aligned} Q &= 5 * \text{Labour} + 12 * \text{Land} + 0.5 * \text{Capital} + \text{“Technology”} \\ &= 5 * 13 + 12 * 7 + 0.5 * 50 + 27 \\ &= 65 + 84 + 25 + 27 \\ &= 201 \end{aligned}$$

A hologram



Photograph by Andrew Davidhazy (reproduced with permission <http://www.rit.edu/~andpph/>)
SOURCE: http://www.medcosm.com/prog_CGHmaker.htm

The “real” thing

“Under the price system, men have come to the conviction that *money-values are more real and substantial than any of the material facts in this transitory world*. So much so that the final purpose of any businesslike undertaking is always a sale, by which the seller comes in for the price of his goods; and when a person has sold his goods, and so becomes in effect a creditor by that much, he is said to have ‘realized’ his wealth, or to have ‘realized’ his holdings. *In the business world the price of things is a more substantial fact than the things themselves.*”

(Veblen, Thorstein. 1923. *Absentee Ownership and Business Enterprise in Recent Times. The Case of America*, pp. 88-89, emphases added)

Calouste Gulbenkian: the absentee owner and the “asset”

SOURCE: <http://www.enecho.meti.go.jp/oil/tanker.gif>;
<http://www.apol.net/dightonrock/giftgulbenkian.htm> (the ship is unconnected to Gulbenkian).

The natural right of investment

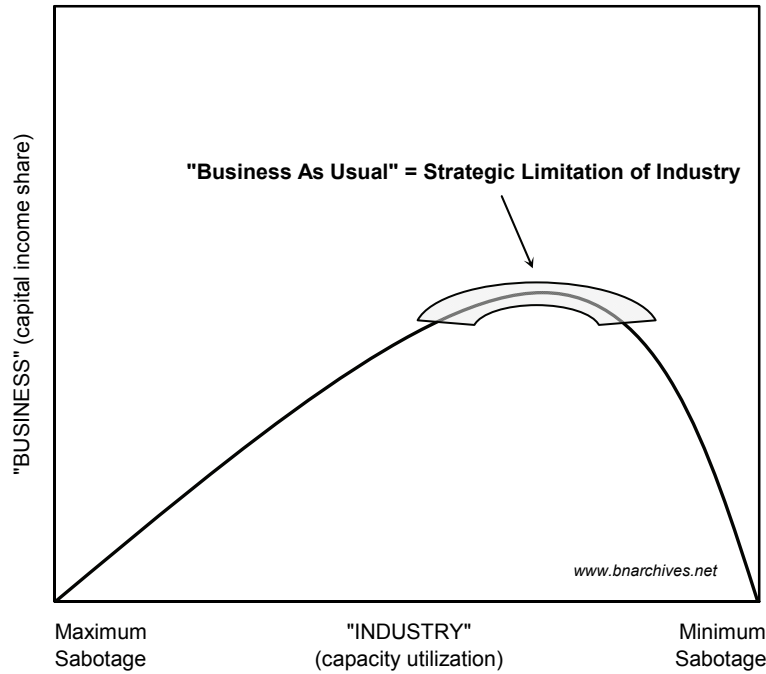
“. . . any person who has the legal right to withhold any part of the necessary industrial apparatus or materials from current use will be in a position to impose terms and exact obedience, on pain of rendering the community's joint stock of technology inoperative for that extent.

“Ownership of industrial equipment and natural resources confers such a right legally to enforce unemployment, and so to make the community's workmanship useless to that extent. *This is the Natural Right of Investment*. Plainly, ownership would be nothing better than an idle gesture without this legal right of sabotage.

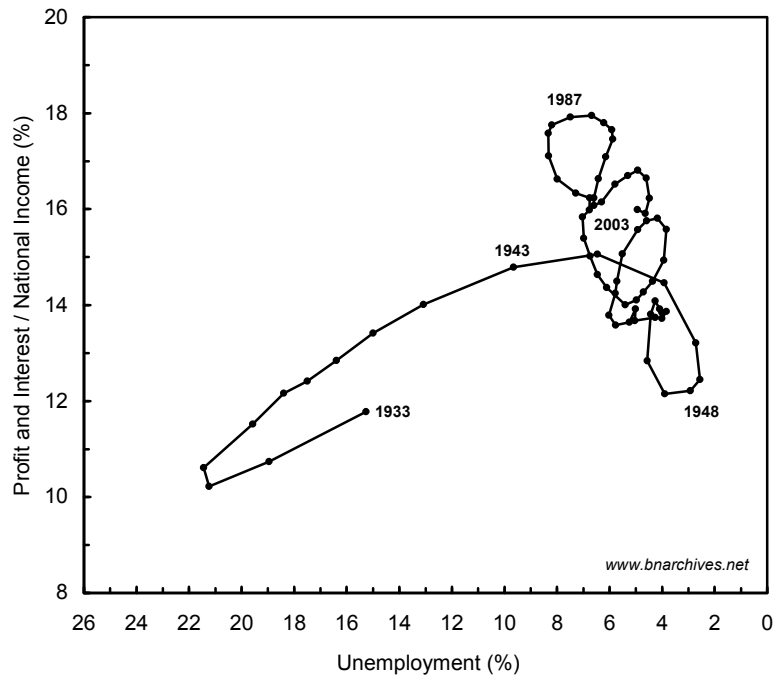
“Without the power of discretionary idleness, without the right to keep the work out of the hands of the workmen and the product out of the market, *investment and business enterprise would cease*. This is the larger meaning of the Security of Property”

(Veblen, Thorstein. 1923. *Absentee Ownership and Business Enterprise in Recent Times. The Case of America*, pp. 66-7)

Business and Industry



Business and Industry in the United States



NOTE: Series are shown as 5-year moving averages.

SOURCE: Nitzan, Jonathan, and Shimshon Bichler. 2000. [Capital Accumulation: Breaking the Dualism of "Economics" and "Politics"](#). In *Global Political Economy: Contemporary Theories*, edited by R. Palan. New York and London: Routledge, pp. 67-88. Original data from U.S. Department of Commerce through Global Insight (series codes: INTNETAMISC for interest; ZBECON for profit; YN for national income; RUC for unemployment).