



Speculating on the present value of labour; paying labour not to work

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Capital is routinely withheld from the market for no reason other than the speculative expectation that a better price can be secured, and the owner's right to withhold it—to wait, refuse prevailing terms, leave it idle, or abandon the market altogether—is ordinarily taken for granted.

As a matter of theoretical rigour, if capital can be withheld in its own self-interest, to the extent that financial circumstances permit, why not embrace that same speculative instinct when it is extended to labour as a productive entity?

Labour need not itself possess the capital required to wait. Financial capital could fund labour's refusal of prevailing terms and take a contractual share of the economic gain thereby secured.

The mechanism might consist of simply hiring—individually or collectively—the workforce of an entire firm, sector, or larger productive field and then proffering it back under radically different terms; or of loans, unemployment insurance, shares in a corporation, convertible debt with an equity-settlement option, option or other derivative contracts, or any other mechanism able to provision labour with financial backing whilst terms of employment are redetermined and provide for the financier's return. The global financial community's creativity is well established. Toss in crypto, and all particulars be damned!

As to any existing investment that is sunk, why should title to it guarantee any claim upon what comes next? The capital already exists, as does whatever benefit it can confer; the future economic flow depends upon labour that the titleholder neither owns nor controls. What, then, in purely economic terms, as present value, is the sunk capital claim supposed to represent?

Indeed, the financier may be able to pay labour less to withhold itself than the incumbent must pay it to work, quite apart from the incumbent's other fixed expenses, because withholding might well come with leisure or the option of temporary alternative employment.

If financed withholding interrupts the income stream supporting an existing capital structure, the claims capitalized upon that stream are correspondingly exposed. The claims themselves need not be denied or confiscated. Equity and debt may remain legally intact while the economic flow supporting their former valuation disappears. Neither labour nor its financial backer must assume an obligation to compensate the incumbent claimholders for that loss of value. Much as a creditor enforcing against an enterprise may acknowledge the enterprise's payroll or pension obligations without thereby assuming those obligations, labour and its financial backers may fully acknowledge incumbent claims without undertaking to subsidize them. If the resulting loss of income drives the productive assets into sale, foreclosure, or liquidation, once it is shown

that those assets—meaning all tangible and intangible commercial assets—have no market value independent of the labour necessary to operate them, they may be purchased by the financial capital backing labour and returned to that labour under a new, free-market ownership structure.

The dependence can be radically disproportionate to the capital claim. A multibillion-dollar data centre may depend upon a small permanent workforce and, within it, upon only a single-digit set of critical functions. A handful of indispensable workers can therefore condition the continued usefulness of an asset whose capitalized value bears almost no relation to the number of people necessary to perform those functions, or to the wages being paid for those functions at any given moment. What, then, is the data centre worth? And if the data centre resists, what is it worth if the labour behind its electric power or water supply is similarly financed? Then it gets messier, and so fortunately we have just digressed.

Critical skills may require lengthy, job-specific training, and the production of effective replacements may itself depend upon the cooperation of those already trained. Financed withdrawal can therefore deny the incumbent not merely existing critical labour, but the means of producing its replacements. And even where replacements can be trained, the financier need only stand ready—and perhaps announce that readiness in advance—to finance the withholding of replacements once training is complete. The prospect would certainly call into question any incumbent effort to recruit and train, forcing the incumbent to ask: “Perhaps this replacement is training only to claim the three-month luxury vacation on offer at training’s end?”

Strikingly, the same logic extends from production to the entire property stock itself. Homes and vehicles, for instance, require continuing human maintenance to preserve their functional value. And in luxury property the logic becomes particularly disagreeable: a yacht, for instance, valued in the hundreds of millions may depend for its intended use upon one or two human functionaries, each requiring extensive vessel-specific knowledge and experience, and without which the yacht has little to no useful purpose, and thus little to no value—not least if labour’s withholding is tied not to the owner’s yacht, but to the yacht itself.

The point is not that such disproportions—where labour demands an asset’s entire value upfront just to lift a finger—would themselves constitute a stable equilibrium. The interesting question is what equilibrium would replace them, what form it would take, and through what market process it would emerge.

The mechanism may appear objectionable, counterintuitive, or harmful to the system as it presently exists. But none of those reactions, by itself, answers the underlying economic question. Indeed, a strong case can be made that the mechanism simply makes the current system true to its own principles, and in that sense more perfect by its own standard: labour receives the same financially supported freedom to refuse prevailing terms, wait, and seek a better bargain that is routinely afforded to capital. Anyone who would deny labour liquidity or present value must explain how capital claims fundamentally exposed to labour’s future availability came to be capitalized without thereby capitalizing that future availability itself. If the entirety of capital’s expected return ultimately depends upon future labour continuing to make itself available, it is correspondingly unclear what capitalized value represents beyond a presumptuous claim by ownership to human acquiescence.

More interestingly, the mechanism points toward alternative market arrangements in which finance allocates liquidity to labour according to the perceived value of its cooperation, seeking simultaneously to increase the return captured by the labour it finances and its own contractual return. Such arrangements suggest curious market-based, property-preserving transition mechanisms away from some of capitalism’s harsher allocations of economic power. Existing property need not be seized or invalidated; its value is simply exposed to the discretion of the labour required to sustain it.

Property remains property; labour remains discretionary. Where labour is necessary, sunk property alone cannot command the future economic flow upon which its value depends.

None of this should come as a great surprise. The financial mechanism merely makes economically visible a productive dependence that has always existed. It reveals that capital can be made to stop, at another's discretion, and can only restart at another's discretion. The shock is that the resources needed to expose this dependence—or at least to test it—have yet to materialize.

What began as a financial mechanism has therefore opened into a broader set of questions. To name but a few: how externalities might be internalized; how the commons might remain common while its defence becomes a market-priced private interest; why use value may be the natural standard from which value begins; how investment may be induced without return; how markets may function when profit, as now understood, is disallowed; why businesspeople may continue to strive without profit; why supply and demand may need to be analytically separated; how classical and neoclassical economics may yet reveal their respective explanatory roles; how demand may allocate scarcity without determining relative incentives or resource use; how a single transaction may reprice an economy; whether the critical labour upon which the financier itself depends might be competitively financed by a rival financier, whose own critical labour was in turn subject to the same financing by its rival; whether necessary roles within an organization's employment hierarchy might be underwritten on the basis of their necessity—however humble—to others; how modern economies might respond, from urgent stabilization measures to longer-term institutional adaptation, to the emergence of financed labour withdrawal as a scalable financial strategy; and why the value of capital and material inputs might share something essential with the value of that proverbial five-dollar bill on the sidewalk—and why an economist seeking to price them might wish to ponder that proverb.

And why would finance do it? Because it is human, and seeks the most for itself. And perhaps because all of this is dedicated to the financial resources that will be moved, to the pioneering financiers who will move them, and to the society that will defend their obscene returns—for, say, a lifetime or two.

Insight is not merely preliminary to the detailed work that follows. An idea that changes the terms of a problem—what may be assumed, what must be explained and what conclusions remain available—has already done substantive work. Its further formalization, testing and extension may belong to others. The ideas posted here are the contribution.