DEMOCRACY AT WORK

A CURE FOR CAPITALISM

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—Cornel West

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Democracy at Work:
A Cure for Capitalism

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Introduction

Cascading economic problems and crises, coupled with dysfunctional political responses, have plunged modern societies into deepening turmoil. Capitalism—the dominant economic system of ou time—has once again become the subject of criticism and opposition. A global capitalist system tha no longer meets most people's needs has prompted social movements everywhere to arise and coalesce in the active search for systemic alternatives. Yet the particular versions of anticapitalism- the various forms of state socialism and communism—that actually prevailed over the last century no longer seem to offer a model or inspiration to those looking for an alternative to capitalism. People are looking for a new solution, a new cure for capitalism's injustices, waste, and massive breakdowns. This book offers one such cure.

In presenting the idea of workers' self-directed enterprises (which I will call WSDEs throughout this book), I offer a new version of an old idea: that production works best when performed by a community that collectively and democratically designs and carries out shared labor. In analyzing capitalism to show its shortcomings and in establishing how WSDEs would overcome them, I use Karl Marx's theory of the production, appropriation, and distribution of the surplus, his "class analysis."[*] This is also a book with a political purpose: I seek to add the expansion of WSDEs to contemporary programs for progressive social change. I do not offer examinations of the countless past and present examples of collective or cooperative enterprises or of their contemporary counterparts. A rich literature on such projects is available in many reference documents.[†] In contrast, this book about workers' self-directed enterprise analyzes WSDEs in relation to capitalism and advocates them as a superior way to organize production.

The United States has recently suffered five years of the worst economic crisis since the Great Depression of the 1930s. For most people, the end of this crisis is not in sight. Tens of millions remain unemployed, many for extended lengths of time. Unprecedented numbers of foreclosed and homeless people live not far from unprecedented numbers of homes that stand empty. Wages and benefits are trending downward while profits are simultaneously increasing. Just as these conditions force millions to need and want more from local, state, and federal governments, officials continue to announce ever more cutbacks in public services. This crisis is reminding millions about capitalism's inherent instability, its historic failure for centuries to prevent the recurrence of downturns, and how poorly, unjustly, and cruelly it typically "manages" them.

A Tale of Two Crises

The current economic crisis comes after a period of thirty years during which business interests rolled back the New Deal that saved capitalism during the Great Depression of the 1930s. There is more than a little irony in that story. The three years after the 1929 crash both shook and ended capitalism's roaring 1920s, as well as the Republicans' hold on the presidency. A centrist Democrat Franklin D. Roosevelt, became president. He and his party worried—as did Republicans then—abou deficits and balancing Washington budgets. FDR began his presidency acting much like most leadin Democrats today. But the Depression provoked and strengthened forces that changed him. Those forces both pressed him and enabled him to change his policies and thereby become the most progressive and the most popular president in US history.

The Great Depression provoked the formation and immense successes of the Congress of Industrial Organizations (CIO). The CIO organized millions of industrial workers into unions for th first time, bringing about the greatest unionization wave in US history. Members and leaders agreed that unions were working people's best weapons against the ravages of a severely depressed capitalism. They confronted employers (with job actions, strikes, and collective bargaining) and politicians (by mobilizing union members and their money for both electoral and non-electoral campaigns). The CIO's demands for jobs and for direct government help to the average American changed political conditions in the 1930s. The CIO undermined the conservative or centrist Democratic program of the time (what today would be called "austerity").

The Great Depression also drove into high gear a variety of socialist and communist groups, movements, and parties. Inside and outside the CIO, they mobilized large numbers of workers, students, farmers, and others. These left organizations mixed (1) public campaigns for jobs and better living conditions for the mass of Americans, (2) systematic electoral work, often coordinated with the CIO and other unions, and (3) more or less revolutionary demands aimed at transition from capitalism to socialism.

Together, the CIO, socialists, and communists made it impossible to continue policies that "managed" the Great Depression by bailing out the banks and major corporations, keeping government economic intervention otherwise minimal, and leaving the unemployed and foreclosed basically unassisted. At the same time, the CIO, socialists, and communists brought millions into th streets shaking their fists. They criticized business and capitalism more and more intensely. Those actions prompted and enabled FDR to present big business and the richest citizens (the business and power elite that included his own family) with a plan.

On the one hand, they could accommodate FDR's demands for taxes on business and the rich to b used to meet major social welfare demands of the CIO, socialists, and communists. FDR believed h could thereby satisfy enough mass social needs to preserve the capitalist ownership and production systems intact, though they would be more regulated than before. On the other hand, if big business and the rich refused, FDR warned that they would soon face a population led by increasingly anticapitalist forces seeking much more fundamental changes to the system.

FDR’s plan split the ranks of big business and the rich. Enough of them agreed to higher taxes o business and the rich to allow FDR to offer a parallel deal to the left. He urged them to be reformers not revolutionaries: to keep demands for going beyond capitalism at the level of rhetoric but not tak them into practical politics.

FDR built a powerful political partnership between that part of big business and the rich he had won over and the unions and the left, despite some dissenters on both sides of the equation. That partnership never fundamentally challenged boards of directors’ dominant control over US corporations. Major private shareholders continued to select boards of directors who continued to make the basic decisions of what, how, and where to produce and where to distribute the surpluses they appropriated from their workers.

FDR’s partnership proceeded to construct a kind of social democracy or welfare state in the United States, a genuine New Deal. FDR promised that such a program would get US capitalism out of the Depression, provide better lives to most Americans quickly, and prevent future depressions. The only alternative to the New Deal, FDR warned, would be deepening economic and social divisions, tensions, and conflicts.

The partnership was crafted from both sides. One side was comprised of business leaders and wealthy citizens, led by FDR, who believed it necessary and expedient to accommodate left forces unleashed and strengthened by the Depression. On the other side were those leaders of the CIO, socialist, and communist movements who saw reform as the most that could be accomplished and revolution as premature at best and far too dangerous a gamble at worst. To FDR’s right, a considerable number of big businesses and rich Americans rejected his political partnership and steadfastly opposed its social democratic program. To FDR’s left, some radicals and revolutionaries also rejected the partnership as a reformist sellout of the movement to overturn capitalism.

FDR’s partnership prevailed politically. In the depths of the Great Depression, it launched costly programs that helped many millions (especially remarkable given what has not happened in the economic crisis since 2007). An expensive Social Security system was established to provide public pensions to the mass of US workers. An expensive federal unemployment insurance system was established to directly assist the unemployed. Expensive federal hiring programs were established that created and filled more than twelve million jobs during the Depression years after 1934. At a time when employers, employees, and government officials all complained of depleted revenues an funds, Washington found and spent vast sums directly to ease the suffering of working people and t stimulate a deeply depressed economy.

It was not a shortage of money that had previously prevented the government from helping people. The problem was, rather, political, and FDR’s partnership provided a solution. It saved US capitalism from the risks of insufficient private-sector demand and of major social conflict between the devotees of capitalism and an angry working class that was better organized and mobilized than ever before or since. When the opposition of business and the rich limited what FDR's partnership could achieve after 1937, the United States' entry into World War II again split and weakened that opposition.

In the current crisis of capitalism, an FDR-type solution has not emerged, for several reasons. First, the fifty-year decline and consequent weakness of the labor union movement and the extreme decline of socialist and communist movements removed them as effective agents for such a solutio During his first term in office, President Obama did not even propose, let alone implement, any federal hiring programs, and supported the contraction, not expansion, of Social Security benefits. Second, the majority of businesses and the rich see little need—yet—for any compromise solution that would increase their taxes. Third, no actually existing socialism (such as the Soviet Union represented during the 1930s) poses an alternative today that might attract significant working-clas support and thereby frighten conservatives into FDR-type political partnerships.

Political Dysfunction Worsens Economic Dysfunction

The absence of a left-wing force from below has left the United States with a severe crisis but without government intervention adequate to sustain a broad economic recovery. Instead, continued mainstream faith in neoliberal and neoclassical economics, which oppose government intervention on principle, yields insufficient fiscal stimulus measures coupled with overreliance on government debt. Meanwhile, the Federal Reserve's monetary policy pumps massive sums into support for bank and global credit markets. This program seeks to save and bolster the largest businesses (both financial and nonfinancial), the stock markets, and the richest 5 percent of individuals who depend on those businesses and markets. These beneficiaries of public policy are also the key financiers for US political parties, candidates, and officials. The latter devise and execute this rather classic example of a "trickle-down economics" program. Large and direct government assistance for business and the rich is supposed to "trickle down" and provide a recovery for the mass of people, too.

However, the trickle-down economics program hasn't worked—and for reasons that are not hard to discern. The government-enhanced wealth at the top does not "trickle down" in the real world. Instead, boards of directors continue to see their self-interest in not sharing the recovery funds poured into their hands. Thus we experience continuing high unemployment, massive numbers of home foreclosures, declining real wages and job benefits, and inaccessibility of credit for personal borrowing. Stagnant consumption and investment are the results. They undermine the recovery of business and the stock markets. The global capitalist crisis deepens.

What is to be done? The political and economic establishment simply repeats its usual mainstream mantra: maintain the post-2007 trickle-down program with maximum hype about the government's efforts to end the crisis and wait until the crisis depresses wages and the costs of doin business enough that profit opportunities prompt capitalists to resume investing. The establishment prefers to wait rather than to pay the costs of a government intervention sufficient to overcome the crisis. Capitalism, it insists, will eventually produce an economic upturn.

An alternative, though predictable and inadequate, program has come from the still-small but growing coterie of Keynesians. They have been reinvigorated by this crisis much as John Maynard Keynes's intervention, their inspiration, was produced by the 1930s crisis. They want a much bigger government fiscal stimulus paid for by bigger temporary budget deficits. They insist that the rising national debt can easily be offset later, once robust economic growth resumes. They are quite confident that a bigger stimulus will solve what they see as the problem: returning to a "normal" capitalism from a crisis-ridden capitalism.

The struggle in Washington continues between a somewhat crisis-weakened but still dominant mainstream and its very moderate Keynesian critics. Both sides speak and act as if their positions mark the limits of legitimate debate and fully exhaust the space of economic policy options. It took the explosion of Occupy Wall Street to open that space to the other—nonmainstream and non-Keynesian— options. These options were always available but have been long repressed by busines interests and their political, media, and academic allies. This book is devoted to one of those other options.

As an enduring crisis brings economic suffering to most American families, the political system shows less and less capacity to solve the root problem. Indeed, growing numbers of Americans see the political debates in Washington as irrelevant or even detrimental to their concerns. The mainstream trickle-down policies of George W. Bush and Barack Obama appear to have pandered t corporations and the rich while bypassing recovery for the vast majority. Because massive government borrowing helped to pay for those policies, national deficits and debt rose quickly. Now both political parties bicker over the details of austerity to reduce those deficits and that debt. They debate larger versus smaller cutbacks in public services and public employment.

In short, Americans have suffered from years of an economic crisis they did not cause. They hav watched a recovery program that did not help them. They have been lectured by the architects of tha recovery program on the need for "everyone" to pay its costs. And then the mass of Americans learned that "everyone" means them—not the people whose actions caused the crisis—and that they must suffer austerity cutbacks just when they urgently need more and better government services. N wonder the prospect of alternative Keynesian policies running up still-larger deficits and debts and thereby risking worse austerity measures is unattractive to so many.

The Delusion of Regulation

Broadly defined, the government intervenes economically by regulating the economic interactions among and between enterprises and individuals. It does this by taxing their activities (earning income, owning wealth, spending money, and so on) and by making rules governing those activities However, the real contents and effects of government regulations depend on the interests that gover their design and implementation.

The New Deal–era taxes on business and the rich and regulations of enterprise behavior proved vulnerable and unsustainable. The enemies of the New Deal had the incentives (profit maximizatio and the resources (their returns on investments) to undo many of its reforms after World War II, wi ever-greater effect in the period since the 1970s. They systematically evaded, then weakened, the taxes and regulations of the New Deal, and eventually, when politically possible, eliminated them altogether. Business profits funded the parties, politicians, public relations campaigns, and professional think tanks that together shaped the real social effects and historical decline of government economic regulation. Examples include the destruction of the Glass-Steagall Act, the current assault on Social Security, the shift in the federal tax burden from business to individuals ar from upper- to middle-income individuals, and so on.

Unions, the left, and the progressive wing of the Democratic Party—even when in power—prove unable or unwilling to secure the federal government's commitment to New Deal policies. Proposal for "new" New Deals therefore strike many today as fundamentally inadequate given that the system's dominant institutions—capitalist corporations—retain the incentives and keep obtaining the resources to undo any such New Deals. To the dismay of Keynesians, their critiques of mainstream economic policies and proposals of new New Deals draw little enthusiasm or support. Regulation, deregulation, and reregulation strike ever more Americans as a delusional misunderstanding of where the basic problem lies.

A Cure for Capitalism

An increasing number of people are seeking a very different solution to the economic and political morass engulfing the United States and beyond. For them, that solution must have several key components. One is a permanent end to the periodic crises generated by capitalism (promised repeatedly but never achieved by its leaders over the last century). Another component is an economic system reorganized to secure greater income and wealth equality. Still another componen is a genuinely democratic distribution of power among individuals inside both their workplaces and their communities.

To achieve this solution requires, first, a comprehensive critique of how capitalism works to yiel its unacceptable outcomes. Second, we need a vision of an alternative economic system free of capitalism's structural flaws. That system would constitute a cure for capitalism. It would overcom its otherwise intractable problems. This book uses and builds on Marx's critique of capitalism because, notwithstanding its limits, it remains the most developed and useful critique available. The cure I advocate here is also informed by several traditions: movements for social justice, traditions of working-class protest against capitalism, and movements for cooperative economic action (purchasing, owning, and producing).

This cure involves, first, replacing the current capitalist organization of production inside office factories, stores, and other workplaces in modern societies. In short, exploitation—the production o a surplus appropriated and distributed by those other than its producers—would stop. Much as earli forms of class structure (lords exploiting serfs in feudalism and masters exploiting slaves in slavery have been abolished, the capitalist class structure (employers exploiting wage laborers) would have to be abolished, as well.

In corporations, the dominant form of modern capitalist enterprises, no longer would small boar of directors selected by a typically tiny number of major shareholders appropriate and distribute the surplus produced by employees. Instead, the surplus-producing workers themselves would make the basic decisions about production and distribution. They would become, collectively and democratically, their own board of directors. Shareholder-selected boards would no longer direct what, how, and where the enterprise produces. Instead, all of the workers in enterprises—those directly producing outputs and those providing the support services enabling production—would collectively become the directors deciding what, where, and how to produce and how to distribute t appropriated surpluses. Capitalist enterprises would thereby be transformed into workers' self-directed enterprises (WSDEs).

Secondly, such reorganized production sites would partner with similarly democratic organizations of residential communities interdependent with WSDEs. Because the decisions reach in WSDEs would affect residents in these communities and vice versa, a genuine democracy would require each interacting partner to participate in decisions reached by the other. Codetermination by workplace and community democracies would become the new reality of social self-governance.

Among the major social decisions to be so codetermined would be the following: (1) what mix o private and socialized property in the means of production would be best, (2) what mix of markets and planning would be preferred as means of distributing resources and products, and (3) what mix of representative and direct democratic decision-making should exist within both workplaces and residential communities. The democracies at both social sites would make and continually adjust these decisions collaboratively.

Such a reorganization of workplaces, coupled with the institutionalization of democratic codetermination, would effectively end capitalism. It would mark yet another milestone in human history, following the earlier transitions out of slavery and feudalism as organizations of productio The disappearances of slaves and masters and lords and serfs would now be replicated by the disappearance of capitalists and workers. Such oppositional categories would no longer apply to the relationships of production. Instead, workers would become their own collective bosses. The two categories—employer and employee—would be integrated within the same individuals.

At the same time, reorganizing workplaces in this way would be different from the historic effor in the twentieth century to go beyond capitalism. Unlike those traditional state forms of socialism and communism, it would no longer be enough to just nationalize productive property and replace markets with central planning. The crucial additional—and hence transformative—element would b the reorganization of all workplace enterprises to eliminate exploitation. Instituting WSDEs would structurally position workers as appropriators and distributors of any surpluses they generated.

The state would thus become dependent for its revenues, operation, and very existence on receiving distributions of portions of the surpluses from the self-directed workers themselves. The power imbalance between states and their populations that haunted the last century of socialism anc communism would thereby be structurally overcome. In this way, we could establish the material basis for the eventual withering away of the state that many Marxists envisage.

Reorganizing production so that workers become collectively self-directed at their worksites moves society beyond both capitalism and the last century's actually existing socialisms and communisms. In that sense, WSDEs represent an alternative to both capitalism and traditional state socialism/communism, an alternative to systems that accord directing power inside enterprises eith to private capitalists elected by shareholders or to state capitalists selected by government or party. In WSDEs, decisions about production and distribution of outputs no longer primarily serve small subgroups (receivers of profits, dividends, and capital gains) rather than the majority of workers anc their communities. Social criteria—democratically determined by self-directed workers and community members—would replace the drive for profit and accumulation in investment and all other economic decisions.

All workers would now have two job descriptions. First, they would be democratically and collectively assigned a specific production task (usually for a specific time period) within the workplace division of labor. Second, they would be democratically and collectively given fully equa participation throughout their term of employment in the design, operation, and change of that division of labor and in the distribution of its outputs. No one could work without engaging in both roles. The ancient divisions between mental and manual laborers, between workplace controller and controlled, between bosses and wage slaves would be overcome, thereby achieving an immense step toward economic and hence social equality.

Building Support for the Cure

To win social approval for the creation and sustenance of WSDEs inside modern economies, a number of different campaigns could be pursued. A government program of financing and supportir new WSDEs could focus on the unemployed. FDR's model of federal job creation, for example, could be modified to provide specifically for the unemployed to regain work within self-directed enterprises. WSDEs would thereby become a significant kind of enterprise alongside traditional capitalist enterprises.

Another parallel campaign could stress the social benefits of giving citizens genuine freedom of choice between work within a traditional, hierarchical capitalist enterprise or within a workers' self directed enterprise. That choice doesn't currently exist. This campaign would advocate extending government programs that assist small businesses and minority-owned businesses to include a majo program for workers' self-directed enterprises. In such programs, government would provide subsidies, incentives, and technical support to particular kinds of enterprises, because markets dominated by capitalist enterprises would otherwise destroy them and because their existence provides important social benefits.

Still another campaign could be built around extending democracy from its currently very limite residence-based, and mostly formal application to governing geographic areas. The basic idea woul be to bring democracy to the communities that comprise worksites. Legislation, for example, might henceforth depend on the approval of both workplace democracies and residential democracies in a system of codetermination by both enterprise-based and residence-based democratic procedures. There are three compelling reasons to sustain such a campaign. First, no democracy is complete if i does not include the economy and its basic institutions. Second, the weakness and merely electoral formality of actually existing political democracies flow from their lack of economic democracy. Finally, the capitalist organization of production inside modern corporations directly contradicts an precludes economic democracy.

The problems of capitalism generally have been intensified and magnified by its recurring crises especially now in the major downturn that began in 2007. Capitalism's problems have also become more visible to millions of people. As criticism mounts, so has oppositional thought and action. Capitalism is not "delivering the goods" to most people, and they know it. But we need to know wh capitalism is in such deep trouble to see a way forward, to find a cure. I undertake the critical analysis and take an initial step forward in part I of this book.

Among the victims and critics of the capitalist system today, the fastest-growing demand is for a better alternative system. People are increasingly looking for changes in today's intertwined economic and political systems that can reasonably promise to do better than capitalism while avoiding the problems associated with earlier efforts to reform or replace it. Part II of this book focuses on clarifying what needs to be done and why. Most of this book, part III, is devoted to presenting, explaining, and endorsing what I believe to be the best alternative we have to accomplis what needs to be done.

* "Surplus" is the excess of the value added by workers' labor—and taken by the employer—over t value paid in wages to them. To pay a worker $10 per hour, an employer must receive more than

$10 worth of extra output per hour to sell. Surplus is capitalists' revenue net of direct input and labor costs to produce output; enterprise profits represent one portion of the surplus. For fuller expositions, see Stephen Resnick and Richard Wolff, *Knowledge and Class: A Marxian Critique of Political Economy* (New York and London: Routledge, 1987), chapter 3, and the same authors *Contending Economic Theories: Neoclassical, Keynesian, and Marxian* (Cambridge: MIT University Press, 2012).

† See Immanuel Ness and Dario Azzellini, eds., *Ours to Master and to Own: Workers' Control from the Commune to the Present* (Chicago: Haymarket Books, 2011), and also www.democracyatwork.info.

Part I:
Capitalism in Deep Trouble

Capitalism has had an extraordinary run in the world—and nowhere more so than in the United States. Its celebrants demand, and capitalism as a system deserves, significant credit for catapulting Britain's former secondary colony, the United States, to its status as a global economic, political, an cultural superpower in two hundred years. The costs of the journey were huge and widely distribute the gains were also huge, but less widely distributed. Here was a first sign of troubles to come. Moreover, a long-term rise in real wages bred conditions and expectations that eventually outran capitalism's capacities to sustain them. Here was another troubling sign. The former colony turned immigration and imperialism as key means to further its ascendancy. Yet they also contributed to economic dependency on an evolving globalization of capitalism. This was another signpost.

Underlying and amplifying all of these problems were the basic structural flaws of the capitalist system. Its internal contradictions, tensions, and conflicts—ceaseless and unevenly developing antagonisms of labor and capital interwoven with the competitive struggles among capitalists—periodically generated downturns, crises, panics, and cyclical booms and busts. These were often moments of harsh but clear insight into the system's darker dimensions. Slowly, people accumulate not only appreciation of capitalism's profound social costs and many victims, but also increasingly powerful anticipations of economic and social systems that would be better than capitalism. Today, in the wake of one of capitalism's deepest and longest crises, critical insight has yet again been revived and sharpened. Today's critics can build on their accumulated understanding of capitalism' history and its present dilemmas.

Perhaps most importantly, the criticism of capitalism we can articulate today—as presented in part I of this book—allows us more clearly than ever to envision a genuinely new solution. That solution not only overcomes many of capitalism's flaws and failures, it also learns which misunderstandings and missteps to avoid from earlier efforts to go beyond capitalism. Together, the critique and the solution offer more hope for a breakthrough beyond a system in deep trouble than w have had at any point in the last half-century.

Like all important topics, capitalism has been defined and understood quite differently by different people and groups throughout its history. That fact requires everyone using the term to be clear and explicit about the particular definition being used. No one should proceed as if any one definition is the only one or is a definition on which everyone agrees.

For example, many contemporary usages of “capitalism”—in the media, among politicians, and academic treatments—focus on two key dimensions. The first is private property: capitalism is a system in which the means of production (land, tools, equipment, raw materials) and products (good and services) are privately owned by individuals and enterprises. They are not owned collectively by society as a whole or by the state apparatus (representing, at least in theory, society as a whole). The second dimension is the market: capitalism is a system in which productive resources and produced outputs are distributed by means of freely negotiated exchanges between their private owners. Distribution is not accomplished by means of the state’s or any other collective agency’s planned decisions. Thus, the twentieth century’s great confrontation between “capitalism” and “socialism” was widely defined to be a struggle between private property and markets on the one hand and socialized property and government planning on the other.

I do not use that popular definition in this book. A full discussion of the different definitions of capitalism and of the disagreements among their adherents would take us far afield. Instead, I will underscore some problems with the popular definition as an introduction to the definition I use.

Private property is indeed a prevalent feature of capitalism. However, capitalist economies also typically contain significant amounts of productive property and products owned by state apparatus in the name of the society as a whole. In the United States, for example, harbors, air space, transportation facilities, military equipment, large tracts of land, and many educational institutions are publicly owned.

Likewise, markets are common mechanisms of distribution, yet many capitalist economies also include the distribution of goods and services in nonmarket ways. In the United States, for example, food is distributed via food stamps issued to certain parts of the population, and many communities distribute park, fire, police, and school services to citizens based on local notions of citizens’ needs not on market exchanges. Inside most households, members produce all sorts of goods and services (cooked meals, cleaned clothes and rooms, repaired furniture, and so on) distributed to other household members according to traditional forms of household planning, barter, and exchange, not by means of market exchanges.

Moreover, private property and markets do not distinguish capitalist from other types of econom systems in human history. For example, the slaves in the noncapitalist economic system of the US South before the Civil War were private property. Similarly, in many parts of late medieval Europe, the land, horses, plows, and mills were often privately owned means of production, yet we refer to the economic system of that time as feudalism, not capitalism. Markets were also often features of slavery and feudalism as well as capitalism. For example, feudal lords often sold the products of their serfs’ labor in markets; feudalism thus worked with a market system of distribution. Similarly the cotton produced by slaves in the US South was regularly sold in world markets by means of exchange for money.

In short, private property and markets do not provide us with a clear demarcation between capitalism and, for example, slavery and feudalism as economic systems. Nor do we get much further if we try to deal with this problem by invoking individual “freedom.” A commonly held vie is that slaves lacked freedom because they were property and serfs lacked freedom because they we tied to their feudal manors, but workers in capitalism suffer neither of those forms of coercion. Among the problems with this definition is the fact that, under capitalism, wage workers are not fre (other than formally, legalistically) because to live even minimally, they must work for others. They must sell their labor power to those who own the means of production in order to survive.

Because of these and many other difficulties, I define capitalism differently. My distinctive focu is not on property or distribution mechanisms or freedom. Instead, I highlight the internal organization of production and distribution: how the social sites where goods and services are produced and distributed organize those processes. A capitalist system is, then, one in which a mass of people—productive workers—interact with nature to fashion both means of production (tools, equipment, and raw materials) and final products for human consumption. They produce a total output larger than the portion of that output (wages) given back to them. The wage portion sustains the productive workers: it provides their consumption and secures their continued productive labor. The difference between their total output and their wage portion is called the “surplus,” and it accrues to a different group of people, the employers of productive laborers: capitalists.

The capitalists receive the surplus from the productive laborers by virtue of a wage labor contrac entered into between capitalist and worker. This wage labor contract specifies a particular commodity exchange. The capitalist agrees to buy—pay the worker regularly for—her or his labor time. The worker agrees to sell her or his labor time to the capitalist. The worker further typically agrees to use the tools, equipment, raw materials, and space provided by the capitalist. Finally, the worker agrees that the total output emerging from her or his labor is immediately and totally the private property of the capitalist.

The productive laborers—those who produce the surplus—use the wages paid to them by the capitalists to buy the goods and services they consume and to pay personal taxes. The capitalists use the surplus they obtain from their productive employees to reproduce the conditions that allow them to keep obtaining surpluses from their productive employees. For example, they use part of their surplus to hire supervisors to make sure the productive laborers work effectively. They use another part to pay taxes to a state apparatus that will, among other activities, enforce the contracts they hav with their workers. They use yet another part of the surplus to sustain institutions (churches, schools think tanks, advertising enterprises) that persuade workers and their families that this capitalist system is good, unalterable, and so on, so that it is accepted and perpetuated.

The workers who sign contracts with capitalist employers fall into two categories. Productive laborers are those directly engaged in the production of the goods and services that their employers sell; their labor yields the surplus that employers receive and distribute to reproduce their positions as capitalists. The term “unproductive laborers” refers to all those engaged in providing the needed context or “conditions of existence” for productive workers to generate surpluses. The unproductive laborers have their wages paid and their means of work provided by capitalists. The latter distribute parts of the surplus they get from productive laborers to pay and provide for the unproductive laborers.

In short, the capitalist economic system divides people into three basic economic groups: productive laborers, capitalists, and unproductive laborers. Just as the social context for the economic system—politics and culture—shapes and influences the economy, so the reverse also holds. To focus on a society’s economic system, as this book does, does not mean that economics is any more important than politics, culture, or nature in the interaction among them that shapes every society. My focus on the capitalist economic system is driven chiefly by the widespread neglect of this dimension of today’s social problems. One purpose of this book is to rectify that neglect.

For the last half-century, the capitalist economic system in the United States, and indeed in many other parts of the world, has gotten a free pass in terms of criticism and debate. Intense debates have swirled around other basic institutions or systems, such as marriage, schools, health care delivery, transportation, and urban structure. Criticisms about their current conditions and problems have informed proposals for changes ranging from the relatively minor to the fundamental. However, our economic system—capitalism—has been almost entirely exempted from critical discussion, as if some taboo precludes criticism. Business and political leaders, the mainstream mass media, and the bulk of the academic community have substituted celebration and cheerleading for serious criticism and debate of capitalism. This was their response to the Cold War—and even more an intrinsic part of the conservative resurgence after the Great Depression, the New Deal, and the United States’ wartime alliance with the Soviet Union frightened and galvanized such forces into reaction. They insistently treated capitalism as beyond criticism, debate, or basic change—and demanded no less o others.

During the postwar period, critics of capitalism were marginalized. Laws were passed that linked such criticism to disloyalty. Colleges and universities discriminated against such critics. Politicians competed in their adulations of capitalism and condemnations of all alternatives. Culture wars yielded purges of journalists, filmmakers, playwrights, and others suspected of sympathies with those who criticized capitalism as a system. The post-1940s history of the US labor union movemen shows the stark social consequences of punishing critics of capitalism. First, the state apparatus pressed successfully for the systematic rooting out of those union leaders and activists who dared to include criticism of capitalism in their work. They were excoriated for advocating "subversive" and "ideological" politics rather than doing their proper jobs of "serving their members." Yet, as most unions fell into line, they also declined in part because of repeated attacks on unions as "special interests serving only their members" at the expense of the broader social good.

Criticism of particular capitalist enterprises or their particular practices did sometimes surface over the last half-century. It was possible to target capitalist enterprises' monopolistic activities, racial and gender discrimination, and environmental degradations—even their corruption of politica institutions. However, critics learned to focus only on specific misbehaviors—not on the economic system that induced, rewarded, and reproduced them. Many oppositional movements foundered or collapsed because they excluded those who dared venture some criticism of capitalism as a system. By contrast, in 2011, the Occupy Wall Street movement broke with the traditional taboo, clearly affirming the legitimacy of criticizing capitalism itself.

Like any social system long exempted from criticism and debate, the capitalist system deteriorated behind its protective wall of celebration. Big business subordinated smaller capitalists when it did not overtake them. Laws protecting labor and labor unions were weakened, repealed, or simply not enforced. Freedom came to be redefined as first and foremost the freedom of businesses to decide what, where, and how to produce without interference from other parts of society. The results of so long-lasting a bar on serious criticism and debate of the capitalist system are many and sobering. They include the return to levels of inequality of wealth and income typical a century ago, consequent inequality in the distribution of political power and access to culture; atrophy of government-provided social services and supports; and multidimensional ecological crises.

In light of these developments, two central objectives of this book are to show how the severe crisis since 2007 is partly another result of capitalism and to help reopen the space for criticism of capitalism as a key step toward bringing about fundamental social change.

The capitalist economic system persists so long as labor contracts between capitalists and both productive and unproductive laborers provide acceptable quantities of surpluses to capitalists and employment and incomes to workers. Developments within the capitalist economic system and/or in its social and natural environment can disrupt—suddenly or gradually—the reproduction of the system. Then unemployed workers, unutilized means of production, and the resulting loss of output can coexist—often for years—in a stunning reproach to capitalism's pretensions to efficiency, equity, and progress.

Such disruptions are viewed by the masses of people in capitalist economies as “hard times” to b prepared for and endured. Capitalism’s defenders fear disruptions as threats to the system. Capitalism’s enemies treat them as opportunities for organizing people—especially workers—to change or supersede the system. No wonder then that capitalism has evolved mechanisms to avoid, evade, and respond to such disruptions.

Among these mechanisms have been government interventions that mix rescuing capitalists by direct subsidies (direct investments, loans, loan guarantees, below-market exchanges, and so forth), moderating mass suffering by providing state support to the unemployed and others, and passing regulations to reduce the most egregious economic practices aggravating the crisis. Simultaneously ideological rationalizations of economic crises are expressed in claims that they weed out the inefficient enterprises and thereby strengthen the economic system. Finally, there are the bold assertions by politicians that newly enacted reforms and regulations will not only extricate society from its crisis but also prevent such crises from recurring.

1.1 Capitalism’s Instability and Unevenness

Capitalism is a notoriously unstable economic system. Times of growth oscillate, often in extreme ways, with times of decline. This has always been the case since capitalism replaced feudalism in Europe and expanded globally from there. Its oscillations take many names, from downturns, busts, deflations, contractions, recessions, and depressions to upturns, booms, inflations, expansions, and prosperity. Professional economists have had to admit that capitalism displays endemic “business cycles” but keep hoping that something might be done to prevent them or at least to keep them from undermining the system. Many economists have built on the work of John Maynard Keynes to asser that the proper exercise of monetary and fiscal policies by government can realize that hope. Politicians have taken that assertion another step. In the United States, every president who preside over a cyclical downturn promised that his economic interventions (his mix of monetary and fiscal policies) would not only end that downturn but would ensure that we would not have another in the future. No politician or set of policies in the history of capitalism, however, has yet delivered on tha promise.

Capitalism also develops unevenly across space—and always has. Thus, the growth of wealth in some parts of the world goes hand in hand with the growth of poverty in others. Every particular economic development path has its winners and its losers. Over the same period of time, employers often gain while—and often because—employees lose. This particular unevenness is a crucial cause of the global capitalist crisis that erupted in 2007, as I will demonstrate. Merchants and manufacturers developing in urban areas often produce simultaneous devastation in rural agricultur areas. The competitive success of one company in one town may devastate its rival companies and their towns. British capitalism's success was the root of India's crisis and decline. The explosive growth of capitalist enterprises in China finds its counterpart in devastated former manufacturing zones of the United States, much as earlier Europe's industrial revolution worked to undo productio systems in Asia.

Capitalism's disruptions have always provoked complaints from those who suffer their results. Such complaints can and often have evolved into criticisms of capitalism as a system and from ther to calls to usher in noncapitalist systems. The champions of the status quo sometimes respond with arguments that the causes of decline and underdevelopment are not the fault of capitalism, instead blaming natural conditions (for example, floods and droughts), political disruptions (such as wars and government intervention), or cultural patterns (inadequate entrepreneurship or savings behaviors) and so on.

The most common and enduring of these defensive arguments focuses on state economic intervention as the key external cause of capitalist crisis. Thus, for nearly a century now, it has been popular to blame capitalism's instability and unevenness on government interference in free-marke economics. Economists, politicians, journalists, and pundits point to taxation, government spending and regulation of markets as the culprits. The major counterargument—associated since the 1930s with Keynes—instead locates the root of capitalism's ups and downs in culture (how individuals cope with uncertainty about the future and their "propensities" to consume and save) and the ways i which culture and economy interact. Thus Keynes and those influenced by him see government economic intervention as useful and necessary to offset and to end the destabilizing interaction between culture and economics under capitalism.

Yet since capitalism's instability and unevenness are continually reproduced across every variation of external natural, political, and cultural conditions, some of those who defend the systen have felt compelled to find better arguments that don't rely on external causes. These thinkers have sought to justify capitalism by insisting that its negative dimensions, such as cyclical downturns an inherent inequality, are simply the necessary price to be paid for economic and social progress. The claim that the gains of capitalism's winners are greater than the losses inevitably suffered by economic losers in the system, and therefore that instability and unevenness are ultimately—in tern of their net social effects—progressive. Capitalism is thus an efficient system, no matter how unstable and unequal.

Yet this notion of efficiency, much beloved by those who celebrate capitalism, is actually quite elusive. To know whether an economic system is efficient requires identifying and measuring all of its effects—the positive that accrue to the winners and the negative that affect its losers. Yet this is an impossible task. The problem is quite simply that the costs and benefits of capitalism at any time are infinite in number and project long into a future we can never know in advance. Besides the unsolvable problem of identifying and measuring all of capitalism's direct and indirect effects, we face an additional and insurmountable problem: whatever effects are identified and measured by an efficiency calculus are never the results only of capitalism as an economic system. That would be a grossly economistic, or economic determinist, claim. Those effects also have other causes (politica cultural, and natural) too numerous to identify or measure. In short, the notion of measuring the efficiency of economic events or processes or of an economic system is a mirage. It is not possible identify or measure all of the effects of any social factor, nor is it possible to separate and weigh all the influences that combine to produce each effect. The very concept of efficiency would have been banished from discourse, let alone science, long ago if it had not proven so ideologically useful. Efficiency discourses resemble capitalist notions of efficiency, which in turn resemble the medieva doctrines and debates concerning how many angels can dance on the head of a pin: they too will one day strike people looking back as bizarre and absurd.

One particularly pervasive form of "efficiency" analysis, known as "cost-benefit analysis," claim to compare the total of benefits to the total of costs of any economic event or project and to then declare the system efficient if the total benefits exceed the total costs. It has become common acros the history of capitalism for such calculations to serve those campaigning for nearly everything imaginable: a change in interest or tariff or tax rates; allowance to build a highway, housing development, or mall in place of a forest; regulation or deregulation of markets; and so on. Elaborat calculations of costs and benefits suitably dressed in charts and graphs have been key props in the efficiency theater that has provided ideological cover for the endless struggles attending capitalism uneven development.

The usual winners in these struggles not only determine what economic event, plan, project, or system will prevail and its actual development path, they also wrap that path in the ideological mantle of "progress." However, capitalism's recurrent crises—and especially those that cut deep an endure for years—can and repeatedly do undermine the capitalist efficiency narratives of their time The efficiency argument for capitalism rings hollow in the face of high and enduring unemploymen affecting jobless millions and their relatives, friends, and neighbors. Watching the growing absurdit of foreclosures creating both homeless people and empty homes throws into serious question the standard defense of capitalist efficiency.

Yet the tradition of efficiency arguments for capitalism has taken such a hold in our discourse th even when capitalist crises have undermined them, claims regarding efficiency have often resurface in the rhetoric of anticapitalists. Socialists and communists during the Cold War often simply inverted the standard argument by insisting that it was socialism or communism that was efficient (or more efficient than capitalism) and thus represented progress. They, too, often ignored the impossibilities of identifying and measuring all costs and benefits and of separating and evaluating each of the myriad influences that produced them. Such socialists and communists also discovered that when social forces pushed against them strongly enough, their efficiency arguments no longer made sense. People became skeptical and eventually dismissive of those systems’ claims to efficiency, much as happened to capitalism in its crises. The end of the communist governments in Eastern Europe toward the end of the twentieth century followed a mass loss of confidence in claim for socialism’s greater efficiency compared to capitalism.

1.2 Welfare State Capitalism, 1945–1970s

In the wake of the Great Depression of the 1930s and World War II, both the United States and Europe turned dramatically from relatively laissez-faire to relatively state-interventionist forms of capitalism. State authorities in most countries limited the powers and wealth of corporations and enhanced the wages and state supports for the mass of people. State-interventionist capitalism “with a human face” replaced the more laissez-faire, harsher capitalism that had built up since the late nineteenth century.

From 1945 to the 1970s, state-interventionist capitalism was the norm, with Keynesian economic its dominant theoretical frame of reference. From the early 1970s until the crisis of the US economy in 2007, laissez-faire capitalism was the norm, supported by the widespread acceptance of a neoliberal ideological framework. The last half of the twentieth century was thus a perfect example of the shifts within capitalism between more and less state-interventionist phases. In capitalism’s current crisis, an ongoing struggle concerns the pace and form of the next possible oscillation. This time, however, the possibility of a break from capitalism’s repeated oscillations to an altogether other economic system—different from both basic forms of capitalism—is stronger than it has been since at least the 1930s.

The extremes of wealth and poverty produced in the fifty years before 1929 generated a critical response. So, too, did the wrenching transformation of rural and agricultural people into an urban, industrial proletariat. Organized and militant trade unionism developed, as did large and militant socialist and then communist political parties. While their development was uneven, socialist and communist organizations were large, strong, and unified enough to become an important political force as the 1929 capitalist economic crisis deepened into a broader social crisis in many countries.

Thus, in the United States, for example, social movements led by socialists and communists transformed a rather conventional, centrist new Democratic president, Franklin D. Roosevelt, into a active promoter of massive state-interventionist capitalism. In the depths of the Great Depression h found himself caught politically between the conservative business leaders and the de facto alliance of the Congress of Industrial Organizations (CIO) and various socialist and communist parties. That alliance demanded immediate and massive government relief for the sufferings of average Americans brought about by the Great Depression. Militants within that alliance criticized capitalis as the cause of that suffering and openly called for its replacement.

Roosevelt’s strategy took shape in this context. He maneuvered deftly toward his “New Deal,” putting in place the basis for the form of welfare state capitalism that took hold in the United States from 1945 into the 1970s. To the masses and the union-leftist alliance, he offered the following bargain: if you give up your anticapitalist, revolutionary politics, I will provide legal protections fo unions, political legitimacy for leftist parties (so long as they keep to certain bounds), and mass social welfare expenditures. Chief among the latter were the establishment of the Social Security system, the unemployment insurance program, and the direct hiring of more than twelve million ne federal employees between 1934 and 1941. To the capitalists, he offered the following deal: if you give up significant portions of your personal and corporate incomes in the form of increased federa taxes to help pay for the federal government’s new social welfare spending and if you accept the nev legal protections for unions, I will provide labor peace and a left political alliance committed to reforms and collaboration with the government rather than revolution. Roosevelt warned the capitalists that failure to accept the deal he offered would mean having to cut a far less advantageou deal with the CIO–socialist–communist alliance then spreading quickly across the country.

Roosevelt’s strategy succeeded. The struggle within the alliance between revolutionaries and reformers ended with the defeat of the anticapitalists. The coalition with Roosevelt and the Democratic Party around a reform agenda became the dominant politics of almost every section of the CIO–socialist–communist alliance (although some maintained, with much difficulty, revolutionary attitudes and goals). The capitalists were split. The portion that supported Roosevelt and his strategy was sufficient to win Roosevelt the political support he needed to carry through his major commitments to establish welfare-state capitalism. The other portion remained steadfastly opposed to his plans and immediately began massive agitation against the New Deal. When the capitalists opposed to welfare-state capitalism lost, they commenced their version of a long march t undermine and then undo the New Deal in the decades after 1945.

Roosevelt’s reward for crafting the broad coalition was to become the most popular president in US history. He won four consecutive elections, prompting the Republicans to pass a law limiting al future presidents to two consecutive terms. He overcame the limits to his federal employment program when World War II enabled him to provide jobs to the remaining unemployed millions either as military personnel or in private enterprises producing for the military. The war, like the New Deal, provided some immediate benefits to employers and workers alike.

The cumulative traumas of depression and war from 1929 to 1945 profoundly shaped US history thereafter. Welfare-state capitalism commanded widespread political, ideological, and psychologica commitments so vast and deep that it seemed this consensus could not be questioned, let alone overturned. However, its opponents were determined to do exactly that. On the one hand, they were deeply troubled by the growth of socialist, Marxist, and communist thinking and organizations acro US society. The wartime alliance with the Soviet Union only deepened their concerns and fanned their paranoia.