Left perspectives on long-term trends in capitalism

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2.1 INTRODUCTION: CAPITALISM AS VIEWED BY THE US LEFT

As I came of age as an economist in the 1960s, Howard Sherman was one of the few already established economists in the United States who clearly and forcefully identified himself as a radical critic of capitalism. Like my generation of radical political economists, he was highly critical of actually existing capitalism (especially as it manifested itself in the US), he sought to change it for the better, and indeed he expected that it would be changed for the better within our lifetime. Karl Marx undeniably provided the inspiration for many of us in his widely quoted eleventh thesis on Feuerbach: “Philosophers have only interpreted the world, in various ways; the point is to change it.”

How could capitalism be changed for the better, given the enormous power that the pro-capitalist side could and would bring to bear in any struggle over the shape of society? Marx argued that capitalism was not only inhumane in many ways but also contradictory, sowing the seeds of its own collapse. My generation of radical political economists tended to find this proposition persuasive, differing only in what we took to be the most important kinds of contradictions at work. Many of us argued that there was a link between the inhumanity and the contradictory nature of capitalism, in that capitalism’s failure to make life better for a substantial majority of the people would lead them to resist the rule of capital and thereby intensify the challenges to capitalist hegemony posed by its inherently contradictory nature.

This perspective is clearly evident in the book that Richard Edwards, Michael Reich and I published in several editions in the 1970s and 1980s: The Capitalist System (1972, 1978, 1986), which gathered together the writings of a substantial number of contemporary radical political economists. The book highlighted the way in which capitalism generated a litany of bad outcomes—inequality, alienation, racism, sexism, irrationality (for example, consumer-
2.2 TRENDS IN CAPITALISM SINCE WORLD WAR II

What has actually happened in the capitalist world over the last 50 years? (This is admittedly a relatively short period of time in a broad historical context, but not too short a time to assess some of the expectations held by modern radical political economists.)

The period from the end of World War II to the late 1960s or early 1970s witnessed what is often described as a “golden age” of capitalism. This period brought to all of the relatively affluent capitalist economies (the so-called “first world”) fairly rapid aggregate economic growth and capital accumulation, with occasional modest recessions that soon gave way to renewed periods of expansion. National governments were by and large committed to the use of Keynesian macroeconomic tools to maintain high employment as well as combat inflation. Long-term economic growth was accompanied by a significant expansion of the middle class: that is, reasonably well-paid workers with a secure job and a decent income. National governments administered a substantial array of labor and welfare programs designed to cushion the effects of the market on the poor, the unemployed, and the infirm; and they also strengthened regulations to protect workers, consumers, and the environment. As a result of a combination of overall economic growth and the kinds of government policies just listed, first-world countries typically experienced some reduction in economic inequalities by class, region, racial/ethnic background, and gender.

It is reasonable to characterize the economic system of the postwar first world as one of “national welfare capitalism,” in contradistinction to the more market-oriented and less regulated form of capitalism that prevailed in the nineteenth and early part of the twentieth centuries. Of course the extent of welfare state provisions, and more generally of state intervention into the economy, differed considerably from one country to another; but in all these countries the state played a larger role in the post-World War II period than in the first part of the century.

Since the early 1970s, however, the capitalist world has been changing in important ways; increasingly the term “global market capitalism” seems more appropriate than “national welfare capitalism.” The former term draws attention to the high degree of internationalization of national economies, the spread of capitalism to encompass almost the whole world, and the growing emphasis on market interactions — as opposed to state regulation in economic affairs (which has characterized not only the countries of the first world but virtually every country in the world over the last few decades).

The trend toward internationalization began with a sharp acceleration of commodity trade in the 1960s, following a dramatic reduction of trade barriers in the late 1950s. International trade in goods and services received a further boost in the 1970s with the successful entry into the international market for manufacturing goods of exporters from the newly industrializing countries (NICs) — especially in East Asia. The growth in international trade was paralleled by a steady rise in direct foreign investment across national borders, facilitated by international economic organizations such as the International Monetary Fund and the World Bank. The most important turning point in the internationalization of the world economy was probably the freeing up of global currency and capital markets, following the abandonment of the Bretton Woods system in the early 1970s. The free flow of capital across borders tied separate macroeconomies much more closely together, limiting considerably the power of national governments to influence macroeconomic conditions in their own countries. More recently, the collapse of the communist-directed systems of Eastern Europe and the former Soviet Union in the late 1980s and early 1990s greatly expanded the geographic scope of global market capitalism.

During the last two decades economic developments in the capitalist world stand in marked contrast to the record of the “golden age.” Following an initial worldwide slowdown in growth and accumulation in the early 1980s, there has been a rather mixed pattern of recovery: strong in the United States and in some of the NICs but rather weaker elsewhere. In recent years Asian capitalist economies have suffered major setbacks, and the Japanese economy has been in recession for most of the 1990s. Many European economies are struggling with very high rates of unemployment. It is also noteworthy that there have been sharp variations in growth rates across different regions and sectors within countries.

Not only has the pattern of world economic growth over the last two decades been very uneven geographically, it has also been marked in a number of significant respects. First, it has been accompanied by significant increases of inequality in the distribution of income and wealth. In many countries, notably the United States, this has resulted in the decline (if not the demise) of the “middle class” and growing polarity between rich and poor. The last few decades have also witnessed increased insecurity — both of national economies (many of which have been buffeted by debt and currency crises) and of individuals faced with rapid shifts in patterns of production, trade, and employment. National governments have become more focused on restraining inflation and generally less able (or willing) to keep unemployment rates down. Economic insecurity has been all the more painful because
of a gradual erosion of the scope and strength of welfare state programs. Moreover, uneven growth, rising inequalities and (in many countries) rising unemployment have contributed to growing racial and ethnic tensions in increasingly multicultural societies.

The above developments mean that the welfare of a great many people has not been well served by the advent of global market capitalism. Indeed, it is arguable that a substantial majority of people around the world have seen their material welfare decline over the past 20 years. What is particularly clear is that national states are less and less prepared to intervene into the market in order to ameliorate conditions for workers, for consumers, for the poor, for the unemployed, and for the infirm. Ordinary people are now increasingly expected to fend for themselves in a global market place.

Of course there remain very substantial differences across capitalist countries in the extent of government intervention vs. reliance on the market. For example, continental Western Europeans have always been more inclined to trust government intervention than their Anglo-Saxon counterparts. US citizens, in particular, have been more likely than others to accept the dynamism, inequality, and insecurity associated with unfettered markets in exchange for giving up some of the the order, equality, and security associated with a strong government role. But the trend over the last several decades has everywhere been in the same direction of reduced state involvement in the economy on behalf of the welfare of the masses; and this has contributed to the rising inequality and insecurity so characteristic of the contemporary capitalist era.

2.3 CHALLENGES TO EARLIER US LEFT ANALYSIS

Virtually all of the critiques of capitalism voiced by radical political economists in the 1960s and 1970s are even more applicable under global market capitalism today than they were when national welfare capitalism was predominant. Nonetheless, capitalism as a system has never been so dominant and so legitimate as it is now, in its present global market form.

Contrary to the expectations of many on the US Left, popular struggles to maintain past social and economic gains have not made it "very difficult for right-wing politicians in a democratic context to turn back the clock to a less fettered form of capitalism," as I have argued earlier. The changes in capitalism which have taken place over the last several decades are in many ways the result of deliberate decisions made by the powers-that-be to unfetter the market through greater liberalization and privatization and to buttress the emerging global economic system with international institutions that strengthen the capitalist order. At the same time, the powers-that-be in the advanced capitalist nations have been rather successful in curbing (though not eliminating) many of the welfare state programs and policies intended to redistribute resources and opportunities from rich to poor and to reduce the insecurities associated with unfettered markets.

Even though these developments have left many people even worse off materially than in the past, they have not proven "increasingly untenable for capitalists themselves." Far from leading to stronger challenges to the legitimacy of the capitalist order, the adverse consequences of global market capitalism highlighted by Left critics have been met with an historically unparalleled degree of acceptance across the globe of contemporary capitalism as the appropriate, and perhaps indeed the most desirable, socioeconomic system.

What has made a less fettered, less humane form of capitalism at the end of the twentieth century both more dominant and more legitimate than at any other time since the beginning of the century? I will address first the question of dominance and then (in section 2.6) turn to the related question of legitimacy.

In seeking to explain the transition from national welfare capitalism to global market capitalism in recent decades, one is inclined to ask: What has changed to deflect capitalism from what appeared to be an ineluctable course toward even greater state regulation designed to moderate the adverse effects of unfettered markets on social welfare? The expectation that capitalism would indeed take just such a course was firmly held by Karl Polanyi, who theorized (Polanyi 1944) that this was a natural and inevitable response to the rise of market systems. In this context the development of national welfare capitalism – a form of capitalism in which significant attention and resources are devoted to the needs of people disadvantaged by the operations of an unfettered market – is seen as entirely natural; and it is the recent turn toward global market capitalism which appears anomalous.

The resurgence of a less fettered global market capitalism in the late twentieth century, however, suggests that it may be most useful to ask instead: What are the particular historical circumstances under which capitalism came to be regulated so as to curb the adverse effects of unfettered markets on social welfare? This approach – more consonant with the views of Karl Marx – takes it as the natural tendency of capitalism to promote the logic of unfettered markets on an ever-expanding scale; what requires explanation is how and why the natural tendency is temporarily arrested. Marx, of course, did not anticipate the development of the kind of relatively humane form of capitalism represented by national welfare capitalism; and he would not have expected it to endure, had it come into being at all.

Adopting this second perspective, I explore in the next section the particular
historical conditions that sustained national welfare capitalism. Then in section 2.5 I examine the way in which these conditions have weakened in the last quarter of the twentieth century, thereby allowing more fundamental capitalist tendencies to reassert themselves in the form of global market capitalism.

2.4. THE RISE OF NATIONAL WELFARE CAPITALISM

During the late nineteenth century and the first three-quarters of the twentieth century, starting at different times in different countries, economic decision-makers in the richer capitalist nations found it both possible and desirable to provide the masses with extensive protections from the vagaries of the market. This process was often associated with the success of labor-based social democratic parties, but even in countries without a strong social democratic tradition — such as the United States — numerous welfare state measures were introduced. Indeed, welfare state measures were also introduced under authoritarian capitalist governments; for example, the fascist regimes of Mussolini and Hitler.

The development of national welfare capitalism from the late nineteenth century through the first three-quarters of the twentieth century can be explained in terms of the interests of ruling groups and/or the ability of the less privileged to force their agenda on to the powers-that-be. It is reasonable to suggest that both played a role in most cases.

During the relevant time period capitalists had a real interest in Keynesian-style government macroeconomic policies as well as welfare state programs for at least three reasons. First of all, by contributing to the material well-being of the masses such measures helped to promote national unity, which was needed for economic competition (if not war) with rival powers in an era in which capital was decidedly national in identity. Second, by increasing aggregate demand in an era when demand leakage abroad was or could be limited, such measures helped to avoid or overcome recessions: an especially important concern after the Great Depression. Third, social programs associated with health and education contributed to the quality of the home labor force in an era in which capitalists employed workers mostly at home rather than abroad.

The period from the late nineteenth century through the end of the 1960s was also one in which labor movements were gaining strength throughout the capitalist world. Often struggling against capitalism for some form of socialism, at least initially, they generally ended up applying their organized strength to promote a social democratic and/or welfare state form of capitalism. This kind of compromise proved beneficial for most workers, who saw their conditions of work and their standards of living improve, as well as to capitalists and ruling politicians, who gained economic and political stability. In parallel with (and linked to) the growth of organized labor movements, citizens’ groups gained strength and fought successfully in the political arena for social policy measures protecting the average person with respect to consumer good safety, the environment, health, and social insurance. The willingness of ruling groups to respond to labor and popular movements, often in ways that constrained markets and abridged the freedom of capital, was heightened by their fear that failure to respond could lead to something far worse; for lurking in the background was always the spectre of socialism.

The importance of the nation-state as an economic unit, and the power of nationalism as an ideology buttressing and buttressed by the nation-state, were clearly critical to the rise of national welfare capitalism (and of course to the rise of fascism as well). Nationalism created a context not only in which the masses could and would identify with ruling groups, but also in which ruling groups needed to identify with the masses — because support from the masses mattered in the context of international rivalry. Moreover, the key level at which welfare policies were initiated and implemented under national welfare capitalism (as under fascism) was the national state, interacting with national-level movements and organizations.

2.5 THE DEMISE OF NATIONAL WELFARE CAPITALISM

The demise of national welfare capitalism has come about in the context of a substantial overall decline in significance of the nation-state as an economic unit and of the role of the nation-state in economic affairs — both of which have resulted from the growing internationalization of capitalist economies. Major capitalist enterprises have become less and less dependent on national finance, national markets, and national labor. By the same token, the health of national economies has become less dependent on economic policies initiated and implemented on the national level and more dependent on what is happening in the rest of the world. And when the relevant geographical spread of business firms is the world, yet the reach of the government doesn’t extend beyond the nation, there is clearly less room for the nation-state to influence firms to operate so as to achieve national economic objectives.

By diminishing the role of the nation-state and the significance of nationalism, the accelerated internationalization of the capitalist economies over the last few
decades has diminished the salience of those forces (described in section 2.4) which led to the establishment and strengthening of national welfare capitalism.

First of all, in a highly international economy capitalists and ruling groups have less interest in maintaining high employment and providing welfare state benefits. Capital accumulation and growth now depend less on national-level measures associated with an active interventionist state and more on global conditions beyond the reach of any national government. National unity is no longer the key to success in economic competition, nor is there much of a threat of war with rival powers. National macroeconomic policies are no longer as effective in maintaining aggregate demand when capital as well as commodities can flow quickly across national borders. The quality of the national labor force becomes less important when productive activity can easily be located abroad.

Second, internationalization has served to erode the organized strength of labor unions and citizens’ groups with a strong interest in social policy measures. The free flow of capital across borders provides business corporations with a very credible threat to move to locations with weaker labor movements and lower social standards. Whether or not such relocation actually takes place, supporters of high standards lose bargaining power and the standards themselves are subject to downward pressure.

A few related developments have also greatly weakened groups opposed to marketization and privatization and undermined the nationalist spirit supporting welfare state intervention on behalf of workers and have-nots. One is the growing heterogeneity of national populations which has resulted in large part, ironically, from past international engagement in the form of colonialism and imperialism. Virtually all of the rich capitalist nations (and some not-so-rich ones) are home to substantial and growing minority groups of color, who are invariably worse off and thus disproportionately represented among the beneficiaries of state-funded welfare institutions. This tends to aggravate racial antagonism, which in turn strains the unity of movements for social welfare and diminishes support for welfare state expenditures among the relatively privileged majority of the population. It also siphons political support away from left-wing social reformers toward right-wing xenophobes.

A second such development in the political context of national welfare capitalism is the collapse of most of the actually existing socialist systems. This collapse has by and large removed the spectre of socialism and thereby also the fear, on the part of capitalists and associated ruling elites, of revolutionary change should conditions deteriorate for the masses. The survival of old-fashioned communist-directed socialist regimes in North Korea and Cuba hardly inspires much fear on the part of capitalists; in China and Vietnam communist regimes have evidently decided to join rather than fight the trend toward global market capitalism.

At the same time as the general process of economic internationalization has contributed in the past few decades to the weakening of the incentives and pressures for the powers-that-be to support a kinder and gentler form of capitalism, several developments have reduced the ability of national states – and/or the desire of political elites – to sustain redistributive and/or welfare-oriented programs. For one thing, growing government expenditures for welfare state programs in the 1960s and 1970s (due to economic and demographic as much as political changes) began to outrun government revenue-generating capacity, fueling national budget deficits. In almost every one of the richer capitalist countries the ratio of non-working dependents to (taxpaying) workers has increased with the aging of a slow-growing population. Relatively slow productivity growth in labor-intensive public service provision has contributed to an inflationary bias in the cost of government programs.

One final development contributing to the decline of national welfare capitalism should not be ignored by the Left, even though it is highlighted primarily by right-wing analysts. This is the undeniable fact that intervention by national governments has often failed to achieve its benign objectives. Right-wing analysts focus on market failure, and conflicts between the interests of capitalists and those of workers and the general public, to argue for government intervention. In recent decades right-wing analysts have drawn attention to many instances of “state failure” linked to conflicts between the interests of public sector bureaucrats and those of the general public. While national-level social policy measures have often been indispensable in serving the public interest, they have also at times been wasteful or even counter-productive. Confidence in government-administered programs and activities has declined with growing evidence of the inefficient economic role of the state in the bureaucratic, communist-party-directed socialist economies of Eastern Europe and the former Soviet Union as well as in many developing economies.

My basic explanation for the shift from national welfare to global market capitalism—that an ineluctable process of economic internationalization over the past few decades has weakened the incentives and pressures for the capitalist powers-that-be to support a kinder and gentler form of capitalism—is fundamentally a materialist argument. It might well be objected that my analysis is insufficiently sensitive to politics. Indeed, a critic could argue that the trend toward global market capitalism has at least as much to do with the triumph of neo-liberal politics in the 1970s and 1980s as it does with growing internationalization and the consequent decline in the need of capital for nationalism and the nation-state.
2.6 THE LEGITIMACY OF GLOBAL MARKET CAPITALISM

In spite of its numerous adverse consequences, well highlighted by Left critics, global market capitalism has been widely accepted at the end of the twentieth century as a legitimate, indeed desirable, socioeconomic system. There remains, to be sure, considerable opposition to global market capitalism—especially in poorer regions and smaller countries around the world. But opposition to capitalism in general, and to its more market-oriented forms in particular, is probably less vigorous and less widespread at present than at any time since the publication of the Communist Manifesto.

One possible explanation is that the common worldwide trend toward a global market capitalist order is a natural tendency that nobody can arrest and that people the world over are now simply recognizing and adjusting to its inevitability. The collapse of communist-directed socialist systems in Eastern Europe and the former Soviet Union has clearly cast great doubt on the viability and desirability of alternative socialist systems. But it need not have led to such skepticism about the potentially ameliorating role of the state within a capitalist order and such a broad degree of acceptance of capitalism in its global market form.

Perhaps more significant in reducing general confidence in the ability of the state to intervene in a market economy effectively on behalf of the public interest is the fact—noted at the end of section 2.5—that such intervention has often failed to achieve its benevolent objectives. In this respect the highly publicized failures of communist regimes in the socialist economies of Eastern Europe and the former Soviet Union (as well as nationalist regimes in many developing capitalist economies) have served directly to discredit the state. Growing awareness of opportunism and corruption among public officials in the formerly communist nations and in many parts of the developing world (not to mention the first world) has further weakened confidence in the potentially positive role of an activist state.

Another source of legitimacy for global market capitalism may be that it is generating, even for the less well-off majority, favorably viewed outcomes that outweigh the adverse outcomes identified by Left critics. In particular, ordinary people may welcome greater opportunities to strike it rich (even though most will not actually succeed in doing so), greater opportunities for “exit” rather than “voice” (to use Albert Hirschman’s instructive labels for market-vs. politics-based decision making), greater focus on and obligation to oneself and one’s kin as opposed to one’s community, society or nation, and perhaps even greater exposure to the popular culture of the world’s dominant nations (notably that of the United States). This kind of anti-national individualism is both fostered and well served by global market capitalism, and it can be embraced even by people who are suffering from the impact of growing inequalities and increasing insecurity.

To explain the otherwise surprising degree of legitimacy of global market capitalism, one must not ignore the political and ideological changes that have
accompanied (and are clearly linked to) the changes in the capitalist economic order. In most countries there has been a significant change in the balance of political power in favor of those forces opposed to a major economic role for the state on behalf of social welfare. In the richer countries of the first world, after a period of governmental activism associated typically with social-democratic and/or labor-based party rule, right-wing interests mobilized themselves (and their ample resources) to operate much more successfully in the political arena beginning in the 1970s. The Right made further gains as unions, workers and left-wing political parties were weakened by the deep worldwide recession of the early 1980s. Although the political pendulum has swung back to these parties throughout most of the first world in the 1990s, the governments they have formed have been much more market-oriented and more reluctant to intervene on behalf of the disadvantaged than in the past – in the context of a general public discourse that has moved substantially to the Right.

Finally, economic internationalization and the rightward shift of the political balance of power in the first world have been associated with a resurgence of more market-oriented theories and views within the economics profession. Critiques of Keynesian macroeconomics as lacking in microfoundations of individual maximizing behavior have surged. New analyses of individual motivation and incentives in the context of large organizations (for example, government agencies) have stressed the difficulty of sustaining collective endeavors and the desirability of avoiding “rent-seeking behavior” and corruption. While there is surely much that is valid in such analyses, they have served misleadingly to suggest that the potential for state failure is far greater than the potential for market failure.

2.7 PROSPECTS FOR A MORE HUMANE CAPITALISM IN THE FUTURE

If the adverse consequences for the majority of the world’s population of a relatively unfettered form of capitalism are to be curbed in the future, the currently dominant system of global market capitalism must give way to a new order with greater orientation to the welfare of all members of society. National welfare capitalism succeeded in attenuating the natural logic of capitalism because nationalism provided an incentive for the well-to-do to care for the poor, the nation provided an amenable arena in which the less well-off could organize, and the national state provided a mechanism whereby redistributive regulatory and social programs could be effectively implemented and executed. A future welfare-oriented alternative to global market capitalism would also have to sustain some kind of common identity and some degree of common interest among the elites and the masses.

One can conceive of a variety of alternative scenarios that might meet this requirement:

Resurrection of National Welfare Capitalism

Some on the Left have rallied behind a call for rejection of internationalization itself, arguing that only a return to more distinct and better protected national economies can re-establish the conditions under which welfare capitalism was able to thrive in the past. There is in fact considerable support in many countries for limits on the free flow of capital around the world and for protection against international competition (though some of that support arises from right-wing nationalistic groups whose aims are on the whole incompatible with those of left-wing progressives). It is hard to foresee, in any case, the growth of a political movement formidable enough to counter the strong pressures toward greater internationalization which have been manifesting themselves over recent decades. Indeed, it hardly seems possible that the clock could be turned back, against the natural tendencies of capitalism, to transform the global market capitalist system into the kind of national welfare capitalist system that characterized an earlier historical era.

Transition to Global Welfare Capitalism

More plausible, in the context of the past history of capitalism, would be the possibility of developing a new system of “global welfare capitalism” linked to international movements opposing the logic of unfettered capitalism. Such a new system would be characterized by (relatively) democratic regulation of the global capitalist order, as well as the development of redistributive social programs at an international level, both of which would attend to a significant degree to the needs of the have-nots of the world. Much as large capitalist corporations have been gaining at an international level the hegemony of power under which, for a time, they dominated national economies, one can envisage international labor and citizens’ movements seeking under the banner of democracy to establish a more egalitarian and socially responsible political-economic system at the international level.

Yet such a scenario is at best a possibility only in the distant future. Labor and citizens’ movements are only beginning to extend across national borders, and they are far behind capitalists in this respect. The transition from a national to the global arena is much easier for capital than for labor. Indeed, the
differential here is much greater than in the case of the transition from a regional to a national arena, accomplished in an earlier era in most countries by both capital and labor, for it is more difficult to unify labor movements across national than across regional boundaries. More fundamentally, in the context of a global system one of the critical sources of common interest between capitalists, workers and the general public would disappear: strong nation-states in rivalrous relationships with one another.

Transition to a New Supra-national Welfare Capitalism

One could imagine the global market capitalist order giving way to a new order in which supra-national groupings replace the former nation-states. Such groupings could then arguably provide the basis for the triple functions served under national welfare capitalism by nationalism and the nation-state: an incentive for the well-to-do to care for the poor; a context in which the less well-off can successfully organize; and a mechanism for the effective implementation of redistributive regulatory and social programs.

On the one hand, new supra-national groupings could be based on major regional identities – such as Europe, the Americas, East Asia – which in turn reflect certain common cultural, if not linguistic, characteristics. Indeed, the European Community provides a useful model – one which may move toward a supra-national welfare capitalist system insofar as such welfare-oriented institutions as the “Social Charter” are implemented. On the other hand, supra-national groupings could be based on common religious identities – such as, Christian (possibly divided between Catholic, Protestant and Orthodox), Muslim (Suni and Shia?), Buddhist, Jewish – though the geographical dispersion of adherents of particular religious faiths makes concerted organization of any such supra-national grouping into a cohesive economic unit quite problematical.

Transition to a New Sub-national Welfare Capitalism

It would appear considerably more feasible to organize groups of people around a common sub-national ethnic identity (one that might in some cases stretch across national boundaries); for example, African-Americans or other minority groups in the US, the Scottish or Welsh in the UK, French-speakers in Québec (and the Canadian maritime provinces?), the Basques in France and Spain, Albanians in the Balkans, Bengalis in India (and Bangladesh?). Ethnicities would clearly favor the perception of common interests among the well-to-do and the less well-off; but resource limitations linked to the small size

(and, in some cases, disadvantageous resource base) of the economic units would make difficult the provision of substantial social benefits to the needy.

Transition to a New Locally-based Welfare Capitalism

At an even lower level of common identity, one could imagine the development of common-interest groupings around local geographical or economic identities. Thus cities or urban agglomerations could constitute units within which rich and poor develop a common interest and develop mechanisms for redistributive social programs. Successful campaigns for a “living wage” in many US municipalities illustrate the potential for such redistribution at the local level. At present, however, these efforts are rather limited in scope, and they face significant obstacles to having a broader impact. In particular, without successful political mobilization well above the level of individual municipalities, it is hard to sustain a living wage policy affecting food-based industries that can exploit competition for business among different cities and regions.

Another scenario for linking elites with masses at the local level would involve the democratization of business enterprises. The Mondragon experience in northern Spain provides the best and largest example of the way in which a network of interrelated enterprises can be organized in a relatively democratic and class-harmonious fashion, bringing significant social benefits to even the least well-off of their community members. But this experience also illustrates the limitations of such an approach to the amelioration of capitalism: the increasing pressures of external market competition have obliged the Mondragon network to align their policies and practices somewhat more closely with those of their fully capitalist rivals.

It is hard to discern which of the above scenarios offers the most promising alternative to global market capitalism. For some time to come the struggle against the logic of unfettered capitalism on the global level will necessarily be defensive in nature, confined to limiting losses rather than achieving any significant victories. Efforts to expand social programs administered at the national level will run up against weakened national governments, whose ability to play a meaningful economic role has been undermined by internationalization, and resistance may be forthcoming not only from capitalists but also from others for whom state intervention is perceived as a threat to individual freedom.

In the short run, perhaps the most hopeful arena for initiatives from the Left in the era of global market capitalism is, paradoxically, the local level. It is mainly on this level that disadvantaged citizens and workers can expect to see some immediate results from concerted action; moreover, on this level anxieties about excessive bureaucracy (associated with national-level government
intervention) can readily be dispelled. Indeed, there are already numerous examples of Left success at the local level — such as the campaigns for a “living wage” in the United States and the establishment of a significant measure of worker participation in management in some enterprises in the United States and Western Europe.

The success or failure of these and other local-level struggles, however, ultimately depends on the national, and even the international, economic environment. Significant progress toward a more welfare-oriented form of capitalism would therefore surely depend on the establishment of institutions that operate at these higher levels to ameliorate the impact of markets on the less well-off segments of society.

In the long run, I believe that the effort to build a progressive world economic order will depend on coming to terms with the global nature of capitalism and, within that context, fighting for a much more democratic and socially responsible variant than is currently on the horizon. Attempts to restore a form of national welfare capitalism, in which national-level programs would solve most of our problems, are honorable but quixotic; the economic and political forces arrayed against the return of the powerful and relatively autonomous nation-state are just too strong.

My materialist analysis of the transition from national welfare capitalism to global market capitalism suggests pessimism about what can be done to oppose the logic of the new global economic order. Yet the structure of this order is not set in stone; much will depend on the ability of people to organize and challenge the powers-that-be in the struggle for a more democratic and egalitarian system. Optimism about efforts to oppose the policies and adverse outcomes associated with global market capitalism can be grounded in an analysis that highlights the scope for politics as an independent variable, within an environment shaped to a large extent by more fundamental materialist forces. In this context I would subscribe to Gramsci’s famous exhortation to exhibit “pessimism of the intellect, but optimism of the will.”

NOTES

1. This is the latest version of a paper presented to the Festschrift Conference in Honor of Professor Howard Sherman at the University of California—Riverside on February 12–13, 1999. I am very grateful to Arthur MacEwan and to Robert Pollin for their stimulating comments on earlier drafts of the paper.

2. I use the term “internationalization” in this essay to refer to the development of close economic links between sovereign nations, where the links include trade in goods and services as well as capital flows of all kinds (equity and debt, long-term and short-term). The term “globalization” is generally employed in a somewhat broader sense, to denote not only the growth of this kind of internationalization but also the spread of capitalism across the world and the growth of marketization and decline of state regulation. Thus the process of globalization produces global market capitalism.

3. The late twentieth century is not the first historical period in which economic links between nations became very significant — as measured by quantitative indicators of international trade and international capital flows. In the late nineteenth and early twentieth centuries there was also a substantial degree of internationalization of national economies. At that time, however, international transport and communications were far less developed than they are today; so that international economic links were nowhere near as close as they are now. Moreover, capitalism was then far from dominant in many regions of the world. It would therefore be quite inappropriate to apply a label like “global market capitalism” to characterize any economic era prior to the present one.

4. Arthur MacEwan, in a very stimulating critique of an earlier version of this paper, raised precisely the criticism that I am addressing here.

REFERENCES


