

Andrew Glyn, *Capitalism Unleashed: Finance, Globalization and Welfare*
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RESURRECTION OF THE RENTIER

In *Capitalism Unleashed*, Andrew Glyn presents a powerful history of the economic trajectory of the OECD economies—the rich Western countries plus Japan—from the early 1970s to the present. In comparison with the first 25 years after World War II, this most recent and ongoing phase of Western capitalism has been dominated by slower economic growth, higher unemployment, more inequality, a far less stable financial system, and persistent downward pressure on the living standards of ordinary people.

What lies behind these dramatically unfavourable trends? The book's very title provides a concise answer. Capitalism came 'unleashed' from the chains that were imposed on it over a 40-year period beginning in the depths of the 1930s Depression and continuing through to the early 1970s. Over the years 1945–70, the leashing of capitalism produced what is now commonly termed its 'Golden Age' of rapid economic growth, low unemployment, high productivity and moderate but still clearly discernable improvements in equality. Unleashed capitalism ushered in the neoliberal era of, as Glyn sums it, 'austerity, privatization and deregulation'.

Andrew Glyn is extremely well qualified to tell the story of how and why capitalism came unleashed, and what the consequences have been for different countries and social classes. Glyn has previously co-authored two influential books that examined the rise and fall of the Golden Age, *British Capitalism, Workers and the Profit Squeeze* (1972, with Robert Sutcliffe) and *Capitalism Since 1945* (1991, with Philip Armstrong and John Harrison). He has also written important accounts of specific features of the neoliberal era. These include discussions of the causes of persistent high unemployment

in Europe; the operations of welfare state policies; and the global imbalances resulting from China's emergence as an export-led juggernaut.

Capitalism Unleashed brings these and other aspects of the neoliberal era together in one place, in a compact 183 pages of text. The book is organized by themes, rather than a chronological narrative. Chapter 1 begins by considering how a series of challenges to US capitalist hegemony—from workers, the oil-producing countries, and competition among the OECD economies themselves—emerged during the long boom, leading to the demise of the Golden Age. Glyn then focuses on the central policy initiatives that have defined contemporary neoliberalism, including austere macroeconomic policies, privatization of nationalized industries and the deregulation of markets. This sets the stage for his discussion of the consequences of unleashed capitalism, in terms of financial markets, globalization and the weakening influence of labour movements throughout the OECD. Glyn then assesses the overall record of neoliberalism along two dimensions. First, the fact that it led to slower economic growth and greater instability, trends that capitalists themselves should find disturbing; and second, that it has produced widening inequalities and generally diminished levels of social welfare, matters of obvious concern for most people other than capitalists themselves.

The book does cover technical topics, and includes 14 tables and 39 figures. One cannot tell this story in a serious way by avoiding technical issues entirely. However, Glyn's presentation of these matters is accessible and engaging. Indeed, one crucial measure of his skill as an economist is his ability to present the most important technical material in the simplest possible way without compromising substance. The late Robert Heilbroner once observed that modern orthodox economics is characterized by 'rigour, but alas, also *mortis*'. Glyn delivers the rigour but avoids the *mortis*.

Why did capitalism get leashed in the first place? Glyn does not begin with this question as his point of departure, as I think he probably should have. In my view, there are two interrelated causes. The first is the 1930s Depression and the horrors of fascism and World War II that resulted from the global economic collapse. The second is the concurrent rise of the Soviet Union and the challenge of communism.

Keynesianism and the idea of a mixed economy emerged out of this historical juncture. John Maynard Keynes himself was quite explicit in positioning his work as such, both in publishing his masterwork *The General Theory of Employment, Interest and Money* in 1936, and in his subsequent feverish activity to construct a viable postwar economic order.

The underlying premise behind the mixed economy was straightforward. Keynes and like-minded reformers were not willing to give up on capitalism, in particular two of its basic features: that ownership and control of the economy's means of production would remain primarily in the hands of

private capitalists; and that most economic activity would be guided by ‘market forces’, that is, the dynamic combination of material self-seeking and competition. More specifically, the driving force of the mixed economy, as with free-market capitalism, should continue to be capitalists trying to make as much profit as they can. At the same time, Keynes was clear that in maintaining a profit-driven marketplace, it was also imperative to introduce policy interventions to counteract capitalism’s inherent tendencies—demonstrated to devastating effect during the 1930s calamity—toward financial breakdowns, depressions and mass unemployment.

Keynes’s framework also showed how full employment and social welfare interventions could be justified not simply on grounds of social uplift, but could also promote the stability of capitalism. Thus, if workers are employed and can bring home decent paychecks, they and their families will consequently spend more money, which in turn will expand markets and create more profit opportunities for business. Unemployment insurance and other income support policies correspondingly establish a stable floor on the overall level of market demand in the economy. This enables businesses to assume that their customer base is not likely to evaporate in the event of an economic downturn, bringing them to ruin.

In short, Keynes advanced the position that became ascendant over this era: that leashing capitalism was the only way to save capitalism. The leashes that were introduced throughout the OECD included macroeconomic policies focused on achieving some approximation to full employment; regulation of financial markets to prevent speculative excesses and to channel credit to productive investments; national ownership of basic industries that are natural monopolies; regulation of labour markets giving workers basic rights to organize and maintain a reasonable floor on wages; and welfare state programmes providing basic income protections.

At the same time, establishing mixed economies after World War II depended on capitalists first restoring their authority over the working class and the general direction of the economy. This had been severely eroded during the Depression and war. Glyn mentions this point only briefly in *Capitalism Unleashed*, but it is a major theme of his previous work. As Glyn and his co-authors write in *Capitalism Since 1945*:

The boom saw the generalization and expansion of welfare state provisions, unprecedented attempts by governments to plan for economic growth and shape industrial structures, and some experiments in worker involvement in the direction of enterprises. The most important point to recognize, however, is that these developments did not substantially undermine the essential relationships underpinning capitalist economies . . . Workers were still obliged to sell their labour power to employers whose freedom of action they might be able to limit, but certainly not control. Despite the growing importance of

state intervention through macroeconomic planning and industrial policies, the essential decisions about investment were still taken by the controllers of private capital, on the basis of private profitability.

There was no guarantee that leashed capitalism would actually work. Indeed, coming out of World War II, the United States had the only decently functioning capitalist economy in the West. The fear was widespread that the US would collapse back into depression once the massive prop of war spending was removed. However, leashed capitalism did indeed work for some time, producing the Golden Age.

If leashed capitalism brought the Golden Age, why then remove the leash? This is the point at which *Capitalism Unleashed* picks up the story. Of course, most sectors of big business never accepted the constraints on their profit-seeking that the mixed economy had foisted on them, and, throughout the Golden Age, were manoeuvring persistently—if not effectively—to break free. A minority of equally persistent free-market economists, most notably Friedrich von Hayek and Milton Friedman, never accepted even the watered-down version of Keynesianism advanced in the US. They provided the business opposition with intellectual firepower, though again, throughout the Golden Age, without much effect.

The main factor leading to the demise of the Golden Age was the accumulating force of its own contradictions. Glyn argues that there were four main factors leading to its unravelling. The first was the achievement of low levels of unemployment throughout the OECD economies. That is, the single most important aim of the Keynesian model—to promote full employment—created problems for the model precisely because it was successful. This is because, with low unemployment rates, workers grew more self-confident and their bargaining power increased. They were able to bid up wages and squeeze business profits. When profits fell, capitalists were less willing to pour funds into new investments. When private investment falls, then economic growth itself also slows. Moreover, in the face of rising wage bills, capitalists tried to defend their profit margins by passing these costs onto consumers. This meant higher prices, and consequently, persistent inflation.

The second problem is what Glyn calls ‘international disorganization’. The Golden Age model was premised on the continued economic leadership of the United States and the commanding role of the dollar in international trade. When Western Europe and Japan began to challenge US firms in global markets—including those in the US itself—this meant that the Bretton Woods system of fixed exchange rates based on the dollar was no longer sustainable. This in turn created growing cracks in the entire edifice of what had been tight financial regulatory regimes throughout the OECD. Persistent

inflation—and varying rates of inflation among the OECD members—also undermined the workings of the Bretton Woods system.

A third factor was the rise in raw material prices, and in particular the fourfold increase in oil prices at the end of 1973. This move by the OPEC oil producers reflected both the high levels of demand generated by economic growth as well as a rising assertiveness of ex-colonial countries. The 1973 oil shock also greatly increased inflationary pressures throughout the OECD, further undermining Bretton Woods and all other financial regulatory policies, given that these were premised on the assumption of reasonably stable currencies.

The final factor cited by Glyn was the decline in productivity growth throughout the OECD economies. Rising productivity is what makes the overall economic pie grow, so that workers and capitalists can both bring home higher incomes, regardless of whose share of the pie is relatively larger or smaller. So a decline in productivity will inevitably increase tensions over the relative shares of wages and profits. Glyn argues that the primary factor in the productivity slowdown was the decline in investment associated with the squeeze on profitability, since new and better equipment is the first source of improvements in productivity. Hence for Glyn, the profit squeeze, the fall in private investment, and the productivity decline are closely interlinked.

There is one other related factor leading to the demise of the Golden Age, which was the transition from a relatively stable financial system, focused on channelling credit to productive activities, to an increasingly unstable system focused on speculation. Glyn does not cite this factor, but it has been examined extensively by other economists, most notably the highly influential late post-Keynesian Hyman Minsky. Minsky argued forcefully over many years that the stability of the postwar boom was self-limiting with respect to the operations of financial markets—an argument that paralleled the idea that full employment policies would also be undermined over time by their very successes. The problem with financial markets emphasized by Minsky was that the stability of the boom created a sense of complacency among both financial and non-financial capitalists. They therefore became increasingly willing to pursue highly risky and speculative financial practices—for example, taking on ever greater levels of indebtedness and reducing their holdings of safe liquid assets—in pursuit of higher profits. Capitalists also became increasingly disgruntled with the financial regulations that inhibited their investment strategies. New profit opportunities therefore arose for clever financial engineers who could create techniques for investors to circumvent the regulatory regime. One important example of this was the creation of a Eurodollar market at the end of the 1960s. Operating in Eurodollars enabled US businesses to avoid interest rate ceilings and other barriers to the free pursuit of profits that they faced when operating within US borders.

From the mid-1970s onward, there was an intense debate among economists of various stripes as to the relative importance of these factors in leading to the break-up of the Golden Age. Glyn was long a leading proponent of the position that the increased militancy of workers, leading to a rise in wages, a squeeze on profits and a subsequent decline in private investment, was the most important factor. He does not wade through the debates and evidence again in this book, as his purpose now is to move on and explain unleashed capitalism. Yet, he does offer some vivid perspective on behalf of the importance of labour militancy in causing the Golden Age to end. This includes a news story that appeared in the London *Times* in 1974, which speculated on the need for a military coup to break the strength of the unions. Even the author of this article recognized that a military coup in Britain was 'nearly inconceivable', but the mere fact that the *Times* was contemplating such a step speaks to the extreme anxieties of British capitalists at that time.

Glyn's emphasis on this approach certainly has a solid pedigree in Marx, who was the first economist to recognize the central role of what he termed the 'reserve army of labour' in generating macroeconomic fluctuations. Marx argued that capitalists would become compelled to break the rising power of workers when the reserve army of unemployed dries up, even if the costs of gaining the upper hand meant inducing a recession. This point was ignored by Keynes, but it was recognized by Michal Kalecki, the brilliant Polish economist and contemporary of Keynes. As early as 1943 in a famous essay titled 'Political Aspects of Full Employment', Kalecki concluded that, due to Keynesianism, we now have sufficient understanding of capitalism so that, as a purely technical matter, policy interventions can sustain the economy at full employment. However, following Marx, Kalecki also insisted that full employment capitalism would not be politically acceptable to capitalists unless, through some mechanism outside labour market bargaining, capitalists could maintain their upper hand. Kalecki even suggested that fascism served this particular need of capitalists well, precisely because it was designed to keep the workers in their place, whether or not they had jobs.

In leading his readers through the construction of the neoliberal policy framework, Glyn properly starts with macroeconomic policy. The Keynesian compromise was centred around macroeconomic policy—specifically the idea that central governments could manipulate their spending levels between fiscal deficits and surpluses (fiscal policy) and could adjust interest rates and the availability of credit (monetary policy) to maintain a level of overall demand consistent with full employment. But when capitalists came to realize that maintaining some approximation to full employment created too much worker power, they then used these same macroeconomic tools, beginning in the late 1970s, to put workers in their place. The policy mandarins attempted to conceal this aim amid technical euphemisms

about ‘monetarist’ central bank operating procedures and the like. But Glyn assembles some striking observations that leave no doubt as to what was really happening. Thus, Michael Mussa of the IMF, reflecting on the onset of austerity macro policies in the US observed that ‘to establish its credibility, the Federal Reserve had to demonstrate its willingness to spill blood, lots of blood, other people’s blood’. Similarly, the then Federal Reserve Chair Paul Volcker himself said that ‘the most important single action of the [Reagan] administration in helping the anti-inflation fight was defeating the air traffic controllers’ strike’.

This was the political framework that gave birth to ‘New Classical’ macroeconomics, which provides the intellectual foundation for neoliberal policies. The central tenet of New Classical theory is that government policy is capable of achieving precisely nothing in terms of reducing unemployment. Macro policy therefore needs to focus entirely on keeping inflation at low levels, with something approximate to zero inflation being the most desirable outcome. And thus, worldwide—in sub-Saharan Africa just as in Washington—global macroeconomic policy is conducted today within the dominant framework of ‘inflation targeting’, with extremely tight inflation targets being the rule. It is not surprising that Ben Bernanke, the current Chair of the Federal Reserve, had been an academic expert on inflation targeting before joining the Bush Administration.

Under New Classical economics/neoliberalism, it also follows that almost no good can come from regulating financial markets. The last chapter of Keynes’s *General Theory* called for ‘the euthanasia of the rentier’. But in the neoliberal worldview, freely operating financial markets force capitalist firms to function at high levels of efficiency and innovation or be trampled by more capable competitors. It also follows from this perspective that there is no logical justification for publicly owned enterprises. The privatization movement began in the OECD countries as a hard-right attack from Margaret Thatcher. But as Glyn notes, ‘in the second half of the 1990s, the Socialist government of Lionel Jospin privatized more than the previous six governments put together, including almost all holdings in the banking and insurance sectors’.

In all of this, it may seem that there was no longer any place for policies to promote full employment. In fact, neoliberalism does indeed offer a distinct path for promoting full employment. But here again, the neoliberal approach turns the Keynesian mixed economy on its head. In this view, if people are unemployed, it is because labour markets are too ‘rigid’. This specifically means that unions and minimum wage standards prevent people from taking jobs at a wage they are willing to accept. Unemployment insurance similarly keeps people from becoming desperate enough to accept

a job at a pay cut. In such circumstances, neoliberalism holds that workers without jobs have voluntarily chosen their unemployed status.

Considering this point from a slightly different angle, once we have abandoned the idea that there is a need to put a floor on the economy's overall level of demand, it then follows that job protections and other social welfare programmes no longer have any justification as they did within the Keynesian framework, as a tool for promoting stability. Rather, welfare programmes only contribute to the employment problem by maintaining workers' wage demands at artificially high levels. Hence, under neoliberalism, we return to the pre-Keynesian idea that social welfare can be justified only on grounds of public charity.

As mentioned above, Glyn does not discuss how the systematic build-up of financial instability contributed to the demise of the Golden Age. But he does devote a careful chapter to documenting the dramatic changes in financial markets and institutions that have been a defining feature of the neoliberal era. His discussion focuses initially on three issues: the expansion of household borrowing and indebtedness; the rise of the corporate takeover movement and related stock market boom; and the explosion of international currency speculation following the demise of the Bretton Woods system of fixed exchange rates. He then examines how various destabilizing forces resulting from financial deregulation came together to produce system-threatening financial crises, both with the Asian crisis of 1997–98 and the related failure of Long-Term Capital Management, the major US hedge fund that included two Nobel Laureate financial economists among its directors.

Glyn does see some positive effects from the expansion of financial markets. In particular, he argues that the expansion of households' access to affordable credit enabled families to purchase homes, cars and vacations that would have been out of reach if they had had to rely on their incomes alone, or the more stringent credit terms that characterized the Golden Age. Glyn argues that this greater expansion of household borrowing, in turn, was a primary engine of economic expansion in the 1980s and 1990s. But his assessment was published before the current severe imbalances in the US mortgage lending markets had become fully evident. By July 2007, US financial markets were teetering on the brink of a major crisis brought on by the collapse of mortgage lending to riskier households—the 'sub-prime' mortgage market. *Business Week* magazine was reporting that 'one twitchy move' by Wall Street bankers, hedge fund managers and bond raters in the current situation 'could lead to mutually assured destruction'. Thus, the positive effects of the expansion of household lending that Glyn emphasized have now led to a classic boom-and-bust credit cycle.

Glyn offers much harsher judgements regarding the corporate takeover movement and the unregulated currency markets. As he notes, the US stock

market bubble reached historically unprecedented heights by the end of the 1990s, with stock prices rising relative to corporate earnings to a level well beyond even the 1929 crash. Glyn recognizes that the bubble did help finance start-up companies that enabled information technologies to become commercially viable. At the same time, the bubble produced a frenzy of corporate fraud and excessive investments in fibre-optic cable and other computer-related equipment. Meanwhile, the corporate takeover movement increased pressures on managers to raise shareholder value as quickly as possible and by any means necessary. This frequently meant cutting jobs, wages and benefits for workers. As Glyn writes, ‘even leaving aside the extreme effects of boom and slumps, shareholder value is immediately increased by actions which cut costs and raise profits. Cutting jobs is often the easiest route to “taking out costs”, to use the slightly sinister management jargon’.

The liberalization of global financial markets—that is, the abandonment of the controls on financial flows that had been a cornerstone of the Golden Age—engendered a massive increase in financial market trading, both in the established financial centres like New York, Tokyo and London, and in ‘emerging markets’ such as Mexico City, Bangkok or Johannesburg. The result was what Glyn calls ‘one of the most notorious aspects of the expansion of finance’. This development had almost nothing to do with promoting international trade. The driving force was rather speculators moving their funds in and out of various countries’ stock, bond and derivative markets, frequently at lightning speed, in search of the next great financial killing or at least the rumour of such. But why are such global financial casinos any more ‘notorious’ than the more conventional casinos in Las Vegas or Monte Carlo? The main point here is that uncontrolled financial speculation created the conditions for financial crises, such as the 1997–98 collapse of Asian markets, which produced huge income and job losses for tens of millions of people who had little understanding that their livelihoods were vulnerable to the whims of global financial high-rollers. Glyn cites a study by the World Bank itself which estimated that the Asian crisis increased the number of people living in poverty in the region by 22 million.

The liberalization of financial markets connects up with broader trends in the realm of trade, foreign investment and labour markets to create the overall dynamic of neoliberal globalization. Glyn weaves his discussion of these broader questions over three chapters. As he recognizes, global integration is nothing new. Globalization proceeded quite rapidly in the Golden Age, so there can be no presumption that neoliberal dictates must necessarily guide its further advance. At the same time, the advance of globalization on neoliberal terms has both opened major new opportunities for capitalists and intensified pressures on working people.

In addition to the purely financial market developments, neoliberal-led globalization has meant that barriers to the free movement of both long- and short-term investment have dramatically fallen. This has encouraged multinational businesses to intensify their efforts to identify the most profitable locations for their operations. Multinational production platforms within a single firm and the formation of what are now termed 'global commodity chains' have emerged from these efforts. Such opportunities were especially seized upon by capitalists in light of their struggles to reverse the squeeze on profitability that ended the Golden Age.

Glyn also discusses the problem of the persistent and growing US trade deficit and the financing of that deficit through massive inflows into the US economy of foreign savings. There is also the gigantic question of China. As Glyn says, 'the current and prospective development of China dwarfs all other current trends in the world economy'. The PRC is the major issue in considering both the US trade deficit and the huge financial balances flowing from that. It is also the largest single factor behind the expansion of the global reserve army of labour. Until the US and the rest of the OECD come to terms with these developments, the growing fragility of global financial markets as well as the forces pushing down employment standards in the OECD will inevitably continue.

Glyn's discussion of these issues is ambivalent. For many years, he resisted the arguments that the current era of globalization was significantly different from earlier periods of global integration, or that the current global trends were of major importance in explaining the trajectory of neoliberalism in the OECD economies. He appears to have now moderated his position, but still holds, for example, that 'the majority of employment in OECD countries, possibly a substantial and even a growing majority, is largely untouched by international trade competition.'

Glyn bases this conclusion on the fact that a large majority of current jobs in OECD economies, and an increasing proportion of future jobs, will be in services—including taxi drivers, janitors, nurses, high-school teachers, child care workers, psychiatrists, waiters and lobbyists—rather than in manufacturing industries that are immediately vulnerable to global competition.

But he understates two major considerations. First, more services will become tradable over time, including a wide range of professional, informational and technical services. We in the US are familiar with operators sitting in Bangalore servicing our requests for telephone numbers, hotel reservations, and concert tickets. But in addition, back-office accountants, lawyers, engineers, architects and laboratory technicians, as well as their support staff, could also be effectively supplied by employees in poor countries that work for, say, one-fifth the wages of their US counterparts. In a widely cited article in *Foreign Affairs* in March 2006, former Vice-Chair of

the Federal Reserve and Princeton University economist Alan Blinder estimated that as many as 42–56 million jobs—counting both manufacturing and services—are becoming susceptible to outsourcing. This is roughly one-third of all employment in the US.

Even though, of course, not all 42–56 million jobs will be outsourced, the employers in these situations will gain increased leverage over their workers because their power to make credible threats to outsource will grow. In turn, these same pressures will weaken the bargaining power of workers in the rich countries more generally, even those in jobs not directly vulnerable to outsourcing, since there will be increased competition to be hired into jobs that appear to offer a more stable future. Glyn recognizes this point, but, in my view, underplays its significance.

Countertendencies to these kinds of pressures can be created. But this can be accomplished only through political struggles to supplant neoliberalism with an effective egalitarian policy model. Glyn's considerations on this point—what would seem to be the overriding issue of concern in concluding *Capitalism Unleashed*—are uneven. He devotes almost no attention to an obvious question, i.e. whether capitalism can be put back on its leash. Or more precisely, is it viable to think about some updated model of a mixed economy focused on promoting high-employment economic growth as well as environmental sustainability—the environment not having been a major consideration during the Golden Age—while maintaining control over inflation and speculative financial markets?

Glyn instead focuses on another set of questions—the viability of the welfare state in the current era. His basic concern is whether globalization and neoliberalism have made the welfare state unaffordable. His perspective offers surprises. He argues that, for the most part, workers will have to pay for the welfare state themselves, and not rely on soaking the rich with higher taxes. But he also holds that this has always been the case. He says that, from its beginnings, the idea behind the welfare state was that working people with jobs would be transferring a share of their income to people without jobs or otherwise in need.

Glyn's conclusion is that globalization has not made the welfare state unaffordable—that is, at least in this sphere, globalization need not bend to the imperatives of neoliberalism. His most significant piece of evidence is straightforward: that in many OECD countries, especially those in Scandinavia, inequality has not worsened in the neoliberal era, and financial support for the welfare state has not diminished. He presents polling data finding that large majorities throughout most of the OECD support egalitarianism, e.g. the notion that 'it is the responsibility of governments to reduce inequalities'.

Glyn pushes this point further, in exploring the possibilities of reshaping the welfare state around the idea of a Basic Income Grant. In principle, the Basic Income Grant is simple. It amounts to the government giving everyone a minimally decent sum of money as a right of citizenship. The most important advantage of this approach over other welfare state programmes is that it would not be means-tested. Such programmes require people to proceed through humiliating bureaucratic obstacles to demonstrate their neediness. In addition, the Basic Income Grant would give workers more labour-market bargaining power. Because their basic income needs would be covered, they would not be tempted to accept a job unless the pay and other conditions were decent. But this feature of a Basic Income Grant is not significantly different from other welfare state programmes, such as unemployment insurance.

However, Glyn also considers the possibility that many people will be satisfied by working less and having more free time, which the Basic Income Grant would also encourage. This could enable more people to move toward a socialist vision of human opportunities without requiring the full apparatus of a socialist economy to get there. As Glyn emphasizes, 'the longer-term objective of socialism was always to facilitate the development of people's lives in a more fulfilling direction'. That is, socialism was never ultimately about public ownership of the means of production, the eradication of market forces, or some variations on how to mix these. These were simply means to the ultimate end of offering all people decent life opportunities.

That said, it is nevertheless unrealistic for Glyn to think that a decent welfare state—whether or not it is anchored by a Basic Income Grant—is viable indefinitely within the context of neoliberalism. Three basic and interrelated problems loom. First, if economic growth trends in the OECD continue at their slower pace, engendered by austerity-type macroeconomic policies, tax revenues will correspondingly continue to decline, as Glyn recognizes. This will create increasing pressure to limit welfare state spending. Second, if downward wage pressures continue through the global expansion of the reserve army of labour, this will create increasing needs for income transfers through the welfare state to prop up working-class living standards. It will also mean that tax revenues coming from the working class will be pushed further downward. Finally, as long as neoliberal capitalism is creating greater income and wealth disparities before welfare state redistributions bring their levelling effects, the political power of capitalists will continue to grow, since capitalists will have more money to buy political support. Where would the political power come from to press for a Basic Income Grant or other features of an expanded welfare state? A more likely scenario is that effective political forces would become, on the contrary, increasingly aligned against welfare state interventions.

Given these considerations, what seems necessary even as a minimalist egalitarian programme is not simply a defence of the welfare state, regardless of whether it is primarily based on universal or means-tested programmes. Rather, it is to conceive of a political programme to put capitalism back on its leash.

A renewed version of leashed capitalism would necessarily include some basic features of the Golden Age mixed economy model. That is, it would be focused on creating a macroeconomic environment favourable to some approximation to full employment in decent jobs. To advance this would entail, as before, directing fiscal and monetary policies toward that end. It would also require that speculative finance be heavily regulated, to push the economy's investment funds toward creating high-employment productive activities. It would also require large increases in public investments and public ownership, especially in behalf of creating an energy infrastructure based on conservation and renewable energy sources.

A revived version of leashed capitalism would also have to improve on the Golden Age in the area of inflation control. Rentiers and their minions do certainly exaggerate the costs to society of inflation. An advanced capitalist economy can operate effectively at inflation rates somewhat higher than those being targeted today by central bankers. But this does not gain-say that there are costs to high inflation, including most importantly, as we saw in the Golden Age, in terms of operating a sustainable system of financial regulations. To the extent that the left neglects such costs, it only strengthens the hand of the right in claiming they alone have the wherewithal to run an economy.

Of course, even this type of minimalist egalitarian programme would entail formidable challenges to the prerogatives of big business and the wealthy, especially after a generation of neoliberalism has accustomed the economic elite to getting what they want from politicians—Blair and Clinton almost as much as Thatcher, Reagan and Bush. It is fair to ask how an updated version of leashed capitalism could be made politically viable and sustainable if, as I argued above, a major expansion of the welfare state under neoliberalism is itself not likely to be sustainable.

In my view, the political challenges involved in constructing a renewed leashed capitalism would be at least as great as those of creating a greatly expanded welfare state within the context of an otherwise unleashed capitalism. But the important difference is, once a renewed leashed capitalism has been constructed, it should be sustainable for at least as long as the Golden Age was able to last. It would be crucial, for one thing, that private investment decisions under a renewed leashed capitalism would not be guided by global financiers. This would encourage productive activity to increase relative to destabilizing speculation. The expansion of public investment under

leashed capitalism—in schools, health care, public transportation and solar power generators—would promote higher productivity and a clean environment as well as a more stable investment path than one dominated by Wall Street. It could also revive the very idea of a major public presence in establishing the economy's growth path. An economy operating at something close to full employment in decent jobs would also mean higher average incomes, more equality and, thereby, more buoyant domestic markets. Under some circumstances, a strong domestic market can stimulate private investment even when the share of total national income going to profits has fallen.

Of course, there would be contradictions to this model, just as there were with the Golden Age model. After all, capitalism cannot function if capitalists are not getting something that they consider to be adequate profits. But what would satisfy capitalists as an 'adequate' level of profits depends on the overall political, social and moral climate. Moreover, the very real contradictions of a renewed leashed capitalism would be less severe than the efforts that would be needed to hold together a viable welfare state model trapped inside a neoliberal straightjacket. Public policy in this scenario would continue to be dominated by global finance and the effects of an ever-expanding global reserve army of labour. Meanwhile, public decision-making authority over the economy would shrivel to nothing outside the narrow realm of welfare transfers between various segments of the working class and poor.

There is one final question to consider. Given the evident failures of unleashed capitalism and the equally evident limits of leashed capitalism during the Golden Age, should the left not be again advancing a case for full-throttle socialism? My own view is that this is unrealistic, even while desirable as a longer-term vision of how to construct a just society. The problem is that, at this stage in history, we really do not know exactly what a socialist economy would look like, nor do we know how to move from our current reality of neoliberal ascendancy to something approximating one's vision of a socialist economy. As such, in my view, socialism should be seen today as a series of challenges and questions, not as a package of obvious and ready-made answers.

The overriding challenge I take from reading *Capitalism Unleashed*—which may not be the message that Andrew Glyn wants to leave us with—is that the left needs to figure out how to make a revived version of leashed capitalism workable. Putting capitalism back on that leash will, among its other virtues, enable us to see more clearly what a democratic socialist economy might look like in a world where the political forces advancing egalitarianism have gathered decisive strength.