

POLITICAL ECONOMY RESEARCH INSTITUTE

PERI

University of Massachusetts Amherst

Presentation to the Festschrift Conference

Thomas Weisskopf

May 2013

*This paper was presented as part of
a September 2011 Festschrift Conference in
honor of Thomas Weisskopf.*

WORKINGPAPER SERIES

Number 327

**POLITICAL ECONOMY
RESEARCH INSTITUTE**

Gordon Hall
418 North Pleasant Street
Amherst, MA 01002

Phone: 413.545.6355
Fax: 413.577.0261
peri@econs.umass.edu
www.peri.umass.edu



PREFACE

This working paper is one of a collection of papers, most of which were prepared for and presented at a festschrift conference to honor the life's work of Professor Thomas Weisskopf of the University of Michigan, Ann Arbor. The conference took place on September 30 - October 1, 2011 at the Political Economy Research Institute, University of Massachusetts, Amherst. The full collection of papers will be published by Elgar Edward Publishing in February 2013 as a festschrift volume titled, *Capitalism on Trial: Explorations in the Tradition of Thomas E. Weisskopf*. The volume's editors are Jeannette Wicks-Lim and Robert Pollin of PERI.

Since the early 1970s, Tom Weisskopf has been challenging the foundations of mainstream economics and, still more fundamentally, the nature and logic of capitalism. That is, Weisskopf began putting capitalism on trial over 40 years ago. He rapidly established himself as a major contributor within the newly emerging field of radical economics and has remained a giant in the field ever since. The hallmarks of his work are his powerful commitments to both egalitarianism as a moral imperative and rigorous research standards as a means.

We chose the themes and contributors for this working paper series, and the upcoming festschrift, to reflect the main areas of work on which Tom Weisskopf has focused, with the aim of extending research in these areas in productive new directions. The series is divided into eight sections, including closing reflections by our honoree himself, Professor Weisskopf. Each section except for the last includes comments by discussants as well as the papers themselves.

The eight sections are as follows:

1. Reflections on Thomas Weisskopf's Contributions to Political Economy
2. Issues in Developing Economies
3. Power Dynamics in Capitalism
4. Trends in U.S. Labor Markets
5. Discrimination and the Role of Affirmative Action Policies
6. Macroeconomic Issues in the United States
7. Applications of Marxist Economic Theory
8. Reflections by Thomas Weisskopf

This essay is 1 of 1 included in Section 8.

- *Jeannette Wicks-Lim and Robert Pollin*

Presentation to the Festschrift Conference

AT THE POLITICAL ECONOMY RESEARCH INSTITUTE
OF THE UNIVERSITY OF MASSACHUSETTS AMHERST
OCTOBER 1, 2011

Thomas Weisskopf

INTRODUCTION

First, I want to say that I'm delighted to have provided an excuse for bringing us all together here this weekend. For me, it's been like a great reunion, as well as a highly stimulating intellectual experience.

I am enormously grateful to Bob Pollin, Jeannette Wicks-Lim and the Political Economy Research Institute for this great honor. When I first got the word, it came as a complete surprise! I think that most of you in this room are more deserving of a festschrift conference than am I.

In one of my favorite quotations, Yogi Berra once said that he always made a point of attending the funerals of his friends, so as to ensure that they would attend his. What I can say is this: your coming to my festschrift conference ensures that I'll come to yours!

I have found every one of the conference papers stimulating, and I want to thank all of the authors as well as the discussants for their work. I am especially grateful to Bob for taking on the challenge of reviewing my own work, and for having done it so insightfully. And I am indebted to Sam Bowles for giving me a chance to revive my widely unknown stage career – and as the hero of his play!

Preparing for this conference has given me an opportunity to reflect both on my career and on the role of radical political economy more generally. My presentation here will be in two parts: a retrospective look at some of my past work, and some observations on what I think radical political economy has and hasn't accomplished.

RETROSPECTIVE

At this conference people have touched mostly on some of the highlights of my past work. I'm going to draw attention mostly to some of the lower lights. I've always felt that I was not that great a creative thinker, but that my strength – if any – was as a careful reader and constructive critic of the work of others. I think I should now apply that approach to my own work too.

My interest in economics is well summarized by the familiar 11th thesis of Karl Marx on Feuerbach: *"Philosophers have only interpreted the world, in various ways; the point is to change it."* As I wrote in an article contributed to

the festschrift for Howard Sherman, *"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."* And I think that is true of most of us here – and in the Union for Radical Political Economics.

As I look back at my career, I can see how I was for much of the time...

Chasing socialism – unsuccessfully

Since my college days I have always been searching for better alternatives both to American-style capitalism and to Russian-style socialism. Over time I concentrated on different apparent historical opportunities for developing a viable superior alternative.

First I focused on India, attracted by the promise of a “socialistic pattern of society” articulated by Prime Minister Jawaharlal Nehru. Over 4 years in the 1960s I was affiliated with the Indian Statistical Institute, headed by P.C. Mahalanobis, an eminent statistician and advisor to Nehru, who sought to steer Indian economic policy well to the Left.

Then in the late 1960s I returned to the US and participated in the founding and development of URPE, when as part of the New Left we were envisaging a revolutionary transformation of American capitalism into a new and distinctive form of socialism.

In the early 1970s I turned my attention briefly to socialism in China – among other things participating in the “First Friendship Delegation of Radical Political Economists to the People's Republic of China.” It was on that trip that I really got to know David Gordon, who would become an inspiring friend and co-author over the next 25 years.

By the late 1970s I had shifted my focus to the US, then mired in stagflation, and throughout the 1980s I worked with David and Sam on the social-structure-of-accumulation approach to analyzing the US economy and on what we called “a democratic alternative to economic decline.”

During the 1980s I was also attracted by the promising Rehn-Meidner Plan and I studied its potential to generate a democratic transition to socialism in Sweden.

As actually-existing socialism in Eastern Europe and the former Soviet Union began to collapse in the late 1980s, I turned my attention to the potential for democratic market socialism as a path out of bureaucratic socialism, if not a future for Western capitalism. Throughout the 1990s I worked on issues of transition in Eastern Europe and especially Russia.

Finally, from the late 1990s up to the present, I worked and spoke out on affirmative action in the US and in India. This topic obviously does not involve an alternative to capitalism, but it does go counter to capitalist logic and – among other things – I hoped to have some impact on ongoing struggles over affirmative action at the University of Michigan and in the State of Michigan.

Obviously things have not turned out in a way that I had hoped and worked for. Almost everywhere in the world the trend is not in the direction of any kind of socialism, but strongly in the direction of American-style capitalism (if not worse). Even social democratic capitalism is on the defensive, though it remains fairly robust in much of Western Europe – especially in the Nordic countries. In the realm of affirmative action, the 2003 US Supreme Court decisions on the lawsuits against the University of Michigan gave affirmative action a continued lease on life, but voters in the State of Michigan rejected it (in public institutions) via a 2006 ballot proposition.

These unhappy real-world trends were clearly beyond my control; but what about my academic work? I think I have had some success; but I have also been in many ways...

Wrong in analyzing long-run trends in capitalism

Ironically, my first major book (jointly produced with Michael Reich and Rick Edwards) – *The Capitalist System* (1972, 1978, 1986) – critiqued US capitalism when it was actually at its most social democratic, in the late 1960s and early 1970s. We argued that capitalism generates a litany of bad outcomes, threatening long-run capitalist hegemony. Much of our criticism is actually far more apt as applied to today's US. That's probably not true of racism or sexism, where things have arguably improved; but it is certainly true of inequality, militarism, waste and irrationality. We also implied that things could – and maybe would – get a good deal better in the future. In many ways, however, the US capitalism of that earlier period looks now like a pretty attractive goal to return to!

I'd like now to consider briefly three rather speculative articles of mine, written at successive intervals of roughly a decade – around 1980, 1990, 2000 – as well as the two Waste Land books written in the early and late 1980s with David and Sam, taking these publications in chronological order.

In *The Current Economic Crisis in Historical Perspective* (1981), I suggested that major institutional changes would be required to overcome the crisis of stagflation of the late 1970s, and that this could lead to a revitalized capitalist structure or possibly to a fundamental transformation of the capitalist mode of production. I outlined five alternative scenarios: "conservative market-based" and "conservative corporatist," with the burden of restructuring falling largely on poorer, weaker classes; "social-democratic," with the burden widely shared; and "authoritarian socialist" and "democratic socialist," with the burden on the capitalist class and the well-to-do.

I then argued that it would be impossible to succeed in revitalizing US capitalism with the market-based strategy, because that would defy the long-run trend in capitalist societies of increasing political intervention into markets. I wrote that the most likely strategy to emerge eventually was the corporatist one, which would tend to be both economically inegalitarian and politically authoritarian.

Although we've seen all too much increasing inequality since 1980, I was quite wrong about the nature of the new capitalist order that emerged in the 1980s with Reagan in the US and Thatcher in the UK. Later characterized as a transnational or neoliberal social structure of accumulation, by David Kotz among others, this SSA was clearly much more market-based than corporatist, and it was quite consistent with the same kind of

liberal-democratic political institutions that were in effect during the postwar era of a more state-influenced and regulated form of capitalism.

My books with David and Sam – *Beyond the Waste Land* (1983) and *After the Waste Land* (1991) – focused on the macroeconomic contradictions of capitalism, in particular the post-world-war-two SSA. Among other things, we argued that continuing popular struggle to maintain and extend past gains would make it difficult for Right-wing politicians to turn back the clock in a democratic context; only a fundamentally altered, more authoritarian form of capitalism could avoid a major failure of market-based economies. And we proposed a much-reformed, much more egalitarian economic system, which would be truly compatible with political democracy.

I think we got a lot of things right in our analysis of the postwar SSA, but we were wrong about the growing incompatibility of a capitalist economy with at least a formally democratic political system. (One could argue that the US political system is now no longer democratic, but that would be to redefine democracy as "genuinely democratic," whereas our argument was couched in terms of actually-existing democracy.) And we were wrong in implying that a return to a much less regulated and more market-oriented SSA was not a possibility.

In *Marxian Crisis Theory and the Contradictions of Late 20th Century Capitalism* (1989/91) I argued that traditional Marxian crisis theories had become increasingly irrelevant, mainly because they are too narrowly economic in analytical orientation. I suggested that in the future the two most basic sources of capitalist contradictions – likely to promote major crises requiring fundamental structural change – were "New Ricardian" – the deterioration of the natural environment and consequent depletion and destruction of ecological assets – and "New Polanyian" – the deterioration of the social environment and consequent growth of civil unrest and conflict. I thought that ultimately the ecological contradictions would likely be more challenging than the social contradictions, given the great difficulty and high cost of dealing with them on a world scale. And I wrote that the required structural changes must substitute cooperative approaches for individualistic market logic and change fundamentally the whole capitalist structure – keyed as it is to ever more growth of production and consumption – into a system that prioritized conservation, redistribution, and quality of life over quantity of goods.

Now I may well have been right about the ultimately fundamental ecological challenge to capitalism. But I believe I was wrong on a number of counts. First, the current economic crisis is in considerable part a crisis of underconsumption, consistent with the Marxian crisis theory of realization failure – though to the Marxian emphasis on economic inequality as a source of realization failure must be added a critical role for financial excess and instability (along lines pioneered by Hyman Minsky and developed in a contemporary context by people like Jim Crotty, Jerry Epstein and Bob Pollin here at U-Mass). Second, I think that I overemphasized the likelihood of a "New Polanyian" crisis – in that resistance on the part of the many groups marginalized by contemporary capitalism has not been – and seems unlikely in the foreseeable future – to pose a serious threat to ruling elites in the capitalist world, except perhaps in some of the relatively peripheral countries like Greece.

In *Left Perspectives on Long-Term Trends in Capitalism* (1999), I raised the question: "How can capitalism be changed for the better, given the enormous power that the pro-capitalist side can and will bring to bear in any

struggle over the shape of society?" Many of us radical political economists had been arguing that there was a link between the unjust and the contradictory nature of capitalism, in that its failure to make life better for a substantial majority of the people would lead them to resist the rule of capital and thereby intensify challenges to capitalist hegemony.

In this article I noted that our radical critiques of capitalism had become all the more applicable, yet capitalism had become much more dominant – at least in the US. It turned out not to be difficult for Right-wing politicians to turn back the clock, even in a formally democratic context. I suggested that what needed explanation was perhaps not the return to a less fettered form of capitalism but the unusual postwar SSA of regulated capitalism. The success of the latter might be explained in terms of factors such as the strength of labor and social-democratic political movements in an industrial context, the appeal of Keynesian macropolicies and social programs as a means to enhance national capitalist vitality and stability, and a growing ability of less privileged classes to force their agenda on ruling groups. Lurking in the background was also the threat of a socialist alternative – credible in the context of a powerful Soviet Union.

The demise of regulated capitalism in the US – and elsewhere, though the trend in other affluent nations hasn't gone anywhere near as far as in the US – could then be explained in terms of a decline in the significance of the nation state in the context of globalization. What happens to domestic markets and the domestic labor force matters much less; the strength of unions and citizens' groups erodes; the growing heterogeneity of national populations weakens solidarity and aggravates racial intolerance. The collapse of actually-existing socialism in the Soviet Union and Eastern Europe reduces the credibility of a socialist alternative and helps to steer political support away from Left-wing social reformers to Right-wing nativist populists.

In this rather pessimistic context, I suggested that the most that could be hoped for in the foreseeable future was the development of new kinds of more locally-based alternative institutions – perhaps arising from living wage campaigns and efforts to democratize enterprises (such as those highlighted by the Solidarity Economy Network). But such movements are necessarily limited in scope, so the struggle against transnational neoliberalism would for some considerable time be defensive in nature. Finally, grasping at straws, I evoked Gramsci's famous exhortation to exhibit "pessimism of the intellect but optimism of the will."

All of the above sounds reasonable in the context of the turn of the century. Yet even those few radical political economists who foresaw the economic crisis that has engulfed much of the capitalist world since 2008 – far more serious than the crisis of stagflation in the late 1970s and early 1980s – would never have thought that the latest SSA could survive it. We would have expected a huge challenge to the previously ruling authorities and a period of civil unrest, if not chaos, leading to fundamental change. Some of us even thought that the election of Barack Obama in 2008 might constitute a critical turning point, leading to the replacement of the latest SSA by a new and more equitable one – if not a form of socialism.

Something like that may still happen, if the crisis becomes even more profound in the coming years. Maybe capitalism will be increasingly discredited by the inadequacy of the response to the current economic crisis by the powers-that-be. Maybe the crazy rejection of Keynesian macropolicy principles – what Jim Crotty labels "The Great Austerity War" – will make things so much worse that deepening economic crisis will lead to

fundamental change. Certainly the prospect of someone like Rick Perry as our next president evokes thoughts along these lines!

But how many of us would have predicted that the popular rage against the perpetrators of the economic crisis – Wall St. gamblers and global financiers, government deregulators and non-regulators, et al. – would in the US be harnessed by the Right wing (via the Tea Party) rather than by the Left? And how many of us would now confidently predict that we will emerge from the current crisis with a new economic and political order more congenial to our values and our hopes? It now seems at least – if not more – likely that in the US an ever-more powerful Right-wing ruling elite, pouring money into election campaigns, dominating the media and the shaping a national ideology (along lines articulated by Arthur MacEwan), will succeed in establishing an even more oppressive form of capitalism in the US.

WHAT IS TO BE DONE?

So what should we radical political economists do about all this? I will deliberately state my views rather baldly, in the hope of provoking a more lively discussion – kind of a dialectical approach!

First, I think we need to be realistic about what the world is like now and what can actually be accomplished in the foreseeable future.

In the long run capitalism may well be doomed (as Minqi Li has suggested) by a fundamental contradiction between economic growth – necessary for the stability of a capitalist economy – and the ecological constraints of a finite earth. But I believe that for the foreseeable future the real battle – at least in the more affluent nations, if not everywhere in the world – will not be to bring about some form of socialism to replace capitalism, but to establish or maintain a form of social-democratic capitalism. This has been achieved at least in Northern Europe, though there has been some retreat from the achievement even there.

Here and now in the US we are of course far from even a half-decent form of social-democratic capitalism. We are struggling to defend the achievements of the New Deal and the 1960s, as Right-wing moneyed elites and the politicians they control have gained predominant power in the political arena, and unions have suffered greatly diminished numbers and influence. Things have gotten bad, and they threaten to get much worse – while popular rage against the system that brought us the current economic crisis has been captured by the far Right, not by the Left.

In a review of Tony Kushner's latest play, Fran Lebowitz wrote: *"In the Soviet Union, capitalism triumphed over communism; in [the United States], capitalism triumphed over democracy."* That is something of an exaggeration: democracy is not dead in the US. It has, however, been increasingly compromised. And it is now under greater threat of a Right-wing stranglehold than at any time in my life – if not even longer.

I think radical political economists have done and continue to do an excellent job in analyzing capitalism, shedding light on its functioning and its problems – as this conference has amply demonstrated. And we have done very good work in spelling out how institutions and policies need to be changed to build a much more humane and just society. For example, the kind of economic policy research done at PERI (and at other left organizations such as the Center for Economic and Policy Research, GDAE, EPI, and CAP) is ex-

tremely useful. It does not involve building a new economic paradigm, but it brings together progressive values and sound economic techniques to weigh in on ongoing economic policy debates. Likewise, the dissemination of progressive economic analysis by organizations such as the Center for Popular Economics and Dollars & Sense, and by people like Mark Weisbrot and Dean Baker, is very valuable, spreading sensible progressive economics to the general public and to Left activists.

The fact that trends in capitalism have not gone in the direction we expected or hoped they would is certainly not our fault; obviously we are not in control of political-economic developments around the world. We have tried in many ways – as teachers, researchers and activists – to keep up the momentum for building a better society, if not a movement for fundamental change. And perhaps we have helped in small ways to prevent US capitalism from getting even worse than it has. Still, I think that there are some ways in which we might be able to do a somewhat better job in the future.

1. In the past, I and many other radical political economists sought to build a new Marx-inspired economics paradigm and to spell out what a truly humane and just socialist society would look like and how it would work. Perhaps it is because, having reached an advanced age, my time horizon has become considerably shorter. But I now believe that much of Marxist theory, as well as the modeling of various forms of socialism, is of little relevance to the contemporary challenges faced by much of the world – except insofar as they foster the valuing of social justice and an understanding of the importance of collective action. Especially here and now in the United States, we need to focus on how we can turn back the Right-wing anti-democratic thrust of the past few decades and rebuild and strengthen the social-democratic elements of US capitalism.

2. We need to do a better job of analyzing contemporary capitalism, its weaknesses and its potential contradictions, in such a way as to gain more understanding of where it is going and how its direction can be changed. The research many of us have done within the framework of SSA analysis has been very insightful when it comes to interpreting past history, but it has provided little guidance when it comes to predicting future developments, or forming effective political strategies to promote egalitarianism and social justice. I think we need new research – perhaps in conjunction with political scientists – that would inform the development of ways to oppose more effectively the political and economic trend to the Right of recent decades.

3. Many of us have held that radical political economy constitutes an analytical approach that is distinct from and superior to that of mainstream economists; but I think we have overstated this – at least since 1980, as Gil Skillman and Frank Thompson, in different ways, have suggested. I believe it is less our methods of economic analysis and more our values – and our urge to see them realized in contemporary societies – that distinguishes us from much of the mainstream. And it does not distinguish us sharply from some who have never been considered radical political economists, but who have become outspoken proponents of much that we favor. I'm thinking of people like Paul Krugman, Joe Stiglitz, Robert Reich, and Jeffrey Sachs (in his new incarnation). I suspect that now there are many more mainstream economists who share our views on the threat of the Right and on some basic elements of a more humane and just society.

I believe what most fundamentally distinguishes us as radical political economists from the mainstream is not so much that we find different economic issues worth researching, writing and teaching about, or that we use different methods in doing so. Instead, I think what is most fundamental is that that we see researching, writ-

ing and teaching on these issues not simply as an intellectual challenge, but as a challenge to make things better. In other words, the point is not just to understand the world, but to change it. What is really important is: how to understand the world in a way that is more useful in figuring out how to change it!

4. I believe that, in fighting against the powerful forces arrayed against us, particularly in the US, we must recognize the need for allies. I think we should try to get the relatively reasonable fraction of mainstream economists to see that they need to get more involved in and better at informing public discourse, if we are to prevent the Right-wing crazies from completely taking over. As basic economic verities are routinely rejected by powerful politicians, even many activism-averse mainstream economists can surely see the need not to leave policy-making to the politicians, but to take a stand against unreason!

5. By the same token, I think that the progressive movement should not only seek to aid and strengthen our traditional allies, such as the labor movement, but we should also look for allies across a broader swath of US society. For example, we could make a greater effort to bring on board those elements of the capitalist class who are far-sighted enough to see that many of the economic policies now being pursued in the United States, ostensibly in their class interest, are in fact counter to almost everyone's long-run interest. Within the more domestically-based non-financial business sector there must be some business-men and women who see the desirability of supporting employment-generating and energy-saving programs, public spending on education and infrastructure, limits on financial speculation, etc. Let's try to divide the potentially progressive business interests from the financiers and the Tea Party!

6. Finally, and this is more of a long-run task, I believe that we must find a way to get the general public – young people in particular – to see the reduction of inequality as a compelling moral issue and the social-democratization of American capitalism as an important goal. This is a question of basic values more than one of analytical methodology. Certainly as university teachers of radical political economy we are doing good work in promoting the values of a good society – both in our teaching of economics and in our mentoring of progressive students and their organizations. This we must continue to do – especially, perhaps, among undergraduates, much more numerous and possibly more open-minded than most graduate students. But I believe we should devote more attention to high school students. Working on high school economics texts, and with high school social science teachers, might well be especially valuable.

In sum: We radical political economists have put capitalism on trial, and we have found it sorely wanting – in many respects. But capitalism has proven remarkably resilient and persistent, and I see no realistic hope of replacing it in the foreseeable future. Over the past three decades, US capitalism in particular has taken a significant turn for the worse. I believe that here and now our most urgent task is to devote our teaching, our research and our activism to reversing this alarming trend.