Forward to the Slovak Edition of *After Capitalism* (2010)

This book was not written with Slovakia in mind. It was written in response to the unexpectedly large protests against neoliberal globalization that came to public attention in November, 1999, when demonstrators from all over the world, representing a wide variety of political, economic and ethical concerns, brought to a halt the Seattle meetings of the World Trade Organization. The critique of neoliberalism driving this activist upsurge seemed to me to be both important and accurate--but also incomplete. For it had not gone deeply enough. It had focused on the immorality and irrationality of a certain form of capitalism, the form identified with the "Washington Consensus," but not on capitalism itself. Nor had it addressed in any systematic fashion the question of alternatives. Since this question has long been at the center of my own research, I felt obliged to offer a contribution to what I call in this book, "the counterproject," the global movement, as yet far from unified, to create a world that is qualitatively freer, happier, and more just than the world we inhabit today.

At the heart of this book is an economic model, a model for an economically viable, ethically desirable form of socialism. The model elaborated here is result of more than three decades of research, research motivated by three fundamental facts:

First of all, the fact that Marx, while providing us (humanity) with a powerful and compelling critique of capitalism, did not provide us with an explicit model for a viable alternative to capitalism. He offered no "recipes for cookshops of the future"--to cite his disdainful phrase.[1]

Secondly, the fact that the Soviet model of central planning, which was identified in the twentieth century as the paradigm of Marxian socialism, is fundamentally flawed as an economic model. It cannot be salvaged simply by "democratizing" it, as many Western leftists once believed (and a few still do). This was clear to me, even thirty years ago.

Thirdly, the fact that the strongest rebuttal to the Marxist critique of capitalism is the question, "What is your alternative?" To a generation of Western activists coming to political consciousness in the 1960s, the Marxian critique was compelling. But what if it were true that there is no better alternative? How does one respond to the claim that there isn't any, that any attempt to go beyond capitalism will only lead to something worse?

Given these facts, it seemed imperative to develop a fairly concrete model of a socialist alternative to capitalism that could be shown to be at least as efficient as capitalism, less prone to capitalism's irrationalities, and vastly preferable on normative grounds. The county in mind, as I developed various iterations of what I have come to call "Economic Democracy," has been my own country, the United States--although the model was always meant to have more general applicability.

This book will detail some of major problems of contemporary capitalism: savage inequality, degrading unemployment, increasing insecurity, poverty in the midst of plenty, the hollowing out of democracy, and ecological devastation. One problem, however, is barely touched upon: the *instability* of capitalism. Other problems are examined in detail, but not deep irrationality manifested in the crisis that hit the global economy in 2008--the sharp contraction in economies everywhere that had nothing whatsoever to do with material causes—floods, drought, warfare, etc., due instead (somehow) to those mysterious “financial markets.”

Instability didn’t seem to be a pressing issue a decade ago. To be sure, there had been a meltdown of sorts in East Asia (and Russia) in the late 1990s, and the U.S. stock markets had plunged when the dot.com bubble burst, but the real economy (in the United States) hadn't been much affected by any of that. Prominent economists agreed. In 2003 Robert Lucas, professor at the University of Chicago and winner of the 1995 Nobel Memorial Prize in Economics, gave the presidential address at the annual meeting of the American Economics Association. After explaining that macroeconomics began as an intellectual response to the Great Depression, he declared that it was time for the field to move on: "the central problem of depression prevention," he declared, "has, for all practical purposes, been solved, and has, in fact, been solved for many decades."[2] (A notable exception was Paul Krugman--who himself later received a Nobel Prize—entitled his 1999 book, *The Return of Depression Economics*.[3])

Since the now-pressing issue of capitalist economic crises is not dealt with in the main body of this book, let me offer some thoughts on the crisis here. I will focus on the current economic crisis as it developed in the United States. Since it was the U.S. crisis that triggered the global crisis, it is important to understand the proximate and, more importantly, the deep causes of that crisis. Comparable analyses of the various crises engulfing European countries today would differ as to details, but all would involve, in varying degrees, the contradictions within capitalism that brought the U. S. economy to a point unthinkable a decade ago.

I. The Deep Irrationality of Global Capitalism

Let me start with a story a Chicago story, a story based in the city where I live. Last spring (2010) it was announced that the Chicago Public School System, which services some 435,000 students, will have its budget cut next year by $600 million. This will require, among other things, increasing class sizes in the elementary schools to thirty five, and making major cuts in non-varsity sports, kindergartens, after-school programs, summer programs, library services, etc.

Several weeks before this announcement, *Alpha Magazine* published its “Rich List,” the incomes of the top hedge fund managers for 2009. The top twenty-five averaged $1 billion each, the top earnings going to David Tepper of the Appaloosa Fund, who made a record $4 billion. On the list was Ken Griffin, the 42-year-old manager of Citadel, Chicago’s largest hedge fund. He made $900 million.[4]

It occurred to me that if Mr. Griffin’s income were taxed at 66 2/3% (significantly less than the post-war top-bracket rate of 90%), those revenues would cover the entire CPS budget shortfall. 435,000 young people (many of them from very poor households) would benefit, and he’d still have $300m left with which to play!

I then asked myself: what would it take to bring Mr. Griffin’s income down to the salary of the highest paid government official in the United States, i.e. the president? That salary, what the citizens of the United States deem their most important elected official merits, is $400,000. Below is a reproduction of my back-of-the-envelope calculation:

Ken Griffin’s Possible Tax Travails

Income	Tax Rate	After Taxes
$900m	90%	$90m
	99%	$9m

99.9%	$900,000
99.95%	$450,000

That is to say, if the Internal Revenue Service were to take 99.95% of Mr. Griffin's income, leaving him with only *one-twentieth of one percent of his income*, he would still have more left over than Barack Obama earns for his services as president—considerably more, in fact, since his $450.000 is *after taxes*, whereas the President would have to give back a 30% or so of this salary to the government. (Note: we would have to tax Mr. Tepper at 99.99%, leaving him with *one one-hundredth of one percent* of his income last year, to bring his after tax income down to Mr. Obama's pre-tax salary.)

Of course the staggering wealth of the few juxtaposed against the soul-destroying poverty of so many—globally, but also within rich countries—is but one of the deep irrationalities of the current order. Among the others:

- We have more control over nature than ever in the history of our species, yet more ecological devastation.
- Technology that could give everyone more leisure throws millions out of work and makes hundreds of millions insecure and overworked.
- Vast numbers of people, billions, suffer the effects of economic crises that are purely structural, in no way related to such scarcity-creating *material* factors.

Can any rational being who thinks about such things doubt that there is something deeply wrong with our current economic arrangements?

II. What is to be done?

We need a new economic system. In this book I will propose an alternative to the current capitalist system that would be as efficient as capitalism but not suffer its deep irrationalities. We will call it Economic Democracy.

This "new economic system" will be a form of socialism. But is it credible to speak of socialism today? Consider the words of Paul Krugman, in a book published last year:

> Who now can use the words of socialism with a straight face? As a member of the baby boomer generation, I can remember when the idea of revolution, of brave men pushing history forward, had a certain glamour. Now it is a sick joke. . . The truth is that the heart has gone out of the opposition to capitalism.[5]

Yet the iconoclastic Krugman strikes a different note, just a paragraph later:

> Capitalism is secure, not only because of its successes--which have been very real--but because no one has a plausible alternative. This situation will not last forever. Surely there will be other ideologies, other dreams, and they will emerge sooner rather than later if the current economic crisis persists and deepens.[6]

III. Current Crises

We should be clear. The current crisis *will* persist and deepen. Actually, we should speak of cris*e*s, for we are facing more than one.

Let us consider the fundamental cause of the current *economic* crisis.

Set aside the immorality and illegality:

- Unscrupulous real estate brokers enticing people to sign contracts they didn't understand,
- Corrupt rating agencies giving triple-A ratings to high-risk mortgage-backed securities,
- Lax regulators,
- Investment banks concocting collateralized debt obligations they knew were rotten, then buying credit default swaps so as to bet against them.

Set aside the financial markets altogether and all those lovely "financial innovations" created by that new breed on Wall Street, the "quants," who flocked to finance from MIT, Princeton, etc. with their Ph.D.'s in mathematics and physics. ("'Financial innovation': two words that should, from now on, strike fear into investors' hearts," says Krugman.[7])

Consider the "standard story" of the current crisis. According to this account, the current crisis was caused by the bursting of the housing bubble, which led to those mortgaged-backed securities—securities created by bundling hundreds of mortgages, then slicing and dicing the pile into parts of varying risk, then selling the parts to investors--becoming "toxic," i.e. unsellable, thus causing the credit markets to freeze up. Without access to credit, businesses had to lay off workers, which decreased consumer demand, which caused more layoffs, which decreased demand further, etc.

Well and good, but this story doesn't address the more fundamental question: Why did we get a housing bubble—and indeed a general "assets-bubble"--in the first place? (The U.S. stock markets soared in tandem with housing prices, the Dow Jones Industrial Average hitting its all-time high of 14,000 in 2007.) To answer this question, we need to go back to basics, i.e., to Karl Marx and John Maynard Keynes.

As Marx pointed out, capitalism is prone to crises that would have been incomprehensible to early forms of society—crises of *over*production. In all previous epochs, economic crises were due to scarcity—not enough stuff. But under capitalism we get crises because of *too much* stuff. Not too much relative to human needs or wants, but too much relative to consumer purchasing power. In Keynesian terminology, there is a deficiency of "effective demand."

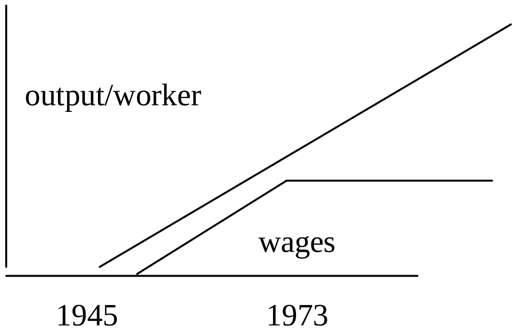
Marx locates the source of the crisis in the defining institution of capitalism: wage labor. In a capitalist economy, most people work for wages or salaries, utilizing means of production owned by others. To the owners of these means of production, wages are costs of production, and hence owners strive to keep wages down. But they also need to sell their products. That's a problem. For, as noted above, when certain companies can't sell their products, they cut back production, lay off workers. These workers can no longer purchase the products of other companies, so more workers are laid off, . . . the familiar downward recessionary spiral.

Pre-Keynesian "classical" economists were confident that such demand deficiencies were inherently temporary. They invoked Say's Law: supply creates demand. Keynes saw this as nonsense (as did Marx). There are no market forces that will automatically return a depressed economy to full employment. Recoveries *usually* follow downturns, but there is nothing inevitable about this, particularly if the recession is severe. The fact of the matter is, Keynes argued, a free-market, capitalist economy can stabilize at *any* level of unemployment.

The invisible hand may not pull us out of a recession, but, says Keynes, we need not stand idly by. The visible hand of the government can intervene. It can put people to work. It could, Keynes observed, put banknotes in bottles, pay people to bury them, then let free-enterprise entrepreneurs dig them up—not the most productive use of labor, but better than simply praying to the market gods. "It would, indeed, be more sensible to build houses and the like; but if there are political and practical difficulties in the way of this, the above would be better than nothing."[8]

Keynesianism appeared to have saved capitalism. With suitable government monetary and fiscal policies appropriately deployed, the recurring deep recessions predicted by Marx could be avoided. And for three decades the Keynesian prescriptions worked. For three decades following World War II, capitalism's "Golden Age," productivity increased steadily, incomes kept pace, life got better and better for more and more. In the United States it became an article of faith that your children would be better off financially than you were—just as you were better off than your parents had been.

But then, suddenly, trouble in paradise. The following picture tells the story.



Wages went flat. Household incomes increased slightly, up only 16% since 1973, and this increase due almost exclusively to the influx of women into the workforce. As Krugman notes, “For men ages 35-44—men who would a generation ago have been supporting stay-at-home wives—we find that inflation adjusted wages were 12% *higher* in 1973 than they are now, . . . [whereas] the value of the output an average worker produces in an hour, even after you adjust for inflation, has risen almost 50% since 1973.”[9]

The above picture raises a question. If wages haven’t kept pace with production, who has been buying all that extra stuff? Why hasn't the economy been in recession the last thirty-five years--as Marx’s analysis would lead us to expect?

Some of the money has been invested in the real economy--hence productivity has continued to grow. Much of the "surplus," however, went into paper assets (stocks and bonds) and real estate, inflating asset values. (As a measure of these paper "investments," consider the following sequence: in 1956 the Dow Jones Industrial Average reached 500; 16 years later, 1972, it reached 1000; 15 years later, 1987, it hit 2000. Then it exploded to 8000 ten years later (1997), then to 14,000 ten years after that (2007). That is to say, the Dow only doubled during the "Golden Age"(during which period wages doubled as well); it then increased *fourteen-fold* during the flat-wage period.)

The real estate boom was later in coming, but when it came, it came on strong. Housing prices increased only 1% per year between 1975 and 1997,[10] but then the rate of increase jumped six-fold, to 6%/year between 1997 and 2006.[11]

This explosion of asset values produced what economists call a "wealth effect." When you feel richer, you spend more. And major asset holders have, with good reason, felt very much richer in recent times. In the United States, between 1995 and 2004, the number of millionaires (in 2004 dollars) more than doubled, as did the number of households worth more than $5 million, more than $10 million, more than $25 million. Krugman notes that if we define a "billionaire" as someone whose wealth is greater than the output of 20,000 average workers ($1b in mid-1990s), there were 16 in 1957, 13 in 1968. There are 160 now.[12]

These people spend a lot. (*Wall Street Journal* reporter Robert Frank provides a glimpse into their world in his 2007 book, *Richistan*, a journey through this new country.[13]) But still, even with their yachts and villas and private jets, the upper one or two percent of the population can't consume nearly enough to keep the economy humming.

Another large portion of the total surplus--far more important than the portion consumed by the ultra-rich--was *loaned* to working people. The "debt explosion," which parallels the asset-value explosion, has been striking. Consider two statistics:

1) In 1975 outstanding household debt in the U.S. stood at 47% GDP. It currently stands at 100%. That is to say, the amount of debt people hold, adjusted for inflation, is twice what it was thirty-five years ago.

2) Personal outlays as share of disposable income was 88% in 1981--i.e., the average household saved 12% of its income). Today it is 100%--i. e., zero net savings. [14] (This doesn't mean that nobody saves. It means that large amounts of the social surplus have been loaned out to finance consumer spending.)

Over the last several decades there has been a massive increase in home equity loans, credit card debt, students loans, automobile loans, etc. Never before have so many borrowed so much.

In effect, our capitalist class, instead of raising wages, has lent out a large piece of their profits to the working class, to be repaid with interest. Pretty clever. Except for an inconvenient truth: What can't go on, won't. Debt levels cannot keep increasing indefinitely when incomes are stationary. Soon enough, borrowers can't even pay the interest charges on their debt, let alone repay the principal. Lenders get nervous. Credit dries up. Defaults and bankruptcies proliferate.

Might we be able to reform the system so as to return to a high wage, social democratic, post-WWII-type economy? Can we get back to the Golden Age? This possibility would seem to be now out of reach. We are now living in a global economy. High wages drive businesses abroad. Indeed, this need to stay globally competitive was a key factor in ending the social democratic "class compromise" in the first place.

What is to be done? It is sobering to realize that Keynesian stimulations of the standard sort, the kinds undertaken by the Roosevelt administration and now by the Obama administration, did *not* bring an end to the Great Depression. Although the recovery officially began in March of 1933 as the economy began to expand again, the unemployment rate, which had dropped from 25% in 1933 to 14% in 1937, shot up again to 19% the following year. (It had been 3.2% in 1929.)

It wasn't Roosevelt's welfare and employment provisions that ended the Great Depression. As Krugman reminds us, "it took the giant public works project known as World War II--a project that finally silenced the penny pinchers--to bring the Depression to an end."[15]

But for us--there isn't going to be a World War III. Nuclear war is too destructive for even our most jingoistic “neoconservatives” to contemplate seriously, and our embarrassing, tragic debacles in Iraq and Afghanistan have demonstrated unequivocally the limits of conventional warfare. This is not bad news--for us as human beings, that is--but it does close off an important Keynesian route out of the current crisis.

Then there’s the “globalization problem.” The effectiveness of the Keynesian deficit spending depends on its “multiplier effect”—putting some people to work gives them more money to spend, which puts more people to work, etc.—the reverse of the recessionary downward spiral. But globalization has cut into this multiplier. When newly employed people spend their money, which they tend to do frugally, they buy those cheap imported goods at Wal-Mart--which may put more Chinese workers to work, but not their compatriots.

Therefore, if traditional Keynesian monetary and fiscal policies can't end this recession, and if there's not going to be another major war to pull us out, what *are* we going to do? Frankly, I don’t think that there is *anything* we can do to get us out of the economic in which we find ourselves--short of a restructuring of our basic economic institutions that goes well beyond anything currently contemplated by even the most radical elements of "respectable" opinion.

Of course I could be wrong. Perhaps a combination of judicious policies and good luck will pull us out of this recession. But even if this should turn out to be the case, we are far from home free, for there is another crisis waiting in the wings.

Consider two of the most fundamental contradictions of capitalism:

1) Wages are a cost of production and must be held down, but the output must be sold.

2) Capitalism requires steady growth to be healthy, but infinite growth is incompatible with the resource constraints and pollution-absorption capacities of our planet.

The first contradiction generates economic crises; the second foments environmental crises. Unfortunately, these crises produce contradictory imperatives. To resolve as economic crisis, we must consume more. But to head off our environmental crises, we must consume less. Harvard ecologist Richard Levins notes the contradiction: "Economic recession seems to provide the only respite that capitalism grants to forests and waters."[16]

IV. Other Dreams

There *is* an alternative: an economically viable, vastly more democratic system that is *not* vulnerable to financial crisis and does *not* need to keep growing to remain healthy. The fact of the matter is, we now have at our disposal the means to demonstrate, beyond a reasonable doubt, that there exists a viable, desirable economic order that preserves the basic strengths of capitalism, but eliminates its fundamental weaknesses. It is appropriately called Economic

Democracy, for it extends democracy into areas of life hitherto considered off-limits. Here are the slogans:

- Democratize labor
- Democratize capital
- Democratize democracy

I won't discuss that last slogan here, although it is *sine qua non.* So long as money rules, and not the people, we cannot accomplish what we must accomplish. Political reform that drastically reduces the impact of private financial resources on election outcomes is essential.

What will be the basic institutions of our new, democratic, economy? These will be discussed in detail in Chapter Three, but let me offer a quick preliminary sketch. Capitalism is often identified as a "free-market economy." In fact, it is a "three-market economy." There are

- markets for goods and services,
- labor markets, and
- capital markets.

Economic Democracy, unlike the classic models of socialism, retains competitive markets for goods and services, which are, in fact—as defenders of capitalism never tire of pointing out—a form of democracy. (When one makes a purchase, one is in effect voting for the production of more of that product.) To be sure, this is one-dollar/one-vote democracy, not one-person/one-vote, but if the distribution of income is fair—which is *not* the case under capitalism—we want a system that produces the goods that people wish to purchase.)

Economic Democracy retains markets for goods and services, but it replaces those labor and capital markets with more democratic institutions. Economic Democracy's basic institutions are:

- markets for goods and services,
- worker self-management of firms, and
- social control of investment.

There are two essential components of worker-self-management, concerning control and income respectively.

1) Enterprises are regarded, not as objects to be bought and sold, but as communities. When one joins an enterprise, one is entitled to vote for a workers' council that appoints upper management and oversees major enterprise decisions. The basic rule is one-person, one-vote.

2) Workers' incomes are profit shares, not wages or salaries. These shares need not be equal. Higher shares can be awarded to those with seniority, higher skills, and or more responsibility. But everyone's income is tied directly to the enterprise's profits, thus everyone is motivated to work conscientiously—and to encourage co-workers to do the

same.

There are three essential components to “social control of investment:

1) The national investment fund is generated, not from private savings, but from a capital assets tax--a flat-rate tax on the value of the capital assets of each business enterprise.

2) This fund is allocated to regions *fairly*. The *prima facie* principle is *per-capita* share. Each region and each community gets its “fair share” of the national investment fund each and every year.

3) These funds are allocated to a network of public "investment banks" that loan them out to existing enterprises or to individuals wanting to start new businesses, based on a) projected profitability of the investment, b) employment creation and c) other social factors deemed relevant by the community, e.g. specific environmental concerns.

V. Economic Democracy and Economic Crises

Economic Democracy is not vulnerable to the kinds of financial crisis that plague capitalism for one simple reason. There are no private financial markets—no stock market, no bond market, no investment banks, no private equity firms, no hedge funds--hence no possibility of financial speculation or malignant financial “innovation.” Financial markets are public, simple and wholly transparent. (It's not quite correct to say that there are *no* private financial markets under Economic Democracy. The "expanded model" elaborated in Chapter Three will include private and cooperative credit unions, but these too are simple and transparent.)

As for the deeper problem identified above, the gap between output and wages, this too is impossible, since worker incomes rise automatically with productivity increases (unless offset by increases in leisure). Should the capital assets tax generate more "savings" than businesses want to invest, the tax can be cut, thus boosting worker incomes.

Economic Democracy is also far more compatible with ecological sanity than is capitalism. This claim will be defended in Chapter Five. A stable, "no-growth," sustainable society is possible under Economic Democracy, but not under capitalism.

Actually, "no-growth" is a misnomer. Productivity increases under Economic Democracy will more likely translate into increased *leisure* than into increased *consumption*. When introducing a more productive technology into their enterprise, workers in a democratic firm have a choice not available to their counterparts in a capitalist firm: they can choose to take those productivity gains in the form of shorter workweeks or longer vacations rather than higher incomes. The economy will continue to experience "growth," but the growth will be mostly in free time, not consumption.

VI. What Would Keynes say?

John Maynard Keynes, whose reputation had been decline for several decades, is now being studied again, and for good reason. "Rational expectations" economics, which pushed aside Keynesianism in most economics departments, has proved to be useless in understanding recent events.[17]

Keynes would be no more surprised than Marx by the current economic crisis--given the massive growth in unregulated financial markets in recent decades. Few economists have written so scathingly as Keynes about the irrationality of the financial sector. Just a few quotes from Chapter 12 of his monumental, paradigm-shifting *General Theory of Employment, Interest and Money*.[18] He debunks the standard view:

> It might have been supposed that competition between expert professionals, possessing judgment and knowledge beyond that of the average private investor, would correct the vagaries of the ignorant individual left to himself. It happens, however, that the energies and skill of the professional investor and speculator are mainly occupied otherwise. For most of these persons are, in fact, largely concerned, not with making superior long-term forecasts of the probable yield of an investment over its whole life, but with foreseeing changes in the conventional basis of valuation a short time ahead of the general public. (154)

Keynes, who spent a fair amount of his own time at the London stock exchange, making a fortune, losing it, then making it back again, tells us:

> The actual, private object of most skilled investment today is to "beat the gun," as the Americans so well express it, to outwit the crowd, and to pass the bad, or depreciating half-crown to the other fellow. . . . It is, so to speak, a game of Snap, of Old Maid, of

> Musical Chairs--a pastime in which he is victor who says "Snap" neither too soon nor too late, who passes the "Old Maid" to his neighbor before the game is over, who secures the chair for himself when the music stops. (155-6)

And the situation is likely to get worse over time. “As the organization of investment markets improves, the risk of the predominance of speculation does increase” (158).

What is to be done? Keynes notes in the final chapter of *The General Theory* (which few contemporary economists appear to have read—or at least taken seriously): "the outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and income" (372).

The two faults, he notes, are interrelated. The great danger to a modern capitalist economy is too much savings relative to the opportunities for genuinely productive investments in the real economy. Since the wealthy tend to save a much larger portion of their income than do poorer people, they are the ones primarily responsible for the deficiency in aggregate demand that causes unemployment. (For Keynes, "investing" in the stock market or in some other financial asset is saving, not investing; investing means expanding existing production facilities or developing new ones.)

Keynes didn't think this unhealthy state would persist, for he thought capital would soon become so plentiful that the return to capital, accordance with the basic laws of supply and demand, would soon approach zero, which "would mean the euthanasia of the rentier, and, consequently, the euthanasia of the *cumulative, oppressive power of the capitalists* to exploit the scarcity value of capital" (376). (This is Keynes, not Marx! It’s no wonder that economists stopped *reading* him, preferring mathematical renditions of his theory, then banishment.)

If we need additional capital to ensure full-employment, "it will still be possible [to have] communal saving through the agency of the state." That is to say, we do not have to rely on the private savings of private individuals for investment funds; we can generate them publicly via taxation—e.g., a capital assets tax. As for their allocation, since "there is no clear evidence from experience that investment policy which is socially advantageous coincides with that which is most profitable, (157) . . . I expect to see the State . . . taking ever more responsibility for directly organizing investment. (164)"

We see that "social control of investment," as it occurs in Economic Democracy, is fully consistent with Keynesian principles and predictions.

Keynes gave no thought to the prospect of workplace democracy, but he did write about a society more oriented toward increasing leisure than consumption--the kind of society, I argue, that is possible under Economic Democracy, but not under capitalism. In a remarkable essay written just after the onset of the Great Depression, Keynes speculated about the "Economic Possibilities for Our Grandchildren." He offered his opinion as to what our world would look like a hundred years hence:

> We shall use the new-found bounty of nature quite differently than the way he rich use it today, and will map out for ourselves a plan of life quite otherwise than theirs. . . . What work there still remains to be done will be as widely shared as possible--three hour shifts, or a fifteen-hour week. . . . There will also be great changes in our morals. . . . I see us free to return to some of the most sure and certain principles of religion and traditional

> virtue--that avarice is a vice, that the extraction of usury is a misdemeanor, and the love of money is detestable, that those walk most truly in the paths of virtue and sane wisdom who take least thought for the morrow. . . . We shall honor those who can teach us how to pluck the hour and the day virtuously and well, the delightful people who are capable of taking direct enjoyment in things.[19]

Keynes wrote these words in 1930, at a time when "the prevailing world depression, the enormous anomaly of unemployment, the disastrous mistakes we have made, blind us to what is going on under the surface.[20] Keynes's projection was for "a hundred years hence," i.e. 2030--no longer the distant future. We should ask ourselves: Might there be things "going on under the surface" right now that could bring us to sustainable, democratic, human world? We should ask ourselves: what can *we* do to bring about such a world.

VII. A Concluding Remark

In August, 1994 I attended a conference in Malesov, Czech Republic, the Annual Conference of the International Institute for Self-Management. Also in attendance was Jaroslav Vanek, the Cornell University economist who had become the world's foremost authority on the theory and practice of worker-self-management. He was angry and disturbed. One of his students, one of his *best* students, had received a contract from the Rockefeller Foundation to bring out an introductory economics textbook to be used in Eastern Europe. His student had included a section of worker-self-management, about which he too was expert. His editor insisted that he *delete* this section.

It can be readily verified, if one looks back to the articles being written at that time by Western economists and policy-makers involved in “assisting” the counties trying to reconstruct their economies in the aftermath of the collapse of communism that a concerted effort was made to keep the issue of worker-self-management off the reform agenda. It was important to convince the new leadership that their countries should become “normal,” and should resist the temptation to engage in any more “grand experiments” (as if “privatize, deregulate, let the markets work their magic” was not a grand experiment). Unfortunately, the break-up of the Soviet empire occurred at the precise moment when neoliberalism had become the hegemonic economic ideology of the West. Self-assured, supremely confident Western economists joined forces with more cynical policy advisors.

(One first-hand observer was the young Cambridge-educated economist Noreena Hertz. At age twenty-three, having earned an MBA at the Wharton School of Business, she went off to Russia, as part of a World Bank team, just after the collapse of the Soviet Union, to advise the Russians on economic reforms. She became disillusioned by the arrogance, ineptitude and political calculations of "the Washington big shots" who oversaw her work. "This is about politics," I was explicitly told. "The whole point of the privatization process is to take state assets out of state hands so that the Communist Party never returns." "And what about the people?" I asked. "The market will sort them out."[21])

The market did indeed “sort them out.” An historic opportunity was lost. Capitalism, now without a global rival, took its gloves off and went on the offensive against labor unions, anti-trust legislation, and financial regulation. The wreckage is now there for all to see.

Have we reached the end of history? I don’t think so.

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September 23, 2010

Notes

[1] Karl Marx, *Capital*, v. 1 (New York: International Publishers, 1987), p. 26.

[2] "Macroeconomic Priorities," *The American Economic Review*, Vol 93, No. 1 (March 2003): 1

[3] Paul Krugman, *The Return of Depression Economics* (New York: W.W. Norton, 1999)

[4] Nelson Schwartz and Louise Story, "Pay of Hedge Fund Managers Roared Back Last Year," *New York Times*, March 31, 2010.

[5] *The Return of Depression Economics and the Crisis of 2008* (New York: W.W. Norton, 2009), p. 14. This book is an update of his 1999 book cited above. This quote appeared in the earlier edition as well.

[6] *Ibid.* Another Nobel Laureate echoes this thought. Amartya Sen, writing in the *New York Review of Books* about the European conference on "A New Capitalism," hosted by Nicolas Sarkozy and Tony Blair, asks, "Should we search for a new capitalism or for a 'new world'. . . that would take a different form?" (March 26, 2009), p. 27.

[7] Paul Krugman, "Innovating Our Way to Financial Crisis," *New York Times*, December 3, 2007.

[8] John Maynard Keynes, *The General Theory of Employment, Interest and Money* (New York: Harcourt, Brace and Company, 1936), p. 129.

[9] Paul Krugman, *The Conscience of a Liberal*, (New York: Norton, 2007), pp. 124-7.

[10] Barry Cynamon and Steven Fazzari, "Household Debt in the Consumer Age: Source of Growth, Risk of Collapse," *Capitalism and Society*, v.3, no. 2 (2008): 23.

[11] Luci Ellis, "The Housing Meltdown: Why Did It Happen in the United States?" *Bank for International Settlements Working Paper, No. 259* (September 2008): 3.

[12] Krugman, *Conscience*, p. 18

[13] Robert Frank, *Richistan: A Journey Through the American Wealth Boom and the Lives of the New Rich* (New York: Crown Publishers, 2007).

[14] Cynamon and Fazzari, "Household Debt," pp. 18, 8.

[15] Paul Krugman, "Back to What Obama Must Do," *Rolling Stone* (January 14, 2009).

[16] Richard Levins, "Why Programs Fail," Monthly Review, v. 61 (March 2010), p. 44

[17] For a sharp critique of rational expectations theory by two prominent economists, one of them a Nobel laureate, see George Akerlof and Robert Shiller, *Animal Spirits: How Human Psychology Drives the Economy and Why It Matters for Global Capitalism* (Princeton: Princeton University Press, 2010.)

[18] John Maynard Keynes, *The General Theory of Employment*, *Interest and Money* (New York: Harcourt, Brace and Company, 1936). Page numbers to specific quotes are given in the text.

[19] John Maynard Keynes, "Economic Possibilities for Our Grandchildren," in *Essays in Persuasion* (New York: Norton, 1963), pp. 368-72.

[20] *Ibid*. p. 359.

[21] Noreena Hertz, *The Debt Threat: How Debt is Destroying the Developed World . . . and Threatening Us All* (New York: HarperCollins 2004), p. 93