

# Inquiring Minds topic – 29 March 2019

Albert Myers, Moderator

## Is America's future capitalist or socialist?

*Please read the paper and bring your own critique, questions, responses, suggestions, etc.*

[vox.com/the-big-idea/2019/1/7/18167691/what-is-socialism-capitalism-sanders-warren](https://www.vox.com/the-big-idea/2019/1/7/18167691/what-is-socialism-capitalism-sanders-warren)

Ezra Klein - January 6, 2019

Outside contributors' opinions and analysis of the most important issues in politics, science, and culture.

As 2018 drew to a close, Steve Pearlstein, the Washington Post's Pulitzer Prize-winning business columnist, published a book that would've been bizarre only a few years before. It's called [\*Can American Capitalism Survive?\*](#) and it begins by laying bare the ideological crisis facing the economic system and, just as importantly, the economic philosophy that many Americans take for granted:

A decade ago, 80 percent of Americans agreed with the statement that a free market economy is the best system. Today, it is 60 percent, lower than in China. One recent poll found that only 42 percent of millennials supported capitalism. In another, a majority of millennials said they would rather live in a socialist country than a capitalist one.

In 2016, Vermont Sen. Bernie Sanders ran on a platform that many thought would've ruined his political chances. He ran as a democratic socialist, disavowing America's longtime capitalist consensus and proudly wrapping himself in a label pundits considered political poison. And it worked.

In American politics, and particularly in the Democratic Party, the primacy of capitalism is, for the first time in ages, an open question. Sanders is expected to run again in 2020, and to run with the support of a grassroots movement that thrills to his break with capitalist convention. He'll face, among others, Massachusetts Sen. Elizabeth Warren, who says one key difference between her and Sanders is that she's "a capitalist to my bones."

But what are the actual differences between liberal reformers of capitalism, like Warren and Pearlstein, and democratic socialists, like Sanders? I invited Pearlstein to discuss his book, and the broader capitalism vs. socialism divide, with Bhaskar Sunkara, editor of the journal [\*Jacobin\*](#), and author of the forthcoming book, [\*The Socialist Manifesto\*](#). Their debate follows, lightly edited for style and length, with Sunkara kicking off the conversation.

### **Bhaskar Sunkara**

I just finished reading two interesting tracts this weekend, the White House Council of Economic Advisers' "[\*The Opportunity Costs of Socialism\*](#)" report and your new book [\*Can American Capitalism Survive?\*](#)

Yours was better, don't worry. But it strikes me as fascinating that "capitalism" and "socialism" are back in the popular discussion.

You come down firmly on the capitalist side, but see the need for major changes. In your view, old-school liberal models (heavily regulatory, skeptical of consolidation, buttressed by powerful unions that made expansive wage and benefit demands) encouraged stagnation and made American companies less competitive internationally.

But the neoliberal correction that came — mantras that emphasized that government could do no good, that

businesses were bound by no other purpose than maximizing investor returns, and that any market outcome was just — was a radical overcorrection. It's helped fuel a backlash that is threatening the foundations of the system itself.

I'm a socialist, so I'm bound to disagree with some of your proposed solutions to the problem: employee profit-sharing, renewed but not stifling regulatory oversight, getting corporate money out of politics. I obviously don't think this goes far enough.

However, I'm interested in starting this conversation with our different views about the crisis of the 1970s and what drove the shift to supply-side economics. Unlike some liberals, I don't deny that there was actually a crisis in the 1970s: corporations couldn't keep up with militant union demands, the after-effect of the OPEC oil shock, and increased international competition. Profitability sagged.

But from your book, I noticed that you have a much bigger role for ideology than I do. In my account, without a broader ideological agenda, capital knew that it had to restructure to restore profitability. It saw regulations and strong unions as impediments to this goal. Neoliberal ideology seems to just follow these developments but not play a very important role in and of itself.

I also question whether there was actually a different mentality that pervaded capitalism during the postwar boom years. A CEO like Charles Wilson could say "what was good for the country was good for General Motors and vice versa," but he was responding to the same exact market pressures as CEOs today. The only difference is that he was constrained by unions and a liberal political coalition.

Social democracy was always predicated on economic expansion. Expansion gave succor to both the working class and capital. When growth slowed and the demands of workers made deeper inroads into firm profits, business owners rebelled against the class compromise. And they were in the structural position to force their own solutions, even in countries like Sweden where there were experiments with wage-earner funds and other left-solutions to the crisis.

It seems to me that the goal isn't to defeat neoliberal ideology, but rather to try to recreate the working-class political movements that help make shared prosperity possible. And that means heightening polarization — between working people and corporate interests — from the left and trying to build the kind of political movements that might be able to resolve the "next crisis of the 1970s" in a more radical direction.

## **Steve Pearlstein**

Actually, we don't disagree much about the genesis of the turn toward more market-friendly policies in the 1980s. I do think there were a set of ideas (as distinct from a well-honed ideology) were part of that transformation, but the driving force was the pressing need to restore the competitiveness of the US economy, that was seriously challenged from Japan and Europe at that time.

Ideas are important at such moments because those participating in the policy and political debates need a rationale to convince the country that disruptive change is necessary. That process often involves shedding old ideas that were useful and we thought were true in favor of other ideas that are useful and true. In the political marketplace, ideas matter in terms of the outcome, even if they were not the driving force. That's different than saying that ideology or some ideological movement played a starring role.

So in the book, I lay out several of those ideas and why they have been pushed so far that they are no longer useful or valid.

The first is that greed is good and necessary for the workings of a market system, which now has been codified in the notion that businesses must be run to maximize return to shareholders.

The second is that market incomes are an objective measure of each person's economic contribution — marginal utility, in the language of economics.

The third idea is that we don't need to worry about the level of income inequality because all that really matters,

at least in terms of morality and fairness, is equality of opportunity.

And the fourth idea is that there is an absolute tradeoff between economic equality and economic efficiency — that if we want more equal slices, then we will have to accept the reality that the pie (and thus each slice) will be smaller.

These ideas now form the core of what might be called “market fundamentalism,” and explain why so many of your generation feel that capitalism has lost its moral legitimacy.

One theme running through the book is the importance of social norms. Social norms are very powerful in shaping how individuals and businesses behave. And while you apparently resist this idea, norms have changed a lot since the 1950s and ’60s. In those days, businesses were indeed run with a broader purpose in mind, and executives who violated those norms were shunned not just by workers or customers or citizens in the local community, but by other executives and financiers.

White-shoe law firms and investment banks just didn’t do hostile takeovers. Executives didn’t pay themselves enormous salaries. Very profitable companies shared those profits with all of their workers. Companies were loyal to their workers and expected loyalty in return. And that was true, by the way, at unionized and non-unionized companies.

There was a historical basis for these norms. We had just come out of wartime experience of shared sacrifice in which men of all types served with each other on the battlefield, and women of all types had worked side by side in factories and offices, and many essential goods were rationed equally to each household.

This shared experience was based on norms of equality, cooperation, trust. The idea that the only reason executives and businesses behaved in that way was because they were forced to by unions and a liberal political coalition is just wrong, although it is surely true that unions and liberal-minded voters and special interests had a hand in helping to shape those norms. And then norms changed.

How powerful are social norms? Well, just look at [the #MeToo movement](#), a wonderful example of a changing social norm. What used to be accepted and tolerated no longer is. This has been a bottom-up process that nobody anticipated and nobody controls. In terms of the power structure, which you like to focus on, very little changed other than public opinion.

The language with which you talk about these things, Bhaskar — framing things in terms of movements and ideologies and well-defined classes and interests — inevitably causes you to see things through a distorting lens. My goal is not to “defeat” any ideology, neoliberal or otherwise. Nor do I think it necessary to “recreate a working-class political movement,” which would be hard because, in America, we never really had one in the first place. What exactly do you have in mind — bookkeepers and baristas and computer technicians meeting in cells to plan general strikes and marches on the US Chamber of Commerce?

Our goal should be: Use all the tools available in a democratic society to convince a broad swath of the public — frontline workers, middle managers, professionals, executives, academics, journalists — that certain types of business behavior are no longer socially acceptable.

Unacceptable because they offend our moral sensibilities. Unacceptable because they are economically counterproductive. And unacceptable because they erode the trust and cooperation that are necessary for a successful capitalism, and a successful democracy.

Change the social norms in that way and the rules and laws naturally follow. That’s a goal that is more likely to be achieved, and more likely to be effective, than trying to change things by grabbing power and shoving a different set of rules and norms down everyone’s throats.

## **Bhaskar Sunkara**

I think we’re looking far differently at not only how to change what’s rotten in the United States today, but also how we’ve won improvements in the past. You say that our country has never really had a “working-class

political movement,” but we do have a long history of labor turmoil — not just on the shopfloor, but wider movements for the eight-hour-day and the mass unionization drives of the 1930s and efforts to expand social protections.

It was the power of trade unions and the political culture that emerged out of them that helped ensure that the prosperity of the postwar period was more widely shared.

What I have in mind for the future is quite simple: people banding together to defend their common interests through politics. We’re just a couple years removed from [13 million Americans voting](#) for a self-described democratic socialist, someone who said that people deserve more than they’re getting and “millionaires and billionaires” were to blame.

Today, most Americans support [Medicare-for-all](#), jobs programs, and other social-democratic policies. As they try to get these things, they’re going to run up against the power of those who benefit from the status quo. That’s not the resistance of social norms, it’s the resistance of segments of capital — it’s class struggle in the most classical sense.

Norms will follow those organizing efforts and conditions on the ground, and help consolidate gains, but I think you’re overstating their importance. There are powerful segments of business that existentially oppose things like Medicare-for-all and increased unionization, not as individual traits but to preserve their livelihoods. I don’t think the same can be said for #MeToo and other important struggles against sexism.

Concretely, I think that means broad-based left electoral campaigns, combined with new trade union organizing efforts in strategically positioned sectors — the year’s [wave of teacher strikes](#), new efforts to rally nurses and those in supply and logistics, for example, and social movements for things like criminal justice, health care, and affordable housing.

The words of A. Philip Randolph still seem apt to me: “At the banquet table of nature there are no reserved seats. You get what you can take, and you keep what you can hold. If you can’t take anything, you won’t get anything; and if you can’t hold anything, you won’t keep anything.”

Every past advance — from the end of slavery to the creation of even our rudimentary welfare state — has come through struggle. The world and politics have changed, but I see no reason why the future will be any different.

If the left doesn’t speak to anger and try to “grab power” (and by that I mean win a majority) for our agenda, it’ll only benefit the xenophobes and scaremongers of the right.

## **Steve Pearlstein**

Who would disagree with your idea of people banding together to defend their common interests through politics? But I think you are kidding yourself that the forces protecting the status quo are just millionaires and billionaires, and that all the rest of us are victims of the oppressive economic system they have imposed on us, or hoodwinked us into embracing.

That’s not to say the special interests, including business interests, don’t have disproportionate political and economic power. Of course they do. But there are all sorts of other special interests that I think you would recognize as mostly middle class in nature that have also shaped our system — like the ability to buy cheap goods from abroad or subsidies for homeownership.

Ours is still a largely middle-class country, with standards of living that are equal to or exceed that of most other countries in the world. And these middle-class Americans wouldn’t favor Medicare-for-all, particularly if you explained to them what it would really mean, or 90 percent marginal tax rates on the super-rich, or guaranteed jobs or free public higher education. There is probably a bit more inner socialism the typical American can discover, but not as much as you imagine. Many are as distrustful of government as they are of Wall Street or large corporations.

How about let’s start with fixing the capitalism we have — or as Raghuram Rajan and Luigi Zingales cleverly

put it, [saving capitalism from the capitalists](#). As I outlined in the book, I would start by getting money out of politics — corporate money but also union money. And ending the stranglehold Wall Street has put on the real economy by demanding companies be run to maximize shareholder value. And more vigorous antitrust enforcement to deal with old-fashioned consolidation and the natural winner-take-all tendencies of the new economy. We need to bring back a serious inheritance tax, a serious and reformed corporate tax and a top marginal income tax of 40 percent.

And while we are at it, why not create a new set of financial institutions — banks, insurance companies, mutual funds and pension funds — that are owned by their customers rather than by shareholders. Even a capitalist can understand the logic of an annual “dividend” for every American as his or her share of the nation’s natural and institutional bounty, particularly if it is combined with an obligation for three years of national service (my version of universal basic income).

Want to get really radical? How about ending school segregation by class the way we did with segregation by race, through enlarged school districts, magnet schools, and creative use of school choice.

I’m all for making it possible once again to organize a union without getting fired or spending the next decade in court, which unfortunately is the current reality. But there may be other, better ways to reinvigorate the union movement and give a bit more power to workers in a post-industrial economy. My guess is that many American workers don’t want the kind of union you pine for — the ones that undermined the competitive viability of their companies, the ones that rejected all pay for performance schemes and saddled companies with rigid work rules.

Maybe in a more professional, service, and tech-oriented economy, people would prefer unions that focused on providing services to their members (pensions, health insurance, legal advice) or providing mechanisms for them to have a greater voice in how their companies are run.

You are right that the teacher strikes have been as inspiring as they have been effective, but so has the #MeToo movement, which changed corporate behavior without unions or strikes but through public exposure and moral suasion.

The problem with your preferred model of permanent class struggle is that it ignores the importance of social capital — the trust in each other and in our common institutions — in much the same way that our current version of American capitalism does, with its ruthlessness, its inequality, and its celebration of greed and indifference.

Economic and political systems work best when there is a sense of shared purpose, shared sacrifice, and shared success, when people feel as if we are all in it together. But permanent class struggle, I fear, would discourage cooperation and erode trust — within firms, within communities, within countries.

## **Bhaskar Sunkara**

Your reply gets a fundamental difference between us: You seem to think that the state is neutral and simply responds to the demands of different special interests. So in the past, when labor was strong, labor made unreasonable demands on the state and now today big corporations do the same.

But even if you took away corporate lobbying and got “money out of politics” through publicly funded elections and elected figures like Bernie Sanders to high office, the state would still have a built-in bias. It relies on revenue to fund itself, and that revenue comes almost entirely from the activities of private capitalists. As long as capitalists have the power to withhold investment, a minority of people will hold tremendous sway and our democracy will be undermined.

Were people hoodwinked into embracing a system like this? No, workers and capitalists are dependent on each other. Workers need their firms to be profitable, and that recognition has always tempered demands. But it’s an asymmetrical dependency: Workers need their jobs more than capitalists needs any individual worker.

Political democracy, won over the wishes of elites, has created avenues to improve the lot of working people

through legislation and unions (whose power rests most fundamentally in the ability of people to go on strike and withhold their labor), and that's evened the odds a bit, but that inequality hasn't gone away.

Along the same lines, your definition of "middle class" seems mythical to me. Who are these middle-class Americans? Is it a nurse working double shifts, a bartender who saved up enough for a house and a car, or is it just highly educated professionals? If you're making these definitions based on just income level you're missing the important difference in status and relationships to between that of a well-paid unionized worker and a small business owner that might be earning the same. And if you don't get that difference, you don't get why the former has to organize collectively to make gains.

And finally, of course, I want to encourage cooperation and trust. I just want to do so through resurrecting a new identity based on a central unifying commonality of people: The vast majority of us have to work for a living. And we do so at the direction of other people. And we know that their interests aren't the same as ours. This will be an identity filled with community, rituals, solidarity, and belonging, just like any other.

We live in a society marked by hierarchy and inequality — not as an unintended aftereffect, but built in its core. Previous systems, from feudalism to slavery, built along these lines seemed natural and everlasting at the time. I'll join you part of the way in your quest to humanize capitalism, but I have no doubt that overcoming it is necessary.

### **Steve Pearlstein**

Yes, we live in a society marked by hierarchy and inequality — and, yes, that's intrinsic to capitalism. And, yes, power — economic power, political power — matters in terms of how the good things in life are distributed. Market fundamentalists who still insist it's all about voluntary transactions within the context of a perfectly competitive and efficiency marketplace that neutrally and objectively sets economic outcomes are either kidding themselves or are trying to kid us.

But let's be clear: This somewhat unsavory economic system called capitalism has lifted billions out of subsistence poverty since the industrial revolution and given us longer, healthier, happier lives to a degree not matched by any other system people have tried. And although some people have more power, money, security, and happiness than others, and some people get to boss other people around, the fault line is not between "workers" and "capital." It's between high-skilled workers and low, coastal metropolitan workers and rural ones, between white workers and nonwhite, men and women workers, religious workers and non-religious.

Let's get real: The favorite politician of the oppressed, left-behind workers who you idealize is Donald Trump, while denizens of Wall Street titans and Hollywood moguls and tech billionaires back liberal candidates and causes.

One fundamental flaw of your analysis is that, as Karl Marx before you, you see economics as a zero-sum game, "We know that their interests are not the same as ours," you write. In fact, we don't know that. Rather, we know of capitalist systems in which when companies do well, the owners of capital and the workers both do well — and that the cooperative nature of their relationship generates a bigger pie to divide.

The other fundamental flaw is that you ignore the power that each of us has in a capitalist system as workers and consumers. Most of us are not without choices. We choose who we work for and what products we buy and what norms will govern economic behavior. This economic power is not less real than our political power as voters, and can be exercised individually and collectively.

And within this capitalist system, rich and powerful people who overplay their hands get their comeuppance all the time, losing their jobs, their fortunes and their reputations. Sometimes they even lose elections.

Bhaskar, the question isn't whether there is inequality of wealth and power. The question is whether those lucky or talented enough to have wealth and power use it in socially beneficial ways.

**Note: Supplemental reading is available at [www.shellpoint.info/InquiringMinds](http://www.shellpoint.info/InquiringMinds)**