FRAMING THE DEBATE

Capitalism, Socialism, and Economic Democracy: Reflections on Today’s Crisis and Tomorrow’s Possibilities*

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Introduction

In December 2008, after the current economic crisis erupted, Walden Bello speculated that capitalist elites might respond with a new political project: global social democracy. By injecting into global governance a greater concern for equity and sustainability, global social democracy could avoid the evident failure of neoliberal policies. In so doing, this new political project would attempt to breathe new life into the process of capitalist globalization by managing and alleviating the sharpening of economic, social, and ecological contradictions under the neoliberal regime. Bello went on to identify some of the figures who could act as carriers of the global social democratic project, including politicians such as Gordon Brown and Barack Obama and academics such as Paul Krugman and Joseph Stiglitz.

As his conclusion made clear, Bello’s purpose in writing this article was not to embrace global social democracy but to warn that such a project was more consistent with top-down, technocratic management than with real social liberation. Bello’s warning was understandable at the time and is well worth keeping in mind today. However, more salient now is the fact that despite the monumental failure of the neoliberal model revealed by the current crisis, the policies and philosophy underlying neoliberalism continue to have the upper hand to the point that even a nod toward global social democracy is nowhere to be seen on the horizon.

This surprising turn of events stems from and illustrates the impotence of the mainstream political Left in most parts of the world today. Since Bello wrote his article, Gordon Brown and the Labor party have been unseated by a coalition of Conservatives and Liberal democrats that has imposed brutal austerity measures on the British population. Meanwhile, Barack Obama has shown greater concern for the well-being of Wall Street and the medical industrial complex than for ordinary Americans. Unwilling or unable to take more decisive measures to blunt the impact of the economic crisis on ordinary Americans, Obama finds himself presiding over double-digit

* In revising this article I have benefited from the thoughtful comments offered by Joel Kovel, Salvatore Engel-Di Mauro, and three anonymous reviewers. It goes without saying that the responsibility for any remaining weaknesses lies with me alone.


2 One part of the world in which the forces of the political Left have done relatively well in recent years has been Latin America. While the left and left of center governments in that continent are quite diverse in their ideological orientations as well as in their actual policies, it is clear that their rise to power has been a reaction to the fact that the contradictions of the neoliberal model in that part of the world both exacted a more devastating toll than in the more affluent countries of the global North and came to a head at an earlier time. It remains to be seen whether the current crisis will lead to analogous political developments in other parts of the world. The purpose of this article is to argue that even progressive reform in the near future will be hampered by a failure on the part of the political Left to reconsider its traditional treatment of state regulation as an adequate counterweight to the power of capitalist markets.
unemployment rates, which predictably have sent people's confidence in his ability to manage the economy to new lows. Another figure Bello could have named as a possible carrier of the global social democratic project because of his role as president of the Socialist International is faring even worse. After being elected Greek prime minister in the fall of 2009 on a platform that excoriated austerity as the wrong kind of policy to be adopted at a time of deep economic crisis, George Papandreou has reversed himself and, faced with a debt crisis, called in the International Monetary Fund and imposed the most brutal austerity program the country has ever seen.

While the global economy is in a tailspin, the ecological crisis has been deepening even as efforts to do something about it seem to be frustrated at every turn. After the disappointing failure of the Copenhagen conference on global warming in December 2009, several ecological catastrophes have highlighted the seriousness of the ecological crisis: the blown-out oil well in the Gulf of Mexico; an extremely hot summer in many parts of the world, including in Russia where forest fires encircled Moscow, doubling its daily death rate; and the destructive floods in Pakistan, which have submerged one-fifth of the country—an area the size of Italy—and left 6 million homeless. In short, far from seeing the rise of a global social democratic movement capable of ameliorating the economic and ecological crises befalling humanity and the planet, we are seeing an ever-stronger determination on the part of capitalist elites to continue with business as usual. In this context, the radical message of the ecosocialist project appears as the only way out of the devastation that capitalism continues to inflict on humanity and the planet alike.

This article seeks to contribute to the development of the ecosocialist project by exploring the connection between the ineffectual way that the mainstream political Left has responded to the current crisis and its lack of a compelling and coherent political project that would allow it to capitalize on the bankruptcy of the neoliberal model. The failure of the political forces of the mainstream Left to successfully use this moment to put forth a democratic alternative cannot be understood without taking into account the broader ideological struggle over the meaning of capitalism and socialism alike that the current crisis has also given rise to. The link between that struggle and the mainstream political Left’s incoherent political discourse can be seen through a critical examination of the description, even by progressives, of the massive bailouts triggered by the crisis as instances of “ersatz capitalism” or “socialism for the rich.” Such descriptions serve to legitimize the capitalist system and are facilitated by the statism of a mainstream political Left that has long abandoned anti-capitalist critique while being willing to settle for a less unregulated form of capitalism. This statism hampers the Left’s ability to draw political strength from capitalism’s doldrums and highlights the need for a redefinition of socialism in terms of economic democracy.

Thus, the goal of socialists and the Left should not be a well-regulated capitalism but a social and economic system that serves the goals and priorities of all its citizens. Economic democracy presupposes not only the abolition of capitalism and class inequalities but of any and all social inequalities, such as racial and gender inequalities, that prevent all citizens from having an equal say over the goals and priorities of the social and economic system in which they live.

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3 The Socialist International is the global umbrella organization of social democratic, socialist, and labor parties. Established in 1951, but with roots back to the early international organizations of the labor movement, the Socialist International currently counts as members 170 political parties and organizations from all continents. Greek Prime Minister George A. Papandreou, president of PASOK, the organization’s member party in Greece, has been president of the Socialist International since 2006. For more information, see: http://www.socialistinternational.org/.
Although this article primarily focuses on the economic rather than the ecological crisis besetting capitalism and ordinary people the world over, the argument developed here can also help explain why the ecological component of global social democracy is no more present in the mainstream political Left’s agenda today than is the concern for economic equity. If I am right to suggest that the incoherence of the mainstream Left’s political strategy ends up delegitimizing its appeal to the state as a counterweight to the market, this has implications not just for state policies (such as the pursuit of fiscal stimulus programs) that seek to alleviate the impact of the economic crisis on working people and the poor, but also for any state policy that seeks to address grave ecological problems, such as global warming.

Socialism and the Capitalist Crisis

The current economic crisis has placed socialists and the mainstream political Left in a paradoxical situation. On the one hand, this crisis has exposed the incompetence and corruption of capitalist economic and political elites. This has led some commentators to declare that these elites are discredited and that this development creates an opening for the Left, in general, and socialists, in particular. There is some truth in this view, illustrated by recent polls that suggest that people in the United States and around the world are becoming more skeptical of capitalism and supportive of socialism than anyone could have imagined just a few years ago. The effect of the economic crisis on the prestige of traditional political and economic elites probably also contributed to a development that nobody would have thought possible just a few years ago: the election of an African American with little prior experience in national politics to the presidency of the United States.

While Obama’s election may be seen as an indication of the beating that the prestige of capitalist economic and political elites has taken as a result of the occurrence and magnitude of the crisis, Obama’s choices as a president also demonstrate the continuing resilience of these elites. Indeed, after declaring during his campaign that the economic crisis demonstrated the bankruptcy of trickle-down economics, President Obama proceeded to appoint as his economic advisers people with a long record of support for the neoliberal policies that have increased economic inequality and set the stage for the current economic crisis.

Just as capitalist elites are proving their resilience, socialists seem to be on the defensive. Commenting on the inability of European socialists to draw strength from the current capitalist crisis, Steven Erlanger of The New York Times recently declared that “[a] specter is haunting Europe—the specter of Socialism’s slow collapse.” Meanwhile, in the United States, a concerted ideological effort is being made not only to absolve capitalism of its responsibility for the crisis but

to blame socialism for the decision of the Bush and Obama administrations to bail out Wall Street on the backs of ordinary American taxpayers.

This may seem like a surprising turn of events. How could socialism be responsible for a massive bailout, which, merely a year later, was “fuel[ling] a new era of Wall Street wealth” even as American workers were facing ever higher levels of unemployment and economic insecurity? Well, one of the most popular motifs in liberal and progressive critiques of the bailout is that it represents “socialism for the rich.”

Implicit in this characterization are definitions of socialism and capitalism alike. This characterization implicitly identifies capitalism with the free market—a dubious identification that, as David Schweickart has pointed out, is ideologically beneficial to the status quo, as “it is much easier to defend the market than to defend the other two defining institutions of capitalism[] ... wage labor [and] private ownership of the means of production.” Focusing on the market and the competition it generates foregrounds capitalism’s dynamism and the aspect of capitalist economic activity that often involves mutually beneficial exchange between the parties involved. Exclusive focus on the market also obscures the “vertical” dimension of capitalism—i.e., the structural power that the capitalist class enjoys by virtue of its control over the means of production. It also obscures


the process through which this power is capable of turning mutually beneficial exchanges between individuals into the mechanism the capitalist class continually uses to exploit the working class.\textsuperscript{13}

In fact, it is this vertical dimension of the capitalist socio-economic system that accounts for the fact that capital accumulation is just as likely to be served by government interference with the “free market” as it is by market competition. As Immanuel Wallerstein and others have pointed out, the interests of capitalists lie not in the defense of a mythical free market but in making profit. When their profit-making is served by measures that interfere with the free market, capitalists will favor and aggressively push for them.\textsuperscript{14}

This also explains why the bailouts and the Wall Street-friendly response to the crisis adopted by the Bush and Obama administrations is not, as Joseph Stiglitz thinks, “ersatz capitalism.”\textsuperscript{15} The fact that such policies “privatiz[e] gains and socializ[e] losses” only represents a betrayal of capitalism if one assumes that “true” capitalism would entail a consistent reliance on markets that would guarantee that all economic actors got their due, enjoying profits when their bets paid off and valiantly accepting the losses when their bets failed.

What this definition misses is the power implications of the fact that capitalism concentrates productive resources into the hands of a relatively small economic elite. From the point of view of this elite, what appears to Stiglitz as ersatz capitalism is in fact the ideal profit-maximizing strategy. Members of this elite who maximize profit by keeping gains to themselves and shifting losses to the general public can hardly be accused of being class traitors who have turned against the virtues of capitalism, much less of succumbing to the pernicious charms of socialism.

If the practice of privatizing gains and socializing losses is an ideal way of increasing profits and promoting capital accumulation, how can it seriously be denounced as a manifestation of ersatz capitalism? And yet this is the only conclusion one can reach if one defines capitalism purely in terms of the market. In addition to encouraging the interpretation of government intervention in the economy as socialism, such a definition represents a true ideological coup for defenders of capitalism. This is because the boom-and-bust cycles that bear witness to the contradictoriness and irrationality of capitalist development can now be reinterpreted as an alternation of (capitalist) periods of economic prosperity in which the government only minimally interferes with corporate profit-making and (socialist) periods characterized not only by greater economic intervention but also by economic crisis and high levels of unemployment and human suffering.

In this respect, the definition of capitalism in terms of the market helps to restore the conditions for continued capitalist hegemony in the same way that economic crises more often than not end up restoring the conditions of capitalist profitability and renewed capital accumulation. The immense human suffering that economic crises generate do make the capitalist system more


\textsuperscript{14} In fact, Wallerstein has gone so far as to suggest that “[t]he first and greatest service [capitalists] require [of the state] is protection against the free market. The free market is the mortal enemy of capital accumulation.” See Immanuel Wallerstein, “Ecology and Capitalist Costs of Production,” in Walter L. Goldfrank, David Goodman, and Andrew Szasz (eds.), \textit{Ecology and the World-System} (Westport, CT: Greenwood Press, 1999), p. 25.

vulnerable to radical critique and protest. The specter of economic collapse predictably creates significant popular anger, which leads governments to intervene. When they do, two things happen.

On the one hand, the economic crisis, which made intervention necessary, is characterized by both high levels of unemployment and widespread business failures. As economic activity contracts, the costs of labor and materials fall to the point that the conditions of economic profitability are eventually restored for those capitalist businesses that either with or without government help manage to survive. On the other hand, the howls of “socialism” that accompany government intervention under these circumstances help to counteract the diminished credibility of ruling-class ideologies whenever “capitalism hits the fan.”16 The justified popular anger fueled by corporate bailouts is drained of its explosive potential when it becomes defined as anger against the government’s “socialist” deviation. Instead of recognizing in such bailouts the fundamental injustice of the power relations structuring the capitalist socio-economic system, this injustice is blamed either on a mythical negation of capitalism (bailouts as socialism) or on an equally mythical betrayal of what capitalism really stands for (bailouts as ersatz capitalism). At its moment of greatest failure, true capitalism, thanks to such ideological contortions, emerges as the only force that can protect us from the cruel injustices that befall us whenever we foolishly flirt with socialism or settle for an inauthentic and adulterated form of capitalism.

It is to such an idea of “true capitalism” that Stiglitz seems to appeal when he uses the characterization “ersatz capitalism” to advance a progressive critique of the Obama administration’s bailouts of the banks. Stiglitz does offer a cogent analysis of the ways in which the Obama bailouts unburden the banks that made the bad bets only by shifting the burden to ordinary taxpayers. Moreover, Stiglitz’s critique of the Geithner plan is aimed at presenting the temporary nationalization of banks as a superior alternative.

It is at this point in his argument that Stiglitz introduces the concept of “ersatz capitalism.” Aware that the very idea of nationalization would be quickly branded by right-wing demagogues as socialism or worse, Stiglitz’s concept of “ersatz capitalism” seeks to counter the right-wing manipulation of popular anger, not by channeling this anger in an anti-capitalist direction, but by presenting a “sensible” center-left policy as the one most consistent with the principles of the capitalist system. Indeed, Stiglitz argues, the Geithner plan “is far worse than nationalization: it is ersatz capitalism, the privatizing of gains and the socializing of losses. It is a ‘partnership’ in which one partner robs the other.”

In other words, Stiglitz criticizes the Geithner plan for promoting the robbery of taxpayers by investors and banks, but he is careful to assert that such robbery is a betrayal of what capitalism stands for rather than an expression of the power relations that this system establishes. Robbery is defined as a privatization of gains and a socialization of losses, thus denying the fact that even a “pure” capitalism that did not socialize losses would still constitute robbery by exploiting workers under the guise of freely undertaken exchange between individual workers and individual capitalist employers. As far as Stiglitz is concerned, therefore, the role of the government is to serve as the guarantor of a true capitalism that continues to sanction the latter form of robbery, even as it

The current state of affairs qualifies as interested action that leads to the sad reality that Buchheit regrets, the rich opt for the latter option. In short, the reason is not because the ideologies are wrong but because the capitalist reality all around him has somehow been corrupted by social psychology—namely capitalist exploitation—creates a vast power imbalance within capitalist society by concentrating the surplus produced into the hands of a small economic elite. Because of the pressure of capitalist competition, this elite feels compelled to invest significant portions of the surplus in ways that further capital accumulation and facilitate the survival of the businesses they own or manage. Some of this surplus will be invested in productive ways, leading to innovation, technological modernization, and the growth of a society’s capital stock. Another part of the surplus is likely to be invested in unproductive ways, such as in efforts to achieve policy outcomes that may be harmful for the general public but highly profitable for the capitalist

In this respect, Stiglitz’s seemingly progressive discourse legitimizes capitalism by implying that a utopian conception of capitalism is the norm, while the sordid reality all around us is purely an aberration. Stiglitz’s implicit appeal for a truer capitalism is utopian, because the form of robbery that Stiglitz glosses over—namely capitalist exploitation—creates a vast power imbalance within capitalist society by concentrating the surplus produced into the hands of a small economic elite. Because of the pressure of capitalist competition, this elite feels compelled to invest significant portions of the surplus in ways that further capital accumulation and facilitate the survival of the businesses they own or manage. Some of this surplus will be invested in productive ways, leading to innovation, technological modernization, and the growth of a society’s capital stock. Another part of the surplus is likely to be invested in unproductive ways, such as in efforts to achieve policy outcomes that may be harmful for the general public but highly profitable for the capitalist

In this sense, Stiglitz’s denunciation of ersatz capitalism serves the same ideological function as most of the seemingly progressive uses of the term “socialism for the rich.” Paul Buchheit, “Socialism for the Rich,” provides us with a good example of how the latter term can legitimize capitalism even as it gives expression to the user’s progressive sensibilities:

Capitalism is supposed to be based on rewards for innovation and hard work. It was never meant to support bizarre extremes in income-taking that derive from clever financial dealings with other people’s money. But because of such a system, designed by and for the people with money, we’ve seen a massive redistribution of wealth from most of America to the richest 1% over the past 25 years.

This is socialism for the rich.

Notice how peculiar this statement is. Buchheit begins by affirming the ideological belief that capitalism rewards innovation and hard work. He continues by recognizing that this ideology is not borne by the capitalist reality he observes all around him. His reaction to this discrepancy between ideology and reality is not to jettison the former. Instead he complains that capitalism “was never meant” to be this way. This seems to suggest that there is some kind of intentionality behind the realities and evolution of capitalist society. This is presumably an echo of social contract theory and the hold this theory has long had on bourgeois social thought. There is an assumption here that capitalism is consistent with and subject to democracy, so that it can be expected to be what the general population would like it to be. This assumption is also an ideological one, and Buchheit finds to his chagrin that it is as contradicted by reality as the assumption with which he opens his statement. The “people with money,” Buchheit discovers, have been able to devise a system that redistributes wealth in their favor. So, by the end of his statement, Buchheit seems to have established two facts. Actually existing capitalism neither rewards hard work and innovation nor is as democratic as Buchheit supposes. The rich are able to use their wealth in a way that not only redistributes wealth in their favor but also makes a mockery of capitalist ideology. On one level Buchheit recognizes all this, but the hold this ideology still has on him is so strong that he is surprised and shocked. The reality that Buchheit finds surprising and shocking follows naturally from the fact—affirmed by capitalist ideology itself—that interactions between individuals within capitalist society are guided by self-interest. Since large inequalities are a normal outcome of capitalist competition, why wouldn’t the rich use their wealth to influence the political system in ways that are advantageous to themselves? To expect that they would not do so is to expect that they would be motivated by altruism rather than by self-interest. And yet this is not how Buchheit understands the situation. Instead of recognizing that there is nothing surprising about the situation that he laments and that it is perfectly consistent with the operating principles of the capitalist system, Buchheit reaches the unbelievable conclusion that if actually existing capitalism does not conform with the claims made by pro-capitalist ideologies, this is not because the ideologies are wrong but because the capitalist reality all around him has somehow been corrupted by social psychology. “Socialism for the rich” therefore ends up describing the fact that when confronted with the choice between altruistic action that would be consistent with the idealized and mythical capitalism in Buchheit’s imagination or self-interested action that leads to the sad reality that Buchheit regrets, the rich opt for the latter option. In short, the reason the current state of affairs qualifies as “socialism for the rich” is because the capitalists have not been acting like socialists!

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18 Bowles et. al., Understanding Capitalism, 2005.
businesses sponsoring them. In this sense, capitalist exploitation, and the profits it makes possible, provide the motivation for productive investment and the material resources to undertake it. But it equally provides the motivation for corrupting democratic political processes and the material means necessary to make such corruption prevail. In other words, it is because Stiglitz glosses over the power implications of capitalist exploitation that he can view the kind of robbery he focuses on as an aberrant phenomenon that derives from an impure form of capitalism rather than from capitalism pure and simple.

Slavoj Zizek adds another dimension to this discussion by pointing out that the fact that Wall Street bailouts socialize losses does not necessarily mean that the Left has to oppose them. Zizek’s argument builds on the fact that critiques of Wall Street bailouts have focused not just on the injustice of privatizing gains and socializing losses but also on the perverse incentives that such a pattern is likely to establish. These perverse incentives (also mentioned in Stiglitz’s critique of ersatz capitalism) include the danger of moral hazard. Bailing out companies that undertook risky investments sets a precedent and creates the expectation that other companies that fail as a result of risky investments will in the future receive the same treatment. This is especially the case with companies that are “too big to fail,” because their failure would have a devastating impact on the rest of the economy. The spread of an expectation that companies “too big to fail” will be bailed out is likely to encourage such companies to take on too much risk, thus leading to economic inefficiencies and the possibility of future economic and financial crises.

Zizek develops this argument further by suggesting that moral hazard may be “inscribed into the very structure of capitalism.” In making that assertion, Zizek joins radical scholars like Rick Wolff who have questioned the aptness of the rhetorical distinction between Main Street and Wall Street. While Wolff’s critique of this distinction centers on the fact that many Main Street businesses were complicit in the speculative practices that helped to precipitate the present crisis, Zizek’s point is that in being dependent on financing from banks and Wall Street, Main Street cannot be indifferent to the problems facing Wall Street.

The problem is that, insofar as we remain in a capitalist order, … kicking at Wall Street really will hit ordinary workers. This is why the Democrats who supported the bailout were not being inconsistent with their leftist leanings.

One could object here that many Democrats are more attached to Wall Street than to ordinary workers, that their vote may be a reflection of this attachment, and that in cases where the interests of Wall Street clashed with those of workers, the Democrats would opt to protect Wall

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Alain Badiou has also offered a critique of the related distinction, drawn by commentators of the crisis, between the “real” and the “unreal” economy. See Alain Badiou, *The Communist Hypothesis* (London and New York: Verso, 2010), p. 94.

Street rather than workers. In fact, Stiglitz’s critique of the Geithner plan shows that the fact that something had to be done about a financial system on the verge of collapse should not blind us to the fact that in addressing the crisis, Democrats have been more interested in safeguarding the interests of Wall Street than those of ordinary Americans.

This possible objection notwithstanding, Zizek’s larger point retains its validity. In referring to the centrality of moral hazard in the structure of capitalism, Zizek is alluding to the fact that within capitalist society, public welfare is crucially dependent on the ability of capital to make a profit. As Adam Przeworski points out, “[i]f capitalists do not appropriate profit, if they do not exploit, production falls, consumption decreases, and no other group can satisfy its material interests.”

One of the greatest ironies is the fact that capitalist exploitation of workers creates the appearance that what is good for capital is good for society as a whole. Because capitalist exploitation gives the capitalist class control over both the surplus produced and the way this surplus is to be invested, the state of the economy, the availability of employment, and so on, are dependent on the ability of capitalists to enjoy a healthy rate of profit. Conversely, serious economic crises that call into question the profitability and viability of large capitalist companies and important industrial sectors jeopardize economic stability for almost everybody.

As Paul Sweezy first pointed out over 60 years ago, this problem becomes intensified with the centralization of capital and the domination of whole industrial sectors by a small number of very large companies. Under 19th-century competitive capitalism, when the concentration of capital was not as high as it is today, the loss of profitability in some sectors could be resolved through the bankruptcy of numerous small companies in those sectors. However, when the unprofitable sectors, are

...the home of great monopolistic combines with ramifications throughout the economic system, failures and bankruptcies are a much more serious matter; it becomes necessary for the state to take a hand by way of loans of public funds, subsidies, and even in some cases government ownership of the no-longer profitable enterprises. In this fashion capitalist states are forced to go in for an ever greater degree of “socialism.” What is socialized is almost invariably the losses of the capitalists involved.

In other words, bailouts in times of capitalist crisis have to be recognized as the rule rather than the exception. Bailouts are intrinsic to capitalism (rather than socialist betrayals of capitalism) in two ways, both of which are connected to the fact that the economic surplus extracted from workers is received and controlled by the capitalist class and its agents. Not only do bailouts bear witness to the political influence that the capitalist class can attain by investing even a relatively small portion of the economic surplus into the political system, they also bear witness to the structural power that

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29 As Baran and Sweezy point out, in bourgeois democracy “[v]otes are the nominal source of political power, and money is the real source: the system, in other words, is democratic in form and plutocratic in content… [A]ll the political activities… which… constitute the essential characteristics of the system—indoctrinating and propagandizing the voting public, organizing and maintaining political parties, running electoral campaigns—can be carried out only by means of money, lots of money. And since…the big corporations are the source of big money, they are also the main sources of political power.” See Paul A. Baran and Paul M. Sweezy, *Monopoly Capital: An Essay on the American Economic and Social Order* (New York and London: Monthly Review Press, 1966), p. 155. For a more recent discussion of this point, see
capitalists derive from the fact that as a result of their control of the surplus, the fate of the rest of society hangs on their “animal spirits” and their confidence in the possibility of earning a handsome return on their investments.

The political impotence of social democracy, which The New York Times gloats about, is partly due to its inability—or unwillingness—to recognize these basic realities. Because of this inability, when faced with a debate over “socialist” bailouts, social democracy and the mainstream Left more often than not end up on the wrong side of an ideological struggle designed to minimize the threat that the specter of socialism continues to represent for a capitalist system that is now more vulnerable than it has been in a long time. This essay’s attention on Joseph Stiglitz’s piece on ersatz capitalism stems not just from his identification by Bello as an intellectual proponent of global social democracy but also from the fact that Stiglitz was asked by the Socialist International to chair its Commission on Global Financial Issues. The goal of this commission and of the Socialist International more generally, its President, George Papandreou, assures us, “is to guarantee that markets serve people, not vice versa.” Papandreou’s assertion is not only in line with Stiglitz’s benign conception of capitalism but also echoes the German Social Democratic Party’s patently absurd claim that “capital must serve humanity, not humanity capital.”

What social democrats and mainstream left politicians like Papandreou have long forgotten is that far from ever serving humanity, capital represents humanity’s self-alienation. This self-alienation, moreover, is mediated by the market and its role in reproducing class relations. It is the fact that class relations become reproduced through market competition that accounts for both the peculiar economic dynamism and the perennial insecurity that the normal operation of the capitalist system tends to generate. It is because of this perennial insecurity that relentless accumulation is, under capitalism, “Moses and the prophets!” It is because of this insecurity that the capitalist is compelled “to keep extending his capital, so as to preserve it, and he can only extend it by means of progressive accumulation.” Thus the mediating role that market competition plays in the process of extracting a surplus from workers and putting this surplus to use sets off an impersonal social dynamic that reduces even the capitalist to the status of “a cog” in the capitalist machine.

If this is the effect that capitalist markets have on the most privileged group within capitalist society, the absurdity of the notion that these markets can be trusted to “serve people” becomes obvious. The kind of human agency that capitalist markets encourage is most certainly not the kind that is capable of overthrowing the intensifying grip of capital over the globe. The kind of human agency that capitalist markets encourage and that the cultural and ideological apparatuses of capitalist society equate with “success” privileges individual competitiveness and marketability. Human agency is not defined within capitalist society as people’s collective ability to take control


34 Ibid., p. 739.

35 Ibid.
over their lives by breaking the alienating hold that capital has over them, but as the ability of individuals to become more serviceable to, and thus more highly rewarded by, capital.

Oblivious to, or in denial over, the full implications of the abstract logic of capital, social democrats and the mainstream Left are inevitably drawn to the use of government intervention. This political platform not only serves to “rationalize” capitalism, it also allows the mainstream Left to secure its political conditions of (an often not very successful) existence. It does so by providing the mainstream Left with a way of administering capitalism that differs from the conservative administration of capitalism just enough to cement its claim to represent a “progressive” alternative to, or a lesser evil than, its conservative rivals. In this respect, Stiglitz’s call for a temporary nationalization of the banks as an alternative to Obama’s “ersatz capitalism” forms part of the longstanding tendency of social democracy to use nationalization “to improve [capitalism] by making it more efficient, more modern, more ‘capitalist.’”

The political impotence of social democracy and the mainstream Left in the face of a deep capitalist crisis bears witness to the risks inherent in a strategy of defining one’s political identity in terms of the way one uses the state to administer and rationalize capitalism. These risks stem from the connection, mentioned above, between the centrality of bailouts to capitalism, on the one hand, and the political influence and structural power that capital derives from its control over the appropriation, investment, and distribution of the economic surplus, on the other. This connection often places social democrats and liberals in an untenable political position, as they come to be defined not by an alternative, more egalitarian, and democratic social logic that they seek to promote, but rather by a penchant for government intervention.

One of the effects of the mainstream Left’s fondness for government intervention is the consolidation of the longstanding tendency to define the opposition between the political Left and the political Right through the state-market polarity. This definition is misleading in view of the fact that “as long as control over economic resources is in the hands of a few… political authority responds largely to the booming voice of wealth.” It is also harmful to the Left precisely because, as the Wall Street bailouts illustrate, capitalist inequalities and the structural power of capital often lead to an identification of government intervention—which is equated in the public mind with socialism—with policies and policy outcomes that are manifestly unfair.

The unfairness of Wall Street bailouts is recognized both by critics of capitalism, such as Zizek, and by many of its reliable cheerleaders, such as Thomas Friedman. Both Zizek and Friedman agree, moreover, that these unfair bailouts were necessary given the parameters set by the capitalist economic system in which we live. The main difference here between Zizek and Friedman is that Zizek uses this inevitability to indict the capitalist economic system that brings it about, while Friedman affirms this inevitability as part of a rhetorical strategy aimed at convincing the general public to rein in its anger and let those who know better (i.e., the political and economic elites that helped to bring the crisis about) come up with a plan to resolve the crisis.

36 Sassoon, One Hundred Years of Socialism, 1996, p. 165.
Liberals, progressives, and social democrats tend to strike a third position in between, one that sounds as reasonable and respectable as it is incoherent. A recent government report illustrates this point. According to the report, the Federal Reserve Bank of New York under the leadership of Tim Geithner (who has since been promoted to the position of U.S. Treasury Secretary) mishandled the bailout of the insurance giant AIG by failing to use its power to ensure that at least part of the cost of the bailout would be borne by Wall Street banks. Commenting on this report, Nobel Prize-winning economist and New York Times columnist Paul Krugman inadvertently identified one of the limitations of the politically progressive position that he regularly advocates. According to Krugman, the manifest unfairness of government intervention in the case of Wall Street bailouts has discredited the method of government intervention, thus making it politically impossible to push for policies, such as job creation programs, that would alleviate the pain that ordinary Americans face as a result of the crisis. Krugman says the following in attributing the bailout programs that have produced this unfortunate outcome:

Government officials, perhaps influenced by spending too much time with bankers, forgot that if you want to govern effectively you have to retain the trust of the people. And by treating the financial industry—which got us into this mess in the first place—with kid gloves, they have squandered that trust.

Krugman’s interpretation captures part of the truth, even as it obfuscates this truth by assuming that Obama’s policies are more Wall Street-friendly than people-friendly because of an act of forgetfulness. Facile as such an assumption may be, it is also ideologically convenient insofar as it detaches the sad state of affairs facing most Americans from the logic of capital that produced it.

The logic underlying Krugman’s argument mirrors the assumptions informing the political practice of social democrats and the mainstream Left. Having accepted the desirability of the capitalist system and believing that markets and capital can serve people, social democracy and the mainstream Left can only understand the crises and human suffering that capitalism generates by blaming the very agency by which they themselves are defined in the popular imagination, namely the government. Thus, like Krugman, Papandreou also blames government for the current crisis and the bailouts it has triggered:

The failure of governments to enforce effective regulation of the corporate giants and banking elites has undermined the integrity of our democracies. No wonder taxpayers feel outraged: they’ve inherited trillions of dollars of bad debt, while bankers walk away with millions of dollars of personal wealth.

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42 Papandreou, “The Challenge of Global Governance,” 2009. In presenting the social democratic agenda as an antidote to the havoc that a generation of neoliberal policies is currently wreaking on people the world over, Papandreou conveniently forgets to mention the role that mainstream socialists have long played in the adoption and spread of these policies. European socialists, and Papandreou’s own Greek Socialist Party (PASOK), have played an integral part in the transformation of the European project into a means of restructuring European societies along neoliberal lines. Ironically, the European Union that Papandreou’s Greek Socialist Party has long supported has, with the support of the IMF, imposed on Papandreou’s newly elected government harsh contractionary economic policies that prioritize budget deficit reduction at the very moment that the economic crisis in Greece is deepening rather than bottoming out. These policies also include successive support packages to the very banks that Papandreou attacked before his election.
This places social democracy and the mainstream Left in a paradoxical position. Having accepted capitalism, they cannot ground their political identity on a rejection of that system. Thus, the only way they can establish a political raison d'être for themselves is by posing as purveyors of a “good” capitalism that is to be distinguished from the “bad” (or ersatz) capitalism of their opponents. The “good” capitalism of the mainstream Left is democratic. The bad capitalism of everybody else, by contrast, “undermine[s] the integrity of our democracies” and produces economic crises and unfair bailouts. Capitalism, in other words, is not inherently undemocratic. Capitalism is compatible with democracy provided that governments are good. And governments, it is implicitly assumed, can be “good,” because they can be strong enough to withstand pressure from capitalist interests. Unlike the Obama administration, these “good” governments do not “squander” “the trust of the people” and are able, in Krugman’s words, to govern effectively.

What makes some governments good and others bad? Good governments, Papandreou assures us, are the ones that regulate. To which Krugman adds: good governments are willing to stand up for the people rather than for big corporations and the privileged elites. These criticisms of big corporations and privileged elites on Wall Street and elsewhere account for such appeal as the mainstream Left can muster in times of capitalist crisis. At the same time, the mainstream Left’s assurance that “good” governments are possible under capitalism helps to quell mounting public anger enough to prevent a radicalization of the population that could pose a threat to the capitalist system.

An obvious problem of mainstream Left analysis is its failure to stand the test of logic. If the mainstream Left is correct and our political “democracy” is in principle capable of withstanding the pressures imposed upon it by capitalist interests, how is it even possible that we get “bad” governments? Why would people ever elect governments that are more responsive to business interests rather than those of the general population, and why would people choose to disempower themselves by supporting policies of deregulation that corrupt our democratic institutions? The mainstream Left does not have a plausible answer to this question. In assuming that it can make capitalist markets serve the people, the mainstream Left also assumes that a capitalist market economy can, in principle, be an integral, but subordinate, element within a well-functioning democratic society. Thus, in the mainstream Left’s universe, capitalist market meltdowns can only be explained as democratic dysfunctions. The people must have made a mistake in choosing “forgetful” leaders like the ones excoriated by Krugman, and these leaders are usually (but not always, as Obama’s case confirms) the mainstream Left’s conservative rivals. In this sense, if one follows this argument to its logical conclusion, even the corruption of democratic institutions by neoliberal deregulation is turned on its head from a case of democracy being corrupted by a “bad” form of capitalism to a case of capitalism being corrupted by a dysfunctional democracy. If only voters had chosen more wisely, they would not have elected politicians who, in deregulating markets, corrupted not only democratic institutions but also capitalism itself.

The political theory underlying the mainstream Left’s concept of ersatz capitalism does not, therefore, just absolve capitalism of the immense suffering it is currently imposing on people around the world. It also obfuscates reality to such an extent that the victims of capitalism’s destructive logic implicitly become transmogrified into the perpetrators of capitalism’s corruption. While Stiglitz’s indictment of ersatz capitalism may appear as a defense of the victimized taxpayers, the political theory underlying the mainstream Left’s understanding of the present crisis, in fact, suggests that
these taxpayers brought these woes upon themselves when they, in their capacity as voters, voted for deregulating politicians bent on corrupting democratic institutions and capitalism alike.

Having boxed itself into a corner by disallowing any insights critical of capitalism, the mainstream Left inevitably can only blame our current woes on “bad” government. And what is its solution to the problems generated by bad government? Even more government. Is it then a surprise that, even in the face of the meltdown of neoliberal capitalism, the political platform put forward by the mainstream Left has failed to capture the imagination of the general population?

Conservatives clearly recognize this weakness in the mainstream Left’s line of reasoning and know how to exploit it. In identifying itself with government regulation, the mainstream Left provides conservatives with a golden opportunity insofar as they are able to saddle socialism with capitalism’s shortcomings. This becomes abundantly clear in two statements by Republican Senator Jim Bunning that Zizek quotes. Taken together, these two statements add up to a rhetorical move that is much more shrewd than anything that can be found in the mainstream Left’s ideological arsenal. On the one hand, Bunning takes advantage of the complicity of political elites in the chain of events that helped to bring this crisis about. Commenting on the mainstream Left’s claim that the solution to our current predicament is more regulation, Bunning understandably questions the elevation of the Fed to the position of regulating “systemic risk”: “Giving the Fed more power is like giving the neighborhood kid who broke your window playing baseball in the street a bigger bat and thinking that will fix the problem.” Then Bunning takes a further step. He uses the complicity of the capitalist state in creating the current crisis not just to argue against regulation, but to turn the tables on the mainstream Left’s contention that government intervention is the solution to the crisis. In no uncertain terms Bunning declares:

Someone must take those losses. We can either let the people who made bad decisions bear the consequences of their actions, or we can spread the pain to others. And that is exactly what the secretary proposes to do—take Wall Street’s pain and spread it to the taxpayers….This massive bailout is not the solution; it is financial socialism, and it is un-American.

Bunning’s statement frames the question of bailouts as a question of personal responsibility and argues that individuals should be held accountable for the consequences of their actions. This stance is contrasted to the notion of redistribution that allows those culpable to shift the burden of their mistakes onto the taxpayer. Thus Bunning’s opposition to the bailouts becomes framed as the latest instantiation of the long-running battle between socialist handouts that rob the taxpayer and a virtuous conservatism that defends both the taxpayer and the principle of personal responsibility.

Those in the mainstream Left, meanwhile, unwittingly add credibility to this argument by grounding their political identity on government regulation rather than a more radical critique of capitalism. The problem is not just the above-mentioned incoherent logic and inability to explain our current predicament because of the acceptance that capitalist markets are benign forces that can be tamed by political democracy. Equally important, the refusal to advance a radical critique of capitalism inevitably becomes an inability to see that in a capitalist society, government action tends to serve the interests of capital.

43 Zizek, First as Tragedy, Then as Farce, 2009, p. 11.
44 Ibid., pp. 11-12.
By identifying itself as the party of government rather than the party of anti-capitalist opposition, the mainstream Left allows conservatives like Bunning to label Wall Street bailouts as an instance of “financial socialism.” More importantly, it squanders the opportunity for a more coherent response to the crisis that would point to the bailouts as a classic example of the ways in which the capitalist nature of the economic system in the United States and elsewhere effectively contradicts and nullifies the ostensibly democratic nature of the current political system of most of the countries implicated in the bailout game. By refusing to channel in an anti-capitalist direction the “grass-roots anger” that, as New York Times reporter Richard Stevenson points out, is “fed by government bailouts of powerful Wall Street firms,” those in the mainstream Left not only allow conservatives to identify socialism as the object of people’s anger, they also condemn themselves to an incoherent response to the crisis that not surprisingly fails to convince anyone but themselves.

Socialism as Economic Democracy

Conservatives can successfully turn the anger triggered by capitalism’s failures into an opportunity to bash socialism precisely because they recognize that the successful management of the current conjuncture crucially depends on the transformation of people’s deeply felt anger into a viable political project. “If we don’t take this anger and frustration, as legitimate as … it is, and channel it into a good, a positive, then we won’t be successful,” said Rick Santorum, a former Republican senator from Pennsylvania. Oblivious to this truth, the mainstream Left is, by contrast, in the process of turning what should have been a golden opportunity for the resurrection and reinvention of socialist politics into an ideological victory for conservative forces capable of framing the painful consequences of capitalist crisis as a failure of socialism. To prevent such an ideological catastrophe, the political Left has to be daring enough to imagine a radically different future, one that goes much further than simply relying on the state regulation of capital. Such an effort would succeed if the Left employed economic democracy as the normative principle guiding the reinvention and implementation of a radical socialist project.

The Undemocratic Nature of the Capitalist Economic System

The problem with the Wall Street bailouts that have fueled people’s anger is not that they represent a betrayal of capitalism, but rather that they are merely symptomatic of the inherently undemocratic nature of the capitalist economic system. This undemocratic nature derives both from the ability of the capitalists to use their control of the surplus to pursue their interests and from the dependence of the general welfare on the willingness of capitalists to invest the surplus productively.

45 Richard W. Stevenson, “Republicans Eye the Tiger of Populism,” The New York Times, November 21, 2009, http://cgi2.tky.3web.ne.jp/~sadah/airpaq/airpaq.cgi/http://www.nytimes.com/2009/11/22/weekinreview/22stevens on.html, retrieved on December 18, 2009. Since I began working on this article, the ability of Republicans to harness popular anger in their favor has been confirmed by the Democrats’ stunning loss of Ted Kennedy’s Senate seat, a loss that has also deprived them of their 60-vote supermajority in the Senate. As the pollster of the defeated Democratic candidate for this seat [(Massachusetts State Attorney General Martha Coakley)] pointed out, “[p]eople … didn’t vote for her because they think the Democrats in Washington are not putting up economic policies that serve Main Street and working families.” (Laurie Kellman, “Dems Cast Blame At Each Other Over Senate Campaign,” January 19, 2010, http://news.yahoo.com/s/ap/20100120/ap_on_el_se/us_massachusetts_senate_blame_game, retrieved on February 8, 2010.

This feeling has also been leading to declining confidence in President Obama’s handling of the economy and promises to increase the support for Republicans in the 2010 midterm elections.

The former feature of capitalism allows capitalists to leverage their economic power into policy outcomes that benefit themselves, while the latter feature ensures that even well-intentioned policies designed with an eye to the public good are inevitably shaped and constrained by the imperatives of capital accumulation. These imperatives are felt by capitalists, workers, and everyone else living within the capitalist world and its orbit. In this respect, capitalism unleashes an impersonal social and economic logic that promotes economic and technological dynamism precisely through its tendency to escape all human control.

Thus, capitalism is economically undemocratic because it is defined by both a class society that exploits workers and a force that gives rise to an alienating reversal, whereby all human beings find themselves enslaved by an abstract social logic that they are forced to reproduce through their daily social and economic activity. It is this alienating subordination of humanity to the abstract logic of capital accumulation that accounts for the inability of the “invisible hand” of the capitalist market to deliver the benefits promised by Adam Smith and his followers. Instead of reconciling private interest with the common good, the undemocratic nature of the capitalist economic system forces people to adjust to the logic of capital and pursue their self-interest in ways that create a social, cultural, and natural environment that is conducive neither to human happiness nor the ecological integrity of the planet.  

**Ecosocialism, Undemocratic Capitalism and the Deepening Ecological Crisis**

These two undemocratic features of capitalism correspond to two different ways in which this system is implicated in the world’s deepening ecological crisis. The first—namely its subordination of all people, including capitalists, to the imperatives of profitability and accumulation—also makes this system ecocidal. When the goals of profit and accumulation are paramount, nature becomes no less subordinated to the logic of capital than people themselves. As this logic continues to increase the physical scale of economic activity, it leads to ever-growing ecological debt in which natural ecosystems become degraded and depleted faster than they can regenerate themselves. It is in this sense that, as Joel Kovel points out, capital can be indicted as the efficient cause of the deepening ecological crisis.

Capitalism is also undemocratic by virtue of the fact that it tends to subordinate the majority of society to the dictates of capitalist elites who are as economically and politically powerful as they are numerically small. Their power enables capitalist elites to shift the environmental cost of their economic activity onto the rest of society. The process that mainstream economics usually attributes to the existence of market failures is better understood as “cost-shifting successes” of those who have the necessary political and economic clout to make others bear the cost of their

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activities. As capitalist development is increasingly globalized, this process of cost-shifting further aggravates the burdens that the economic activity of capitalist elites in the global North (and South) have long inflicted on the economically deprived majority living in the global South.

In view of capitalism’s inherently undemocratic and ecocidal nature, socialism must be redefined as a socio-economic system that allows all human beings to have an equal say over the priorities the economy is called upon to serve. In contrast to capitalism’s subordination of social and economic life to an abstract logic that escapes people’s control and subordinates them to its unyielding imperatives, “socialism as economic democracy” promises to give people the ability to become the true authors of their individual and collective lives. It does so because only an economically democratic socialism can create an economic system with goals and priorities that are the product of democratic deliberative processes rather than the blind logic of capital accumulation.

Furthermore, socialism must be defined in terms of economic democracy because ecological sustainability can only become an absolute imperative regulating people’s economic activity in an economically democratic socialist society. Such a society must replace the pursuit of quantitative economic expansion at any cost with an unfailing commitment to keep the physical scale of economic activity consistent with the ability of natural ecosystems to regenerate themselves. Thus, economic democracy is integral to the ecosocialist project. The goal of this project has to be a non-capitalist society that ensures both that the physical scale of economic activity never exceeds the ability of the planet’s eco-systems to regenerate themselves and that the priorities that this activity serves are democratically determined.

Economic Democracy and the Legacy of Soviet-style Socialism

Rethinking socialism in terms of the principle of economic democracy has the added benefit of making it easier to debunk the longstanding contrast between socialism and individual freedom. Absurd as it may seem to most socialists, this contrast owes its plausibility to the historical record of all those regimes in Europe and around the world that, until the collapse of most of them at the end of the 20th century, were collectively described as “actually existing socialism.” Many socialists—especially those who had been criticizing the socio-economic model developed by the Soviet Union long before its collapse in the 1980s and 1990s—would undoubtedly argue that designating these regimes as socialism is a terrible misnomer.

The present analysis adds to these critiques by identifying the need for economic democracy as one of the central lessons that socialists should draw from the historical experience of societies that adopted the socio-economic model of the former Soviet Union. A key function of the socio-economic system initiated by the Soviet Union was the rapid industrialization and modernization of a number of countries in the periphery of the world capitalist system. At a time when even the most industrialized capitalist countries were going through a severe depression that left millions of people unemployed and destitute and led to the rise of fascism in a number of European countries,


the Soviet Union industrialized rapidly enough to become the world’s second superpower after 30 short years of existence.

This accomplishment, however, came at a very high cost. The period of the Soviet Union’s most impressive economic performance was also the period of Stalinist crimes that murdered more socialist and communist revolutionaries than were killed by any other repressive regime in the history of the modern world. Moreover, Soviet-style industrialization had devastating effects on the natural environment—effects that eventually contributed to its demise.53

The failings of the Soviet model were intimately connected to its undemocratic organization of social and economic life. This model was undemocratic because of its lack of political pluralism as well as its failure to give ordinary workers and citizens a say over the priorities of the economic system and the use of the economic surplus.54 Rather than subordinating the economy to the democratically determined priorities of their citizens, the societies of the Soviet bloc ended up being run by a relatively small political and technocratic elite.

Economic Democracy and Prospects for the Future

The demise of the Soviet model contributed to the rise over the last few decades of both the neoliberal model and the erosion of the working-class gains during the immediate post-war period.55 Now that neoliberalism itself is in crisis, commentators and scholars such as Walden Bello have suggested that capital might seek to respond to this crisis by offering a new model of global social democracy.56 This model would seek to salvage today’s global economy in the same way that the New Deal and Keynesian policies saved national capitalist economies from the Great Depression of the 1930s.

Although such policies do not appear to be on the immediate horizon, even such a relatively modest shift will require massive popular struggles that socialists should support. Such a shift might stop the growth of economic inequalities and social injustices under neoliberalism, while also improving economic performance, increasing financial stability, and slowing down capitalism’s devastation of the natural environment. Laudable as all of these goals are, they are not sufficient. The fragility of the gains that social democracy made during capitalism’s golden age makes clear that measures aimed at ameliorating the effects of capitalism’s exploitative and ecocidal nature must be accompanied by measures that increase economic democracy and challenge the structural power of capital.

In this respect, socialists can learn from the autonomist tradition in Europe and elsewhere that has sought to undermine capitalism, not by capturing the state, but by creating alternative institutions within capitalism that function in ways that challenge the logic of capital.57 While, the

55 For a short overview of the rise of the neoliberal model, see Harvey, *A Brief History of Neoliberalism*, 2005.
57 For discussions of the autonomist tradition and recent movements it has played a part in, see George Katsiaficas, *The Subversion of Politics: European Autonomous Social Movements and the Decolonization of Everyday Life* (Edinburgh: AK Press, 2006); Marina Sitrin (ed.), *Horizontalism: Voices of Popular Power in Argentina* (Edinburgh: AK Press, 2006); and Rebecca
autonomist tradition is correct to emphasize the degree to which the capitalist state supports the division of the population between powerful political and economic elites, on the one hand, and disempowered workers and citizens, on the other, it draws the wrong conclusion when it treats the establishment of alternative institutions as a substitute for participation in struggles over the specific policies that the capitalist state adopts.

Socialists need a strategy of economic democratization that combines the best of the social democratic tradition with the insights of the autonomist tradition. The movement of recuperated businesses in Argentina provides a concrete example of how this could be done. Many of these worker-controlled and democratically run cooperatives are consistent with the autonomist emphasis on the construction of alternative institutions that challenge the deeply undemocratic logic of capital. At the same time, however, the workers in these factories have not ignored the state. They have formed a movement that has been struggling for legislative changes that create the space necessary for these alternative institutions to exist and thrive. This movement started to take off in Argentina, not out of a commitment to the principle of economic democracy, but as a practical response to the unemployment and economic devastation wrought by the country’s subjection to the dictates of neoliberal orthodoxy. As it has evolved, however, this movement has shown the ability of alternative institutions to build ordinary people’s democratic skills and appetite for self-management and economic democracy.

A strategy of economic democratization would build on the lessons of the Argentinean experience. It would pursue reforms that not only alleviate capitalism’s destructive impact but also create the space for economically democratic institutions to flourish. Such a strategy could also be informed by the promising potential of innovative practices, such as participatory and gender-responsive budgeting, which seek to democratize the state by infusing it with elements of direct democracy. In particular, such practices have shown some success in making government...

Solnit, “The Revolution Has Already Occurred,” The Nation, March 23, 2009, online at: http://www.thenation.com/article/revolution-has-already-occurred, retrieved on August 24, 2010. Some of the most valuable insights of the autonomist tradition include the importance of challenging the existence and effects of hierarchical structures in economic and political life as well as the colonization of people’s everyday life by a commercial culture shaped in accordance with the imperatives of capital accumulation.

58 My reference to the social democratic tradition does not mean that the political strategy proposed in this article is only applicable to those parts of the world, like Europe, in which this tradition has been especially strong in the past. For the purposes of my argument, the essence of this tradition is the attempt to achieve through electoral means reforms within capitalism that ameliorate the plight of the mass of the population. This attempt is not unique to people who call themselves “social democrats,” and in this sense the strategy of economic democratization proposed in this paper could embrace and draw strength from a great variety of progressive movements. Such movements for progressive reform can be found even in countries of the global South that are not necessarily known for their social democratic traditions. In fact, if there is a part of the world today where the forces for progressive reform are on the offensive rather than on the defensive, it is not Europe, where liberal democratic reforms are in decline, but Latin America.


These practices qualify as examples of economic democratization, because they increase the influence that ordinary citizens and members of underprivileged groups have over the substantial part of the economy that encompasses public investment and the social services governments provide.\footnote{The role that government plays and will continue to play in the economy also means that economic democracy presupposes political democracy just as the latter presupposes the former. Indeed, in view of the economic functions of government, economic democracy is impossible without democratically accountable governments.} Moreover, to the extent that they increase the economic literacy and cultivate the democratic skills of the general population, these practices also undermine the social division of the population into directive political and economic elites, on the one hand, and executive masses, on the other.

In this respect, participatory and gender-responsive budgeting seek to achieve within the framework of the state what worker-controlled, Democratically run cooperatives seek to achieve within the workplace. Combined, these practices can potentially give rise to a virtuous cycle of economic democratization. Indeed, the increased economic literacy and democratic and self-management skills achieved in democratically run workplaces can reinforce the democratic and self-government skills cultivated by participatory and gender-responsive budgeting, just as the cultivation of democratic skills and increased economic literacy achieved through participatory and gender-responsive budgeting can increase the effectiveness of democratically run worker-controlled cooperatives. In doing so, this virtuous cycle can undercut the ideological belief in the indispensability of political and economic elites, while increasing both the confidence of workers and ordinary citizens in their ability to take control over their own lives and their desire to exercise this ability to the fullest.\footnote{For the effect of democratically controlled cooperatives in Argentina on both workers’ self-confidence and their desire for economic democracy, see The Lavaca Collective, Sin Patron, 2007; and Magnani, The Silent Change, 2009.} This desire can never be fully satisfied within the context of capitalism. This is why the more a process of economic democratization does to cultivate this desire, the more it lays the ground for a radically different society that will finally break capital’s alienating hold over humanity.

The struggle for economic democracy is as cultural as it is economic and political, and therefore requires the abolition not just of class inequality but also of racial, gender, religious, and other forms of social oppression. To qualify as democratic, an economy must give all human beings an equal say over the goals it serves. Sexism, racism, homophobia, and so on, would prevent even a classless society from being economically democratic, since the concerns of oppressed groups would not likely be given full consideration in the deliberative process through which the goals of the economy were determined. Moreover, economic democracy requires that all individuals have an equal opportunity to develop the skills needed to effectively participate in this deliberative process. Economic democracy would therefore require massive programs designed to erase the huge gaps in
education, healthcare, and living conditions that favor dominant over subordinate groups in every part of the world.

A significant reason that economic democracy presupposes gender equality is the fact that about half of the labor done in contemporary society is done within households. Economic democracy therefore requires equality between partners in the division of domestic labor as well as in the process through which families make economic decisions. Economic democracy within the family would also promote economic democracy outside the family, since women would have the time and energy they needed to be equal participants in the deliberative democratic process through which the economic goals of society were determined. Moreover, given homophobia’s historic role in reproducing oppressive gender identities, it is clear that the struggle against homophobia and all forms of discrimination directed at LGBT people must be an integral component of the project for economic democracy.

Because of its incompatibility with racism and sexism, the project of economic democracy also requires progressive reforms in social policy, urban policy, education, and so on. Since racism, sexism, homophobia, and prejudice against other groups defined as outside the mainstream are deeply ingrained in our culture, the struggle against them must be carried out as much in the realm of culture and everyday life as in the realm of policy.

As this discussion makes clear, the struggle for economic democracy can only succeed if it is carried out on multiple fronts. What the ultimate endpoint of such a struggle will be is hard to know because economic democracy, as understood in this article, is not a detailed blueprint of what a post-capitalist socio-economic system would look like. Instead, it is meant as a normative principle that can be used to evaluate both previously proposed post-capitalist blueprints and those that will be put forth in the future.

A crucial issue is the role that markets may (or may not) play in that future. Although space constraints prevent a detailed discussion of this debate here, I have explored this debate elsewhere. Market socialists like David Schweickart have devised models that do away with the undemocratic power of the capitalist class, while making room for markets that they regard as an essential component of any viable economic system. Market abolitionists, like Robin Hahnel and Michael Albert, on the other hand, argue that markets are as destructive as private property. It is hard to know whether Hahnel and Albert’s model of a participatory economy would work. If it did, it would have the advantage of giving a greater opportunity to all people to develop their political, democratic, and organizational skills. In this respect, it would be more consistent with the ideal of economic democracy laid out in this article. One could argue that Schweickart’s model, because of its use of markets, requires a smaller leap of faith within the context of the existing social order. It may be useful in advancing the process of economic democratization by helping to recruit into the anti-capitalist movement people who might be skeptical of the marketless future espoused by Hahnel and Albert. By increasing the constituency for measures that democratize the economy, Schweickart’s model could both facilitate the democratization of existing economic institutions and increase the democratic and self-management skills of the general population. In so doing, it may

inadvertently contribute to the creation of the subjective conditions necessary for what it deems inconceivable, namely a marketless democratic economy. Such an economy would likely be better positioned than market socialism to challenge not just class inequalities but also hierarchical divisions between leaders and followers that violate the principle of economic democracy and facilitate the perpetuation of social hierarchies based on race, gender, and so on.

To get to that future, however, we have to deal with the present. Capitalism is in crisis, but so is left politics in its traditional forms. The crisis of left politics is unfortunate given the fact that capitalism’s manifest inability to meet human needs and protect the ecological integrity of the planet makes socialism more urgent than ever. The mainstream Left is unlikely to overcome its crisis unless and until it, too, starts to recognize this urgency. This urgency, moreover, is increased by the fact that capitalism’s crisis is already fueling racism and strengthening neofascist and anti-immigrant political forces. To counter these forces and build a better world, socialism must be reinvented. The vision of economic democracy can contribute to this objective, just as the strategy of economic democratization can turn the popular struggles proliferating around the world today into the means through which such a vision comes to life.

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