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European Languages

زبانهای اروپایی

FEBRUARY 23, 2018

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24.02.2018

Capitalism as Obstacle to Equality and Democracy: the US Story



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The Cold War displaced the legacies of the New Deal. Time and Trump are now displacing Cold War legacies. Where capitalism was questioned and challenged in the 1930s and into the 1940s, doing that became taboo after 1948. Yet in the wake of the 2008 crash, critical thought about capitalism resumed. In particular one argument is gaining traction: capitalism is not the means to realize economic equality and democracy, it is rather the great obstacle to their realization.

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The New Deal, forced on the FDR regime from below by a coalition of unionists (CIO) and the political left (two socialist parties and one communist party), reversed the traditional direction (to greater inequality) of income and wealth distributions in the US. They shifted toward greater equality. US history thus illustrates Thomas Piketty's argument in his 2014 Capital in the 21st Century about long-term deepening of inequality that can be punctuated by interruptions. Indeed, the New Deal reversal was such an interruption and featured just the sorts of taxation of corporations and the rich that Piketty favors now to correct/reverse capitalist inequalities.

Yet, after World War Two the resumption of capitalist accumulation undid the New Deal and has since returned modern global capitalism to new depths of inequality. What Piketty proposes now again as a remedy proved then to be merely temporary. The reversal was itself reversed. After 1945, corporations and the rich devoted their profits and their high incomes/wealth to buy even further control of the two major political parties. That extra control enabled them to undo the New Deal and to keep it undone.

US history thus exemplifies more than capitalism's tendency to deepening inequality and the use of taxation to reverse that inequality. It also teaches us how and why that reversal was unable to be more than temporary. That lesson implies skepticism about whether tax-based – or indeed, any – reversals can be more than temporary given capitalism's proven success in undoing them. Such skepticism hardens when parallel evidence emerges from other capitalist countries' likewise merely temporary reversals of basic tendencies to deepening inequalities.

The conclusion to be drawn from the US story is not that efforts to reverse deepening inequality are foredoomed to failure. It is to face the fact that mere reforms such as tax law changes are inadequate to the task. To make reforms stick – to overcome temporariness across so many histories – requires going further to basic system change. Because capitalism tends toward deepening inequality and can defeat reversals by keeping them temporary, it is capitalism that must be overcome to solve its inherent inequality problem. Capitalism presents a parallel problem in its structural contradiction to democracy. The “democracy” label that so many modern nations use to describe themselves has always been a misnomer. The political sphere was indeed, at least formally, a place where governmental decisions were made by persons accountable eventually to a one-person-one-vote election. In that precise sense, those required to live with a decision exercised the democratic right to participate in making that decision via the accountability of governmental officials.

However, the economic sphere was never organized in a parallel democratic manner. The leaders of enterprises – the owners, shareholders, and the directors they chose – made all the basic enterprise decisions. These included deciding what, how and where to produce and what to do with the net revenues (or surplus or profits) of the enterprise. The leaders were not at all accountable to the people – all the other employees – who had to live with the results of those basic enterprise decisions. The latter were excluded from participating in key economic decisions affecting and shaping their lives. In short, “democracy” has been applied to societies whose political/residential sphere was at least formally democratic but whose economic sphere was decidedly not.

The ideological rigidity of most brands of anti-statism across US history served nicely to keep the focus forever on state/public versus individual/private in thinking and acting about social change. Democracy was redefined in practical terms as the liberty of the individual/private from the intrusion of the state/public. The democratic quality of the individual/private enterprise – the central structure of the economy – was exempted from analysis or even from view in terms of its structural incompatibility with democracy. Legalistic equations of capitalist corporations with individual personhood also helped to distract attention away from the undemocratic structure of the corporation. Likewise, the US government’s commitment to a “democratic foreign policy” fostered the reproduction elsewhere of the same undemocratic economic structure that characterized the US.

The right wing of US politics has long understood and responded to social movements for equality and democracy as threats to capitalism. Its leaders built their coalitions by working to mobilize public opinion against those movements as threats to the “American way of life.” It built its ideology on the notion that democracy meant a state kept from intruding on the lives and activities of persons and enterprises rendered as equivalently “individuals.” Equality to them meant equality of opportunity, not outcomes: and then only if opportunity was strictly disconnected from the wealth, income and social position each individual was born into.

The left wing of US politics has always tried hard to sustain the notion that capitalism was not only compatible with egalitarianism and democracy. It would also be strengthened, not threatened, by moving capitalist society closer to equality and democracy. In practical terms it contested against the right wing by insisting that the mass of people – the workers in capitalist enterprises – would become disaffected from and disloyal to capitalism if it indulged its anti-egalitarian and anti-democratic tendencies. Capitalism, it argued and argues, will be strengthened not threatened by less inequality and more democracy.

Both left and right – and their expressions in the leaderships of the Republican and Democratic Parties – live in fear, conscious or otherwise, that the mass of people, the working class, will become disaffected from capitalism. “Populist” is the currently popular epithet that expresses this fear. Both parties contest for the support of the leaders of capitalism – major shareholders and the corporate boards of directors they select – by offering their alternative strategies for avoiding, controlling, or safely channeling mass disaffection with capitalism.

The GOP offers a mix of (1) repression for egalitarian and democratic (i.e., populist) social movements, (2) support and subsidy for capitalists, and (3) symbolic gestures and policies pandering to certain sectors of public opinion (fundamentalist religion, patriotism, nationalism-anti-immigration, and so on). The Democratic Party offers a mix of limited, gradualist support for movements toward less inequality and more political democracy. It offers itself as the means to bring marginalized groups into full participation in capitalism, thereby keeping them from populism. Each party leadership deplors populists and tries to associate them with the other party. Democrats especially see populism in Trump; Republicans and quite a few centrist Democrats see it especially in Bernie Sanders. Both parties rarely refer to “capitalism” per se. Both proceed as if no critique of or alternative to capitalism exists or makes any sense.

Not only the Republican Party, but also the Democratic Party support, serve and reinforce the capitalism that stands as a basic obstacle to economic equality and democracy. Because those goals are never achieved they have long served as objectives to which both Parties offer lip service. The absurd contradiction of their shared position is now giving way to the recognition that the necessity for system change is the lesson of US history. If, in place of capitalist enterprise structures, a transition occurred to worker cooperatives with democratic organizations and procedures – likely to distribute net revenues far less unequally among enterprise participants than capitalist structures did – it would have removed a key obstacle to a broader social movement toward equality and democracy.