

Socialism and Global Neoliberal Capitalism

DAVID M. KOTZ

INDICE

I. A SOCIALIST VISION.....	1
II. THE GLOBAL NEOLIBERAL ORDER.....	3
III. REFERENCES	7

1. The theory of socialism and the socialist movement in Marx’s time arose in the context of nineteenth century capitalism. Since that time capitalism has evolved, through a series of stages, of which the latest is the global neoliberal order whose construction began some twenty—five years ago. The theory and practice of socialism have also evolved since Marx wrote, as the first attempts to build socialist systems rose and then ebbed over the past century.

2. The development of socialist theory and the socialist movement in the twenty—first century must take account both of the lessons of the past century of socialist experience and the character of contemporary global neoliberal capitalism. This paper will propose a vision of socialism that draws on the lessons from past socialist experience. It also examines some features of global neoliberal capitalism. Finally, it considers the requirements for the emergence of a new, powerful socialist movement in opposition to contemporary global neoliberal capitalism, including the role of a vision of socialism in the emergence of a new socialist movement.

I. A SOCIALIST VISION

3. Marx’s vision of socialism has various dimensions, one of which is the liberation of the proletariat from exploitation through the proletariat taking power and abolishing capitalism (Marx and Engels, 1978). The early socialist movement, particularly in Europe and North America, concentrated on organizing the working class, especially at the workplace, and had significant success in building socialist organizations with a base among the working class. Other groups and classes also have played important roles in socialist movements—and in socialist revolutions—including peasants, professionals, and intellectuals. Nevertheless, the idea of the socialist revolution as the working class coming to power largely defined the early socialist vision.

4. However, the conception of what it means for the working class to rule society has been understood too narrowly. In Marxian theory the working class is defined as that class which, owning no means of production, is compelled to sell its labor—power to the capitalist class in order to survive (Marx, 1967, ch. 6). Implicit in this definition of the working class is, not just workers’ role as producers, but also their need to survive, where

survival requires individual consumption (food, clothing, housing, etc.) and social consumption (health care, education, transportation, etc.). Workers consume and live in some kind of community, which has its particular institutions such as local governments, social agencies, and various kinds of voluntary organizations.

5. Thus, workers are producers, but they are not just producers. They have multiple roles in society, as consumers and members of communities as well as producers.¹ The societies that have been constructed following socialist revolutions over the past century have had to confront the reality of the multiple roles of the working class and have, with greater or lesser success, built institutions to take account of these multiple roles. However, perhaps because the dominant idea was of the working class as producers, existing socialism did not effectively integrate the multiple needs of the working class that arise out its multiple roles.

6. Consider the experience of the Soviet system (see Kotz and Weir, 1997, ch. 2). In the mature Soviet system in the post—World War II era, the form of management of enterprises was hierarchical, based on one—person management by the enterprise director. However, workers had significant informal power at the workplace, because of full employment and the near—impossibility of firing workers. Enterprise directors had to meet their quota, and to do so the cooperation of the workers, who could not be effectively threatened with firing, was needed. The Soviet working class, as producers, had significant benefits, including job security, a relatively modest pace of work, cheap meals at work, and access to vacation resorts. However, outside of their place of work, the situation of Soviet workers was greatly inferior. As shoppers they had to accept whatever merchandise was made available, with no effective means to express their needs. As community members, they had little say over community development, the way schools were run, or the solution of environmental problems created by local enterprises.

7. A socialist vision for the twenty—first century must overcome the deficiencies in the socialism that arose from the first, twentieth—century attempts to transcend capitalism. These deficiencies are not limited to the lack of democracy in the state or the absence of worker participation in enterprises. They include a failure to fully take account of the multiple roles of the working class in society. The liberation of the proletariat must be understood to mean its liberation in all of its roles—as producers, as individual and social consumers, and as residents of communities.

8. A vision of socialism for the twenty—first century can still draw upon Marx’s original vision of a system based on social ownership of the means of production, economic planning to guide the production process, and production for use rather than for profit. However, this must be understood to mean a system in which the working class, in all of its roles, actually utilizes social property by participating in the formulation and implementation of economic plans and the determination of what “uses” production is to serve. In practical terms, this means that enterprise boards, industry associations, and local, regional, and national level planning bodies, where economic decisions are actually made,

¹ The Marxist definition of the working class also implicitly requires biological reproduction and the raising of the next generation of workers. This raises issues concerning socialism and the movement for socialism that are beyond the scope of this paper.

must be composed of representatives of the population in all of its roles, including producers, consumers, and members of the local community.²

9. While the working class may have a single, unified interest in replacing capitalism with socialism, within a socialist society the working class does not have a single, unified interest. Workers have different interests as producers from those they have as consumers or as community residents. For example, as producers they have an interest in not working excessively hard or long, while as consumers they have an interest in being able to obtain high quality consumer goods at low prices. This gives rise to a contradictory interest, in that harder work is likely to produce products that are cheaper and/or of higher quality.

Similarly, there are contradictions between workers' roles as producers and as residents of a community, where in the latter role they need air that is healthful to breathe, while as producers they would be constrained by environmental regulations.

10. Such conflicts of interests cannot be assumed away, but must be squarely faced in the core institutions of a socialist system. Contrary to the fantasies of neoclassical economics, there is no "optimum" allocation of resources that is best for all parties—even under socialism. Resource allocation decisions—that is, decisions about what to produce, how to produce it, and how to distribute it—should be made based on negotiation and compromise among the affected parties. A system of planning and directing of the processes of production, distribution, and community development by boards and bodies representing all affected groups and interests should be the core of our vision of socialism for the twenty-first century. Such bodies should be structured and operated with a view toward encouraging representatives of groups having conflicting interests not simply to battle for advantage, but to understand and take into account the needs and interests of one another in striving for decisions that respect the needs of all the groups. Such a vision of socialism would give real meaning to the Marxian idea of a system based on social property, economic planning, and production for use, in which cooperation rather than competition is the guiding principle.

II. THE GLOBAL NEOLIBERAL ORDER

11. Capitalism today has predominantly assumed the form of global neoliberalism. This form of capitalism differs in various ways from the regulated, welfare-state capitalism of the post-World War II decades.³ The main features of the global neoliberal order include the following: 1) a high degree of global economic integration including in trade, production, and finance; 2) deregulation and privatization of large transnational corporations and banks; 3) strengthened enforcement of the "rights" of large transnational corporations and banks, such as in the area of so-called "intellectual property rights"; 4) reductions in, or elimination of, state social programs that benefit the working class and other popular groups.

² See Devine (1988) for a full account of a model of democratic participatory planning.

³ Kotz (2002) discusses the reasons for this "regime change" in world capitalism starting in the late 1970s.

12. A set of international institutions administers the global neoliberal order, particularly the IMF, the World Bank, and the WTO. The US and British governments have been the main promoters and designers of the global neoliberal order. The US Government acts as the supreme enforcer of the new order, based on its overwhelming military power. While some states have been reluctant to fully adopt the neoliberal model, the US and the international economic institutions exert relentless pressure on such holdouts to conform to the requirements of this system.

13. In contrast to the earlier system of regulated, welfare—state capitalism, the current global neoliberal order has offered little in the way of benefits for the working class or other non—privileged sectors. On the contrary, ordinary people have experienced worsening conditions in practically every aspect of their lives. These include the following:

1. Growing inequality within countries, with a small minority of the rich becoming rapidly richer while middle layers barely maintain their living standard and the majority experience a decline in living standard.

2. Growing inequality between countries, with a significant number of countries experiencing gradual or rapid economic decline.

3. Increasing insecurity among workers, small farmers, and small business.

4. Increasing instability in the economic and financial system.

5. Growing penetration of commercial values in every sphere of society.

6. Increasing direct and indirect domination by transnational corporations and wealthy individuals over states.

7. Mounting threats to the environmental sustainability of the economy and human society.

8. An increasingly open policy of aggressive imperialism by the leading capitalist powers, specifically the US and Britain, with the likelihood of increasing armed conflict in the world.

14. The global neoliberal order has not just brought worsening conditions for ordinary people. It has also systematically disempowered them. Capitalism in every stage grants the major power in society to the capitalist class and its representatives. However, popular groups have historically fought for and exercised some power, though trade unions, political parties, representatives in national and local governments, and various non—governmental organizations. Neoliberalism tends to weaken and marginalize all of the institutions through which popular groups have previously had some voice, concentrating power in the giant transnational corporations and banks and the international institutions which represent them.

15. The unfavorable conditions faced by ordinary people under global neoliberal capitalism highlight the growing gap between the advanced level of technological development that has been attained and the inability of the system to satisfy individual and collective human needs. This system is remarkably difficult to promote to a general audience, which explains the typical claim that neoliberal transformation, although painful, is “necessary” or “inevitable” or “unavoidable.” What this means is that any alternative economic relations

will be destroyed by neoliberal forms on the battlefield of competition, or if necessary, be removed by military force.⁴

16. The unfavorable conditions for ordinary people, and the loss of power which they have experienced, have given rise to opposition movements throughout the world. The working class has been affected in all of its roles in society. As producers, workers have fought, through trade unions and political action, against the worsening living standard and job conditions they have faced. The working class along with other classes and groups have fought against the cutbacks in, and decreasing quality of, collectively provided services such as health care, education, and mass transportation. Peasant movements have fought against attacks on their livelihood and communities. Indigenous communities have fought against encroachments on their communities and cultures. Social reformers have fought the growing penetration of commercialism. Young people have protested against a future that seems to hold little of promise for them. Environmentally conscious people have resisted the dismantling of necessary regulations on corporate activity. Peace activists have protested the continuation of huge military budgets, war, and aggression in the world despite the end of the long Cold War confrontation.

17. At the end of the 1990s, these various movements, originating in different parts of the world, among different social groups, and around different issues, began to join together in a new global justice movement. This was not an accident. Activists in the various movements gradually realized they were facing a common enemy, namely global neoliberal capitalism. More recently an even larger movement has swept the world against the aggressive imperialist policy of the US and Britain in their determination to wage war to control the Middle East. It seems likely that this massive new antiwar movement is not just about war, or about Iraq, or about the Middle East. It appears to be drawing on several decades of growing dissatisfaction and anger at the tiny privileged elite that has been reshaping the world in ways that make the majority worse off – an elite that is deaf to the opinions of ordinary people. The US—British War against Iraq, launched by the two governments that have been the primary source of neoliberal restructuring in the world, seems to be the final straw that has driven tens of millions of people into the streets to say “enough” and “another world must be possible.”

—¿*Socialism or the Reform or Capitalism?*

18. We seem to be at the start of a new period of major struggle against capitalism, after a long time of relative quiescence and relatively unimpeded action by those constructing the global neoliberal order. Will the new movement now in formation turn out to be a force for another wave of major reform in capitalism, or rather might it lead to the replacement of capitalism by socialism? Advocates of both aims are present in the leadership of this new movement, although the masses of participants are, at this time, undoubtedly largely of reformist inclination. Is it possible that this movement will turn into a force for radical transformation of the world?

⁴ The victory of neoliberal forms via competition can be assured only if the rules of international economic relations are based on neoliberal precepts as enforced by the WTO, IMF, and World Bank. The trade and investment rules enforced by the international institutions tend to prevent the successful operation of any alternative economic model.

19. The above analysis of a vision of socialism and of the contemporary stage of neoliberal capitalism suggest three preconditions for the development of a powerful socialist movement in the current conditions. First, the various movements against the particular ills inflicted by global neoliberal capitalism would have to be transformed into battles over the power to determine how economic resources are used. This would represent a direct challenge to the disempowering of popular groups by neoliberal restructuring. The various particular opposition movements can be thought of as representing, in embryo, the democratic participatory socialism of the future, in which popular groups will make economic decisions. Socialists within these movements should struggle for the principle of the right of popular groups to make the economic decisions that affect them. In this way, socialism can be made real to the participants in those movements, although socialism cannot finally and fully be installed without making a radical break with current property relations and the current allocation of political power.

20. Second, there is a need for mass education about the ways in which capitalism lies at the root of the problems afflicting ordinary people around the world. That is, the anti—capitalist consciousness that has already developed in many social movements would have to spread to a much wider audience. For example, it can be pointed out that the aggressive war launched by the US and British Governments against Iraq is not just the result of a cowboy US president from Texas. This war has deeper sources in the tendency of powerful capitalist states to assert control over as much of the world as possible, in order to gain control over raw materials, as well as to assure markets for exports and obtain cheap labor.

21. Third, the belief that nothing beyond capitalism is possible can be countered by projecting a vision of a workable socialism, based on popular democratic participation in the economic as well as the political institutions of society. The socialist movement can be rebuilt, and socialism can become a real possibility again, only when millions of people become convinced, not only that capitalism does not meet their needs, but that a qualitatively superior alternative system is possible.

22. Most people will not easily pass beyond the fight for social reform to adopt a position in favor of the radical step of replacing capitalism entirely. After all, a fundamental social transformation inevitably entails high costs and many sacrifices. Masses of people will consider such change only if they become convinced that the existing system cannot be reformed so as to make it tolerable. There is no way to be certain that capitalism, if confronted with a powerful and growing socialist movement, will not switch over to a more benign, regulated form once again. However, it appears to be a feature of global neoliberal capitalism that it doggedly resists any effort to soften or modify its hard edges. The tenacity and determination of the current rulers of world capitalism in their effort to impose the inhuman global neoliberal form of capitalism on the world may turn out to be their undoing. If the resistance to reform on the part of global neoliberal capitalism persists, Karl Marx's vision of a socialist future for humankind may again be placed on the world's political agenda.

III. REFERENCES

- Devine, Pat. 1988. *Democracy and Economic Planning*. Boulder, CO: Westview Press.
- Kotz, David M. 2002. Globalization and Neoliberalism, in *Rethinking Marxism* 14:2, 64—79.
- Kotz, David M., with Fred Weir. 1997. *Revolution from Above: The Demise of the Soviet System*. London and New York: Routledge.
- Marx, Karl. 1967 (1867). *Capital: A Critique of Political Economy*, volume I. New York: International Publishers.
- Marx, Karl, and Friedrich Engels. 1978 (1848). *Manifesto of the Communist Party*. In Robert C. Tucker (ed.), *The Marx—Engels Reader*, 2nd Edition. New York: W. W. Norton, 469—500.