

# Notes on Crisis and Social Change

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## Abstract

Capitalist crisis is neither more nor less favorable than other periods of capital accumulation for the promotion of fundamental social change. Left-wing critics of capitalism owe their readers an account of what alternatives to capitalism they advocate. The twentieth-century alternatives of communists and socialists which envision a political bureaucracy running economic enterprises is no longer politically convincing. Alternatives can be analyzed in terms of the bottom-up, top-down language of complex systems theory. Alternatives will have to transcend the growth paradigm shared by left and right in the twentieth century.

## 1 Capitalist Crisis and (R)evolutionary Social Change

Moments of capitalist crisis greatly excite left critics of capitalism, but it is not clear to me why this should be so. From a historical point of

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view periods of crisis are as frequently periods of regress for left-wing concerns as of progress. For example, we now generally agree that the period of the nineteen-seventies was a major crisis of capitalism in the advanced capitalist countries, in which declining profitability of the type Marx analyzed played a major role. The outcome was a great strengthening and extension of capitalist social relations on a world scale in the form of neo-liberal trade and investment policies, the reversal of import-substitution development policy in large parts of the world, the financialization of global capitalism, and a predictable consequent sharp increase in income inequality in favor of the ruling classes all over the world. Conversely, some periods of advance for left-wing critical ideas are periods of capitalist economic boom, such as the 1960s in the U.S., where conditions of extreme prosperity triggered a crisis in the ideological reproduction of the U.S. ruling classes which had profound and at least in part progressive consequences for U.S. imperialism, race relations, environmental policy, and intellectual discourse.

The problem is that the same pressures, low output, falling profitability, high unemployment, that might encourage left-wing political movements in periods of economic crisis can also strengthen right-wing and centrist attempts to change the system. This reminds us that change is going on all the time, in accordance with Marx's observation that people make their own history. The capitalist society that undergoes an economic crisis is not that much different from the capitalist society that went through the bubble and boom leading up to crisis. The political, social, and economic divisions that reflect the contradictions of capitalist life may appear in new forms in crisis circumstances, but they are the same divisions that were there anyway.

The U.S. left tends to have a somewhat sentimental view of the crisis of the Great Depression as a period of considerable advance for some left-wing goals. It is important to remember that the New Deal (and its aftermath after the Second World War) was understood by its political architects to be a way of saving capitalism from itself, not an attempt (whatever panic it may have caused in the breast of Frederick Hayek) to collectivize or socialize U.S. or European society. The coalition of progressive capitalists and radical labor union leadership that pushed through the major New Deal reforms had been building its political strength and program for many years before the Depression (at least beginning in the Progressive era). There was no magic in the Depression itself to move U.S. politics somehow automatically

to the left. Franklin Roosevelt's legacy was as much U.S. hegemony in the post-colonial world as it was a capitalism with a more human face.

These observations suggest to me that what the left gets out of a crisis is mostly determined by the left brings into the crisis in terms of analysis, concrete political goals, and a vision for a transformed future.

## 2 Talking about capitalism

The word "capitalism" plays a treacherous role in the political rhetoric of the left. When I was a teen-ager, in the nineteen-fifties, the word "capitalism" was firmly associated with Stalinist propaganda, and anyone who used it would rouse suspicions of Communist sympathies. Curiously the Ayn Rands, Bill Buckleys, Hayeks, and Milton Friedmans of the right rehabilitated "capitalism" and even "imperialism" as rallying cries for their visions of a revived and extreme liberal political economic program.

In ordinary political discourse, criticizing "capitalism" implies that you are advocating some alternative. For much of the twentieth century these implicit alternatives were fairly clear, although subject to savage controversy, on the left. Basically leftists believed in using the political mechanisms of the State to move toward a system of social production controlled by a political bureaucracy. The controversies on the left centered more on the methods by which political control might be achieved and exercised. Communists of various types advocated revolutionary methods of taking political power and tolerated highly non-democratic methods of exercising it, on the grounds that the economic advantages of ending private ownership and control of production justified extremely opportunistic and brutal means. Socialists of various types advocated the gradual pursuit of much the same economic goals, but within the usual limits of bourgeois democracy, including seeking power through elections, compromising and maneuvering in legislative procedures to keep and exercise it, and being willing to surrender power in the face of unfavorable electoral outcomes.

The historical outcomes of the Soviet experiment and western European reformist socialism have (or should have) called the economic content of this type of communist and socialist alternative to capital-

ism into grave question. I don't believe that the Soviet Union collapsed primarily because of the unworkability of its mixed central-planning and informal market economic system, though the contradictions of that system were the major stress that its political institutions could not accommodate. There does seem to be a lot evidence that what mainstream economics calls "agency problems" (in old-fashioned socialist debates these issues were referred to as the problem of "moral and material incentives") were a chronic unsolved issue for the Soviet system. Given its less than stellar record in protecting the environment and the ephemeral character of the impact of its productive investment on long-run living standards, there is little likelihood that the establishment of Soviet-style central planning system will become a popular political issue. The Chinese Communists, in their pragmatic concern to adapt their undemocratic political system enough to survive in power, have retreated to a version of the New Economic Policy the Soviets experimented with and abandoned in the nineteen-twenties. Whether the Chinese Communists are still even trying to get to socialism behind the "peasant's nag" (their version of the NEP appears to achieve a lot higher rate of growth of production than the peasant's nag) is hard to decide. In any case, for leftists in advanced capitalist countries, the Chinese system hardly appears to be an alternative to capitalism at all. The "privatization" that reversed some of the European socialist attempts to control the strategic peaks of their economies through "nationalization" is surely as much motivated by ideological opportunism as by social cost-benefit analysis. But no one seems to have much enthusiasm for a return to a program of nationalization as an alternative to capitalism in any fundamental sense. For one thing we now have observed that the main effects of nationalization compared to privatization are to stabilize employment as a perk for the politically organized working class, to dissipate potential profits as political patronage, and to slow down labor productivity improvements. While the record of nationalized enterprises in fostering certain kinds of technical change is not so dismal, nationalization seems to be a less than fundamental alternative to capitalism.

Thus a major crisis for the left is its current lack of a compelling vision of alternative institutions to organize economic production and distribution. The left has some excellent values, which do have broad political appeal. But without a more developed, even if tentative and not completely consistent, vision of an economic alternative, left-wing energy tends to slide into reformism. A left-wing economic or

financial program that aims to run capitalism better than neo-liberal financial hegemony by reining in the excesses of financial speculation and encouraging a more equal distribution of income can lead to little more than a sentimental return to an imagined “Golden Age” of post-Second World War capitalism.

### 3 Top down and bottom up

The metaphors through which we conceptualize economic reality are closely bound up with the way we imagine social change. It is no accident that neo-liberal economic and financial policy invokes the picture of an automatically equilibrating market system to justify its own version of social change and institution shaping. The good old-fashioned socialism and communism of the twentieth century was bound up with a picture of society and economy as an integrated machine-like structure analogous to a consciously controlled industrial process.

Now more people tend to think of the economy as a “complex system”, or more formally a “complex, adaptive, self-organizing system far from equilibrium” in the jargon of the field. I myself think this vision is actually closer to the thinking of the classical political economists and Marx than neoclassical general equilibrium or intertemporal optimization based on control theory. One basic distinction that comes up again and again in discussions of complex systems is the dialectical interaction of “bottom-up” and “top-down” processes of system change and evolution. Bottom-up change arises from the spontaneous and decentralized adaptation of the components of a complex system to new local circumstances. Top-down change is initiated by some central point of control which can enforce a diffusion of changed behavior through a complex system.

When we look at real historical episodes of social change, they generally exhibit some mixture of top-down and bottom-up components. The emergence of capitalism from feudalism in Europe had both a bottom-up dynamic in the growth of local bourgeois institutions and practices, and a top-down dynamic in the shaping of a world-system by voyages of exploration and monopolies of trade. Was the French revolution top-down or bottom-up? The Russian revolution? The Chinese revolution? The internet is the product of centralized innovation and subsidy, but equally an evidently powerful enabler of bottom-up political and social change.

If we accept the view that capitalism is a set of mutually reinforcing institutions and practices that spontaneously reproduces itself but in a context of centrally maintained institutions, as I believe Marx did, then the problem of imagining an alternative to capitalism involves both top-down and bottom-up changes. In this effort there are limits to the usefulness of old conceptual categories like “plan” and “market”, or “ownership of the means of production” or even macroeconomic statistical categories like income or wealth distributions. Marx, for example, makes the very persuasive point (an implication of his own “historical materialism”) that social distribution is ultimately a reflection of the social relations through which production is organized. This is why he was dissatisfied with the notion that socialist goals could be achieved by tinkering with monetary forms such as the imposition of a labor-certificate money scheme, without parallel fundamental changes in the social organization of production.

We live in a social world that increasingly depends on a highly elaborated social and detail division of labor. This global production system is the outcome of, and largely regulated and structured by, the commodity and money forms Marx diagnosed as containing in themselves the seeds of what he called the contradictions of capitalism. It is inevitable that our first ideas of social change and alternatives to capitalism involve primarily rearranging the outcome of the commodity system (though the Laws of Commodity Exchange prove much more resilient and unbending in practice than they sometimes appear in theories of social change). Where then are the critical vulnerable points of global capitalism? Do we need to think of possible alternatives to wage-labor, for example, as the primary form of social labor? What would these alternatives look like? Do we need to imagine different methods by which innovators can mobilize resources than the current system of credit and debt contracts? Do we want to move toward a system that shares with global capitalism a spontaneous, bottom-up social dynamic, but militates against the concentration of wealth and income capitalism entails?

## 4 Growth and all that

The context of social change in the twenty-first century is going to be very different from that of the twentieth century in at least one pervasive and crucial respect. In its awe at the advances in the powers of

social productivity achieved by the nineteenth century, the twentieth century became fixated on a “growth paradigm” as the framework for thinking about social change. The Cold War confrontation (stage-managed theatre that largely appears to have been) was often presented as a “contest” between the socialist and capitalist systems over economic growth. (We know how that came out.)

But there are converging reasons to expect that the growth paradigm has reached the end of its useful life. World population will stabilize in the next few decades, and may start to decline, if fertility trends associated with the demographic transition remain unchanged. While there is in theory a lot of fossil fuel energy left to burn, we can see the need to unhook the world economy from dependence on the cheap boost it has provided. We also know that it might not be possible to burn the fossil fuel reserves without bad things happening to the global environment. Neoclassical growth theory fantasizes growth paths in which an abstractly conceived “productivity” continues to rise without limit, despite the unquestioned finiteness of planetary resources. As Herman Daly remarks, this is like claiming that it is possible to bake cakes with asymptotically no flour as long as the chef can move around the kitchen faster and faster.

The growth paradigm is deeply rooted in thinking both on the left and right about the future of human society. We reflexively phrase our ideas about response to the current economic and financial crisis in terms of economic growth. The right rationalizes globalization in terms of an imaginary future in which growth has solved problems of inequality and poverty in the world, despite abundant historical evidence that capitalist economic growth does no such thing. The left is committed to the idea of economic growth more oriented to the meeting of human needs, but rarely confronts the hard questions posed by thinking of a world without growth in material production. As we turn our minds to a critical re-thinking of our collective future, the growth paradigm is more of a hindrance than a help.

## 5 Ends and means

I do not believe that there is any usable distinction between ends and means. The means, that is, the behavior and practice we adopt, are dialectically inextricably intertwined with whatever ends we might imagine we are seeking. If we want to preserve the positive aspects

of bourgeois democracy (which, as we know is a lot better at being bourgeois than it is at being democratic), such as human rights, the rule of law, and formal political equality, we have to pursue whatever economic goals we have in ways that are consistent with those values.

If we look at the history of social change in the twentieth century, diffuse, incremental, bottom-up processes have shaped our current world as much as dramatic, forceful, top-down interventions. The European Union, for instance, (even recognizing that it shares some features with both Frankenstein's monster and The Blob) is as real and structuring feature of our world as is Chinese Communism or the American Imperial War. The global environmental movement, largely a bottom-up phenomenon, is as likely to shape the world economy as the oligopolies of multi-national capital.

I would, perhaps oxymoronically, call for a Quiet Revolution, based on skepticism and the critical sifting of knowledge, a revolution that has confidence in what it is talking about and what it is doing, and restlessly re-evaluates its goals and methods. This might even be a revolution driven more by dogged persistence than flaming enthusiasm.