

Reforming and Replacing Capitalism

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For the Center for Political Education

1

Agenda: August 13th, 2007

Introduction and Guidelines

Goals of today's class

- Part 1: After the Election
 - Preamble: Marxism and the State
 - Taxation and spending
 - US vs Sweden
- Part 2: After the Revolution
 - Participatory Economics
 - Solidarity Economics
 - Market Socialism

2

Guidelines for Participation

- Step Up, Step Back
- Don't interrupt, please raise your hands
- W.A.I.T. (Why Am I Talking???)--thanks to S.O.U.L. for this
- Feel free to ask questions during appropriate times, but please consider whether a question is tangential and can be brought up at a different time or after the class
- Remember our shared interests
- Respect the facilitators, respect the presenter and the other participants
- Speak for yourself!
- Turn technology to off or to vibrate

3

Goals for Today

- Give a sense of what the economic options could be.
 - Some desirable changes within existing capitalism.
 - Some ways of organizing the post-capitalist economy

4

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5

2 minutes on Marxist Theories of the State

- Marx never started Volume 5 of Capital, on the state and public finance.
- Instead: “The state is the executive committee of the ruling class”
- Two variants on Marxian theories:
 - The people in the government are of the same class as the economic elite.
 - The government is constrained by the threat of capital flight(or military coup) exercised by the capitalist class.
- Some contemporary Marxists: Classes fight over government policy, and thus the working class can extract concessions from the state.

6

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7

Taxation

- Yawn! Taxes are boring and lame.
- But, without smashing the state and expropriating the means of production, likely to be the best way of taking stuff away from the capitalist class.
- Team A economists **despise** taxes.

8

Different kinds of taxes

- Progressive Income tax-universal.
- Capital gains tax-taxes on income from to accumulation (e.g. stock market).
- Inheritance tax-taxes on your estate (bequest, property, money, assets, etc.) when you die. Will be 0 by 2010
- Corporate Income tax-tax on corporate revenue

9

Why tax in the first place?

- Capitalism does need the state, and those bureaucrats have to be paid.
- Behind every tax, though, there is an idea of equity and justice. Is this income fairly earned?

10

Some tax lingo:

- Tax Bracket or Marginal tax rate-the tax you pay on the "last dollar earned".
- A progressive tax system is one where the marginal tax rate increases with income.
 - E.g. 10% if you're under 50000, 20% if you're over 50000
- Flat-tax or proportional tax is one with the same marginal rate for everyone: e.g. 10%

11

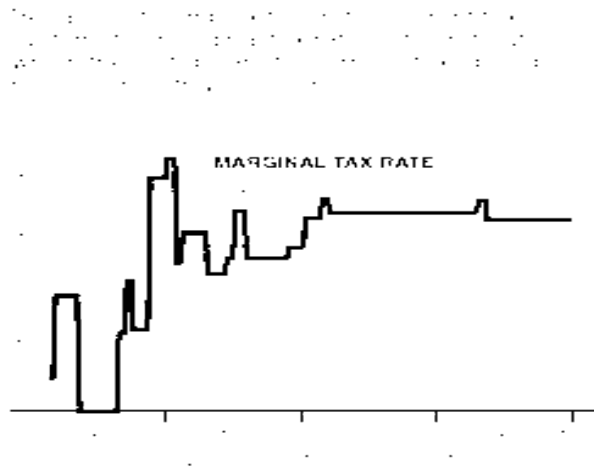
Example: Progressive vs Flat Tax

You earn	You pay under progressive tax(10%, 20%)	You pay under 10% Flat tax
10000	100\$	100\$
100000	20000\$	10000\$

12

The Marginal Tax Rate in the US

Is This Logical?



13

What Team A economists say

- Taxes should not alter the decisions for “important” things like investment and work.
- Economists want people to save and invest and “talented” people to work hard and go to school.
- Therefore, any tax which lowers the incentives to do so is BAD.

14

Neoclassical View: The “efficient” tax?

- Economists in particular don’t want to tax capital
- 1)Capital is really mobile and fungible:easy to move and hide.
 - This means that taxes on capital will lead to a large exodus of money leaving investments.
- 2)Because investment persists into the future.
 - So taxing capital is bad for all future generations.
- Better to tax wages and consumption.

15

What kinds of taxes do economists like?

- Flat sales taxes-don’t tax savings
- Low capital gains taxes-don’t tax investment or the stock market
- Low inheritance taxes-don’t tax the bequest motive for savings.
- All of these things mean
 - a) less revenue for the state
 - b) more money for the rich

16

Right-Wing Nut Tax Economics

- Supply-side theory(pioneered by Arthur Laffer, Reagan econ adviser)
- Says that you can increase government revenue by decreasing taxes.
- Lowering taxes will trigger so much more investment and economic growth that the government will reap a windfall in tax revenue.
- E.g. cutting taxes from 5% to 1% will increase income from 100 dollars to 1000 dollars, so tax revenue is 100 dollars instead of 5 dollars.
- Some Team A economists believe in a moderate version of this, but even they aren't many.

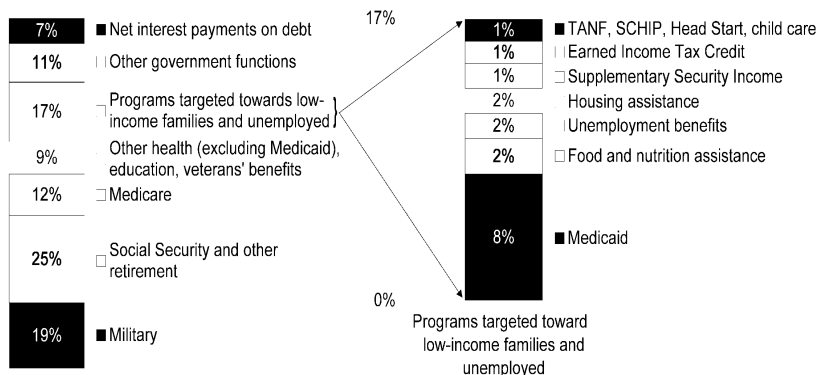
17

Criticisms:

- The stock market isn't that much about investment anyway.
- Inheritance taxes apply to only .7 % of the population
- The most basic criticism: we should care about equality for its own sake!
- Capitalists shouldn't own the means of production anyway!
- Others?

18

Won't the US just turn taxes into bombs?



Quite possibly. But the US government spends a bit more on medicare, SS, and transfers to poor people. Where additional income goes probably depends on political priorities.

19

What could a left-controlled government spend tax revenue on?

- Cash for people who need it.
- Reparations
- Fabulous Free Healthcare
- Environmental cleanup and regulation
- Public employment and housing
- Schools, parks and public transit.
- No more bridge collapses and faulty levees.
- Global transfers:vaccines, green technologies, etc.
- The point: the state can't do any of these things without lots of tax revenue.

20

Aiming Higher? The Basic Income Grant

- Basic Income Grants
- Unconditional minimum income guaranteed to every person.
- A) politically stable. No one will vote to remove it.
- B) good deal for workers
 - I) Reduces dependence on labor market
 - II) Employers have to make jobs better to attract workers.
- But is it the best deal? Why not invest that cash in things like parks and public transit and art museums?
- Politically feasible in the near future.

21

Politics and the Budget

- Taxes and spending can be changed by politics.
- A hard thing is getting programs that are politically stable.
- Universal vs Targeted transfers.
- E.g. New Deal vs War on Poverty (1930s programs vs. 1960s programs)

22

Small Group Discussion: Demands and Reforms

- Discuss the pros and cons of taxation
- Do we actually want/believe in tax reform?
- What do we believe is the role for taxes given the current political conditions?

23

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24

Sweden: Capitalism, Leashed

- Social democracy is a “mixed economy”.
 - partially free market
 - partially controlled by the state
- Probably is at the outer limits on reformable capitalism (in other words, the kindest, gentlest capitalism)
- Lets look at it in detail.

25

What is Social Democracy?

- Nordic/Scandinavian countries best example
- Have markets, private property, and capitalism.
- High-taxes, generous welfare states, little poverty, high income.

	Income per working age Population (\$ in purchasing power)	Unemployment Rate	Budget balance as % of GDP	Poverty Rate	R&D Spending as % of GDP
English-Speaking Countries	43,500	5.2	0.2	12.6	1.8
Nordic Countries	53,700	6.3	4.2	5.6	3.0

Data are averages across countries, with underlying from the Organization for Economic Cooperation

26

WWSD

- Permanent welfare and 2 years of unemployment (at 80-90% of wages)
- 14 months Parental leave. Dad must take 2 or its lost. Push to make it 50-50
- Free funding for social groups. Even Dungeons and Dragons groups!
- Universal health coverage. A ~10 dollar copay for everything
- Pharmacy is a government monopoly, thus cheap drug prices
- A union only needs one worker to be recognized (meaning almost everyone is unionized)

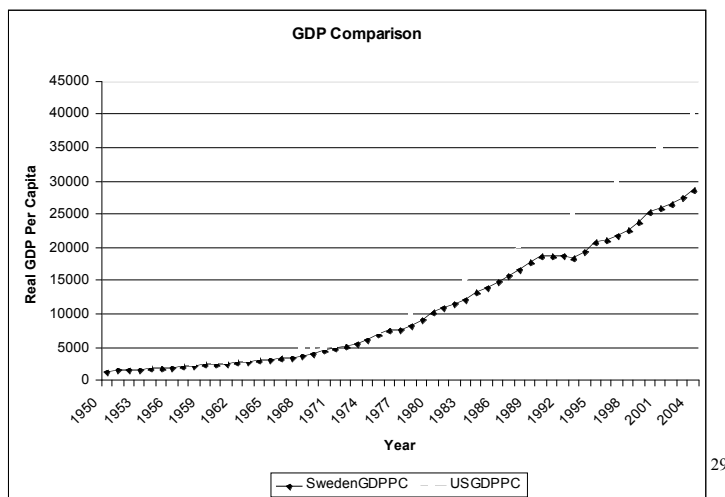
27

Taxing Capital

	US	Sweden
Capital Gains / Dividends	20% (before 2003) : now 15%	30%
Corporate Tax	35%	28%

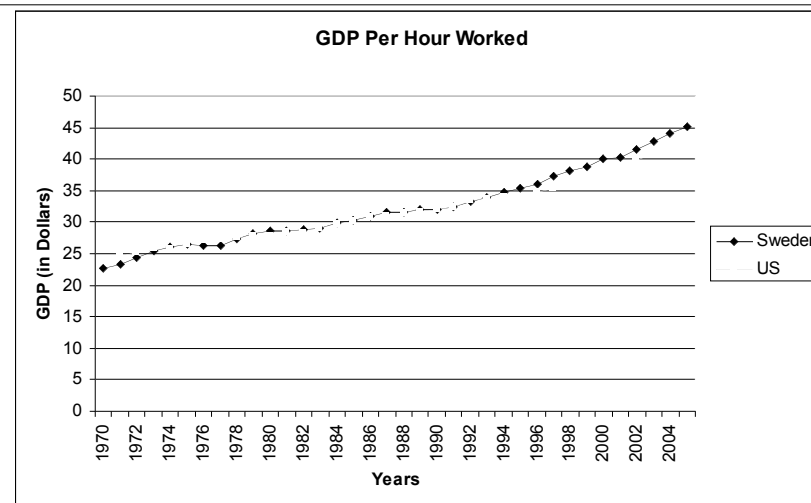
28

Is Sweden poorer than the US?



29

Not if you measure it right.



Sweden almost socialist?

- Sweden is probably as good for the working class as it gets under capitalism.
- 1976 Meidner plan came really close to using union pension funds to buy out the means of production.
- Most ambitious of the “pension fund capitalism” ideas.
- Encountered huge political opposition from capitalists
- Eventually a really watered down version was passed, and then even that was scrapped by 1992.

31

Political Underpinnings of Social Democracy

- Really strong labor movement backs a really strong left-wing party.
- Small and historically homogeneous (ethnically and otherwise)
- Political institutions different (proportional representation)
- Cultural: the word “solidarity” exists in mainstream Swedish political discourse.

32

Social Democracy in the World

- A) How has Sweden responded to global trade and immigration?
 - Sweden's trade unions tie everyone's wage to wages in the export sector, so everyone benefits from trade.
 - Analogy in the US would be everyone's wages tied to software and finance
 - Lots of immigration to Sweden, as much as in the US. Somalia, Iran, Iraq big source countries.
 - Ethnic tensions and racism. Some Swedes worry about the welfare state being able to handle an influx of dark folk.

33

Imperialism and Social Democracy

- Does Sweden benefit from Imperialism?
- Absolutely! But its an exporter, not an importer.
- Two questions:
- A) Would Sweden be poorer and less equal if there weren't imperialism? How much?
- B) Social Democracy means Swedish capitalist class maybe not so interested in empire.
 - Bigger point: taxing capitalist profit might reduce the gains from imperialism and environmental havoc.
 - Or it might increase the incentives to exploit abroad.

34

Small group discussion: So what does this mean for the US?

- Will the political conditions for social democracy ever exist in the US?
- What about globally?
- Is Sweden a goal or a distraction from the real business of overthrowing capitalism?
- Who the hell cares about Sweden anyway?
- Is it enough?

35

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36

Part Two: The Day After We Win

- Ok, so we've won, the mercenaries of the imperialist patriarchal order have surrendered. Now what?
- The Red Monday Efficient Allocation Blues

37

Why have a blueprint?

- A lot of socialist disasters happened after previous revolutions without blueprints
 - Lenin inspired by German WWI quartermaster Ludendorff's war planning.
- But could argue that new institutions are never blueprinted, they evolve out of post-revolutionary conditions
- Blueprints serve a valuable ideological and movement-building function, even if they aren't the actual plan.

38

2 minutes on Central Planning

- This was the model for the Left for most of the 20th century.
- Soviet central planning
 - A) Economic planners issuing quotas to firm managers.
 - Lots of memos!
 - B) Still delivered one of the biggest growth miracles in history.
 - Lots of steel factories!
 - C) When a repressive government runs the economy, the secret police serve an economic function.
 - Lots of gulags!

A huge interesting literature on it.

39

Some Alternatives Currently Popular on The Left

- Participatory Economics
- Solidarity Economy
- Market Socialism
- Postscript: Real Utopias Project

40

What are the criteria for economic alternatives?

- Do we want it? Is this a world consonant with our values?
- Would it actually work? Would this system be politically and socially stable and deliver a good world?
- Is it achievable? Not necessarily anytime soon, but can we imagine political circumstances and a trajectory where this can happen?

41

What is Participatory Economics?

- Developed largely by Robin Hahnel and Michael Albert
- Four core ingredients:
 - Reward people according to effort, not output.
 - Balanced job complexes
 - Democratic workplace and consumer councils
 - Participatory planning

42

A new kind of meritocracy?: Paying for Effort

- The idea: socialism is about making sure that people that work/sacrifice a lot get rewarded with consumption.
- Subject to taking care of the needs of people who can't work.
- Determined by workplace peers.
- Don't reward scarce talents or abilities.

43

What's behind Balanced Job Complexes?

- Idea: some work is empowering and some work isn't.
- Need to balance those tasks across people.
- Brilliant composers need to also do some of the drudge work.

44

Worker and Consumer Councils

- Old idea in libertarian socialism
- Workplaces are governed by the workers
- Neighborhoods also have consumer councils
- Decisions that impact more people than just your council get referred up to a higher level council.

45

Participatory Planning

- Most innovative part of PE
- The idea: replicate the market with more information and with democratic decision making

46

How does it work?

- Every year start with some set of prices for all the things in the economy.
- In real life start with last year's prices
- Have all the consumer councils make proposals for their consumption based on the initial prices
- Have all the producer councils make proposals for their production based on the same prices
- Proposed production will probably not equal demand.
- Update the prices until the process equates supply and demand.

47

Questions/Criticisms of Parecon.

- Note: Albert and Hahnel have fleshed this out extensively, so people should definitely check out their books.

48

Solidarity Economy

- This is more a vague idea, purposefully so.
- The idea is that there are lots of non-capitalist and counter-capitalist economic activities already happening.
- This movement wants to celebrate and expand the ones already happening and experiment with new ones.
- Very popular in Latin America.
 - Governments are even backing it.
 - Also popular in Quebec

49

What are some examples?

- Worker owned cooperatives
- Local currencies and credit
- Barter networks
- Community-shared agriculture
- Volunteer work
- Lots of other things!
- Important to get targeted government subsidies/tax breaks for these things to make them viable and scale up.

50

The Postmodern Anti-capitalist

- Idea due to JK Gibson-Graham
- Gender analysis of economic metaphors.
- Trying to “Queer” capitalism. (Their term)
- Instead of a big dominating male machine metaphor put forward by both Marxists and the Right, trying to rethink capitalism as already mixed with socialist elements that are repressed.
- resisting capitalo-centric thinking
- Capitalism has a socialism in the closet.
- The trick is to get it to out itself!
- Involves both changing the lens through which we think about the economy, as well as the economy.
- What do you think?

51

Market Socialism

- Old idea: started in 1930s Oskar Lange.
- Famous “Socialist Calculation Debate”.
- The current versions are all variants on a theme of markets being an integral part of a socialist economy.
- Lots of different variants, ranging from coupon stock markets to government controlled banks.
- Tend to be the idiot brainchildren of ppl like me!

52

An example: Equal Asset Stock Markets

- The idea(J. Roemer): give everyone a fixed number of coupons when they turn 18.
- Invest coupons in stock market.
- No individual can buy or sell coupons.
- Coupons pay dividends and give you a vote.
- Corporations can trade coupons for investment goods.
- Result: equal ownership of the means of production, a whole lot less inequality, and some kind of democratic control over business.

53

Postscript: The Real Utopias Project

- A series of books edited by Erik Wright, published by Verso
- Lots of the best, honest scholarship on policies and proposals for the left.
- E.g. Basic income, child care, pensions, coupon market socialism, participatory democracy....
- Check it out....

54

Class Wrap-Up

- Not a lot of leftists in economics.
- Fewer that are interested in helping activists
- Hope we've kindled some interest.
- Look at the bibliography for more stuff
- Center for Popular Economics Summer Institute Plug

55

And...

- Thank you CPE!
- Thank you Palak and Michelle!
- Thank you all for coming back!
- email: _____, will answer economics questions as best I can for food...

56