



American Capitalism

Social
Thought
and
Political
Economy
in
the
Twentieth
Century

Edited by

Nelson Lichtenstein

American Capitalism

Politics and Culture in Modern America

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American Capitalism

Social Thought and Political Economy
in the Twentieth Century

EDITED BY NELSON LICHTENSTEIN

PENN

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Introduction:

Social Theory and Capitalist Reality in the American Century

Nelson Lichtenstein

At the opening of the twenty-first century, the power and pervasiveness of American capitalism and of the equation that links open markets to democratic institutions has become a large part of the common wisdom. Words like reform and liberalization now denote the process whereby a global market in labor, capital, and ideas replaces the regulatory regimes, either authoritarian or social democratic, that were erected during and after the Great Depression. In 1960, when Daniel Bell famously announced an “end of ideology in the West,” he was noting that the debate about the viability of capitalism, which had consumed intellectuals and social theorists for two generations, had been transformed into a calculation that subordinated the market to a purposeful, yet well-constrained set of social and political compromises.¹

But thirty years later, when Francis Fukuyama coined his now (in)famous catchphrase, “the end of history,” he spoke for an ideologically self-confident set of policy intellectuals who saw the capitalist market itself as culturally and politically determinative. “Liberal democracy combined with open market economics has become the only model a state can follow,” wrote Fukuyama in the months just before the fall of the Berlin Wall. This was another way of arguing for what Margaret Thatcher had also asserted, when her efforts to deregulate business and dismantle the welfare state ran into Labour Party resistance, “There is no alternative.”²

The events of September 11, 2001, have done little to alter such self-confidence. “The sort of people who work in financial markets are not merely symbols but also practitioners of liberty,” wrote Michael Lewis in the *New York Times Magazine* shortly after the attack. “They do not suffer constraints on their private ambitions, and they work hard, if unintentionally, to free others from constraint. . . . It tells you something about the worldview of the terrorists that they crashed half their arsenal into the World Trade Center. They believed that the bond traders are as critical as the U.S. generals and the politicians to extending liberty’s influence in the world. They may be right. And that should make you feel proud.”³

2 Introduction

The essays in this collection, most of which were talks first delivered at a conference at the University of California, Santa Barbara in March 2003, have all been written when such sentiments are commonplace, if not triumphant. Most reject this overweening self-confidence, but all take as a starting point the cognizance that we live in a world in which a capitalist market in labor, land, goods, and ideas has become so normalized and naturalized that it almost vanishes from our consciousness, both lay and academic. The U.S. model of global capitalism has proven supremely attractive because its gravitational pull is now almost entirely unimpeded by the weight of any other competing entity. Not only did the Soviet Union collapse during the early 1990s, but so too did competition, both economic and ideological, from a Japan-centered Pacific Rim.

From a model-building perspective, the collapse of the Soviet Union had been discounted long before its dramatic political demise. For almost half a century few critics of American capitalism had looked east of the Elbe for inspiration or advice. Still the demise of this empire, and the increasing marketization of the Chinese economy that preceded it, seemed to demonstrate that any organization of society that substituted economic planning for a market mechanism was bound to lead to a disaster of the first order.⁴ Indeed, the elimination of this world-historic rival devalued the ideological role played by those Keynesian, social-democratic programs and compacts that in the early Cold War years had been a vital component of the claim that in the world of actually existing capitalism the sharp elbows had been tucked and the market forces tamed. The collapse of the Soviet Union and its satellites thus made possible the celebration of a globalized capitalism with nary a backward glance, especially when all this was accompanied by the eclipse of organized labor in the Atlantic world, the corrosive impact of America's uniquely bitter racial divide on social and economic policy, and the cunning élan with which Ronald Reagan and Margaret Thatcher mobilized elements of the working class on behalf of laissez-faire principles.⁵

The demise of a Japanese-centered "Pacific Century" has been equally dramatic and perhaps even more significant in advancing the idea that there no longer exists any alternative to a distinctively American version of global markets and capitalist social mores. Japan has been the world's second largest economy for more than thirty years, and in the 1970s and 1980s the entire East Asian model for advanced capitalism, with its quasi-planning from the top, its innovative and seemingly cooperative labor relations, and its technological prowess, represented the real challenge, and alternative pathway, for an American capitalism that was growing frustrated with a Keynesianism that seemed increasingly ineffectual. But the collapse of Japan's real estate, banking, and technology bubble in 1990 inaugurated more than a decade of stagnation and crisis for America's great economic rival. Despite the manipulation of every fiscal and monetary lever at its command, the Tokyo planning ministries and the highly politicized Japanese

banks, which had once been given such credit for shaping the entire economic miracle, have found their recovery efforts repeatedly frustrated.⁶

The United States has had its own share of corporate bankruptcies and stock market gyrations, but today few take such economic shocks as an indication that capitalism is in danger of a fundamental transformation. In the wake of the scandal bankruptcies of Enron and Comcast there was much finger pointing from the business press and from Democratic critics of “crony capitalism,” but most thought that only a beefed up regulatory apparatus was necessary to resolve the problem. Bush administration officials congratulated themselves for doing little to avert the disaster, asserting that the disappearance of Enron et al. actually vindicated the free market. Bush’s first treasury secretary, Paul O’Neill, not a loyalist when it came to the Iraq war or the administration’s tax policies, nevertheless saw the bankruptcy of the nation’s sixth largest corporation as more of a vindication than an indictment of contemporary capitalism. “Companies come and go,” he said. “Part of the genius of capitalism is people get to make good decisions or bad decisions and they get to pay the consequences. . . . That’s the way the system works.”⁷

But seeing the way the system works has always been as much a product of the intellect as it has been of testable reality. This book is therefore as much a study of imaginative social thought as it is of political economy. By this we mean the ways key writers and intellectuals, from across the political and aesthetic landscape, have historicized, conceptualized, and projected the trajectory of the social system that we commonly denote as capitalism, certainly as it manifests itself in the West, and specifically within the United States. With few exceptions, the individuals who are the subjects of these essays—Talcott Parsons, Clark Kerr, C. Wright Mills, Peter Drucker, Friedrich von Hayek, C. L. R. James, to name just a sample—did not think of themselves as economists or even as traditional social scientists. They shared few ideological or political ideas in common, but they were all historically minded enough to see that the economic system in which they lived was an evolving, changeable construct with a future that promised to be very different from its past. This historicized sensibility, so alien to the triumphalism and stasis of our own time, is the subject that this essay collection seeks to recapture. Such a reassessment will demonstrate that the capitalist present has been surprisingly different from that projected for it in the past; indeed, it may well stand at considerable variance from the many possible futures that lie before us.

There have been three moments during which American intellectuals have most forcefully engaged themselves in a debate over the essential character and possible futures for American capitalism. In the long generation that extended from the railroad strikes of 1877 until the First World War, the United States became an industrial juggernaut, with all the class strife and economic inequality that was characteristic of big cities, huge mills,