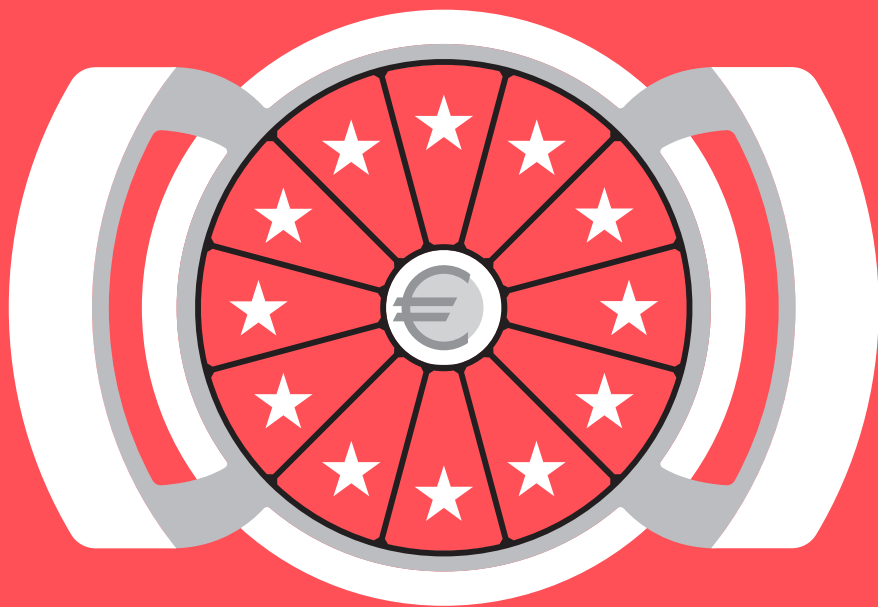


Catalyst

VOLUME 1 Nº.3 FALL 2017 A JOURNAL OF THEORY & STRATEGY



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Editors' Note

The problem of left strategy dominates this issue of *Catalyst*. James Galbraith sets the stage in the opening essay in his short but evocative description of the state in our neoliberal era as essentially predatory. The predator state serves the narrow corporate class, most centrally by siphoning national income and wealth upwards, away from the general population and to the richest individuals. Defending both the state and its corporate masters is a phalanx of experts, analysts, and ideologues, whose main goal is to justify this flow of income while combatting attempts at political change.

As Galbraith makes clear, the predator state holds sway on both sides of the Atlantic. What strategies are available to the Left as it seeks to overturn it? In Europe, a central issue is whether the road to progressive reforms goes through the EU, or requires exiting it. Bernd Riexinger, co-chair of Germany's Die Linke party, argues that progressive exit from the EU would be a poisoned chalice. Even if we tried to resurrect national economic strategies, perhaps of a Keynesian kind, they would be unworkable. The European ruling class simply has too many economic instruments at its disposal to counter such attempts. And demands to exit only fuel racist and xenophobic forces. The only way out, he argues, is to alter the balance of class power on a continent-wide scale.

Costas Lapavistas agrees that calls for exit have often been pressed by dangerous right-wing forces. But he maintains that the hopes for a progressive EU are a fantasy, and to ignore this is to yield critical strategic ground to the

Right. As long as it is only reactionary parties rejecting the EU and its economic attacks on the working class, the very possibility of left politics in Europe will evaporate. The reality of the EU, Lapavistas suggests, is that its very structure rules out even a program of mild reforms. The EU is not a neutral institutional mechanism that could be compatible with any of a range of political projects. It is designed to perpetuate the rule of European capital, under German hegemony. Lapavistas supports his argument with an account of the union's formation and a compelling analysis of how its institutional structure and policies drove peripheral countries in Europe into crisis and then resolved that crisis at tremendous cost to Europe's working class and poor. He concludes by stressing that there is no progressive version of the EU to be had — it has to be dismantled if the Left is to advance.

What kinds of policies would be at the heart of such an advance? One of the proposals being floated today is the idea of a universal basic income grant (UBI). This is a guaranteed annual cash payment made by the government to every resident. The left motivation for this proposal is that it would at least partially liberate working people from their dependence on the labor market. In that way, it would reduce employers' ability to coerce their workforce, since it would decrease the cost of being fired or losing one's job. If supported by a basic income grant, workers might dare to demand more from their bosses.

While the idea of a basic income has elicited a great deal of support on the Left, it has also met with a wide range of criticisms — as being too timid, too ambitious, unrealistic, immoral, and so forth. David Calnitsky acknowledges that the proposal will not cure capitalism of many of its worst features. But he argues that it will significantly improve the lives of millions of working people by making them more economically secure, increasing their political leverage, and allowing them a degree of freedom that was previously out of reach. Hence, the idea ought to be viewed as a stepping stone to a more ambitious set of demands, not the end point of left strategy.

One of the regions where labor has seemed to be making its biggest strides also happens to be a center of global accumulation — mainland China. In a sweeping analysis of the Chinese labor movement, Ching Kwan Lee suggests that while there has indeed been an increase in labor activism in the country, it should be evaluated with care. She points to several features of the institutional and organizational environment, as well as the nature of workers' struggles up to now, which have imposed severe limits on the working class's further political advance. Lee thus calls into question the optimism of much of the Left with respect to China's possible emergence as a center of class conflict in the global order, at least in the short term.

Between the end of World War II and the end of the century, the US realized its international goals to a degree beyond the wildest dreams of its wartime planners. The Soviet Union collapsed and China along with Vietnam took the capitalist road. Virtually all Third World movements of national liberation were crushed. Every mass, radical, working-class movement, from Brazil to Chile to Portugal to South Africa, was domesticated. By the 1990s, the US seemed to have made the world safe for an untrammled global neoliberal capitalism successfully governed by an unchallenged US global hegemon. What then was the point, or meaning, of the wave of major military interventions unleashed from around the turn of the twenty-first century in the Middle East and beyond, and with such poor results?

Richard Lachmann offers a novel approach to understanding this development by putting front and center the paradox of apparent US military global superiority and yet glaring US military weakness, as expressed in the series of devastating military defeats — foreshadowed in Vietnam — that the country has suffered in Afghanistan, Iraq, and beyond. For Lachmann, the key is to understand why modernization has endowed the US with a military of incomparable size and technological sophistication, yet has also prepared it so poorly for the wars the country has actually taken on. Why has the US entered a series of major wars for which it was so ill-prepared, and which it lost so ignominiously? Offering a systematic answer to this question opens the way, argues Lachmann, to identifying and beginning to characterize, a distinct new epoch of US imperialism.

In our second issue we published Mike Parker's criticism of Michael Schwartz and Joshua Murray's *Catalyst* article on the role of the Toyota production system in the US auto industry's rise and fall. In this issue we publish Schwartz and Murray's reply to Parker. In exemplary fashion, Schwartz and Murray grant that many of Parker's concerns are valid. But they continue to maintain that the essentials of their account of why American auto manufacturers lost out to the Japanese still holds, even if, as Parker maintains, Toyotaization did come at the expense of autoworkers and their unions.

The decline of auto was emblematic of the more general economic decline experienced in the 1960s and 1970s, and with it the devastation of so much of the American urban industrial heartland. In a review of recent literature on the rise of mass incarceration in the United States, Adaner Usmani argues that it is in this economic devastation that we find the roots of the carceral state. Usmani examines two recent books on the prison system, which lay the blame for the American gulag squarely on the strain of racism in American liberal culture. Usmani does not deny the salience of racial discrimination, but he argues that

the tendency to view mass incarceration as resulting simply from racism is mistaken. The rise of the prison system, along with its racialized character, in fact results from the government's decision to address the economic devastation visited on the urban working class after the 1970s not by providing more jobs and improving the distribution of income, but with ever-increasing incarceration.

The themes of this issue have been at the center of left political concerns since the Great Recession, if not long before, and we expect that they will preoccupy *Catalyst* for the foreseeable future. For decades, capitalism has been operating more poorly and speaking to needs of working people less successfully, if at all. It has therefore opened up a field for political resistance more promising than at any time since the 1930s and 1940s. But the fact remains that capital-worker relations have been remarkably transformed, almost beyond recognition, in a brief interval of less than half a century, as have social relations among people of every other sort, be they gender, racial, national, sexual, or cultural. There is much more to understand and a long way to go to put that understanding into practice. ✎

We are living in a world where the corporate state of the 1950s has morphed into a predator state — a political system in which a narrow band of elites uses policy instruments for its own benefit, while the rest of the population foots the bill. This clique is enabled and defended by a class of professionals — economists, lawyers, and consultants, whose main function is to justify the predation and denigrate any attempt at political change. These forces loosely comprise a New Class, and they constitute the political mainstream in the United States, as well as Europe. It is not surprising, then, that many people on both sides of the Atlantic are now rejecting what they see as a captured mainstream.

THE PREDATOR STATE

JAMES K. GALBRAITH

Let me begin by offering a pair of definitions. By “predator state” I mean a national government whose politics, as observed in the construction of complex deals in the spheres of social welfare, public investment, and regulation that have the effect of enriching specific private actors while passing along — perhaps — a diluted benefit to the broader public. Examples include efforts to privatize Social Security; the construction of Medicare Part D with its favors for drug companies; the construction of Obamacare with its favors for private insurance companies; the dawning era of public-private infrastructure partnerships, if there is ever a bill to that effect; health savings accounts; the privatization of the Veterans Administration and air traffic control; and of course, the incorporation of the Environmental Protection Agency into the oil industry.

This is not purely partisan. Predatory interests are a fact of political life and differences between parties in their willingness to cultivate them are a matter of degree. The rub, though, is that conservatives long ago accepted the twentieth-century reality that the modern economy is bound up inextricably in the state, that regulation is not a burden on private enterprise but a necessary condition for its existence in most spheres of economic activity, and they have adapted their politics to this reality by making it essentially into a politics of skimming off of state structures rather than opposing them, except as a matter of ritual and rhetoric. Those who feel the pull of the eighteenth century — there

are a few, Paul Ryan comes to mind — have tended to remain on the fringe, although in some cases getting dangerously close to the levers of power.

The rhetoric of the free market in this situation serves mainly as a cudgel to discipline liberals and progressives and to prevent the development of a coherent worldview on the center-left; in this way left critics who speak with realism about the state are also marginalized within their own frame of political activity. That is, they are subordinated to a leadership which feels the urge on all occasions to pay obeisance and deference to the concepts of the free market and the free enterprise economy. And certain elements of a political agenda that might be construed as socialist — the single-payer option for health insurance, the public banking system, and in recent years, the purely public form of public works, are taken off the menu.

The concept of the predator state has its origins in a book that was published fifty years ago alongside the founding of this caucus.¹ It's a book called *The New Industrial State*. It is my father's work, and its fiftieth anniversary was celebrated this year at the large economic forums held in March in St. Petersburg and Moscow. Given the acknowledged catastrophes inflicted on Russia by the neoliberal policies of the 1990s — and the continuing orientation along those lines of the present Russian government, notwithstanding how it is widely viewed in the West — there is a major Galbraith revival in Russia. It is spearheaded by the leadership of the Free Economic Society, an institution founded in 1765 under Catherine the Great, with a present membership of two hundred and fifty thousand.

The New Industrial State was an *avant-le-déluge* effort to wean economics from its competitive marketplace illusions by introducing the large corporation and its countervailing entities: unions, the government, and civil society, along with the technical, scientific, and intellectual estates. Of course, in the five decades since the book was published, many American corporations have been destabilized. Their unions have been crippled, the banks have returned to a central position that they did not hold in the 1960s and the supporting institutions of the twentieth-century dispensation including Social Security, Medicare, public education, as well as military procurement and bank bailouts, have become central rather than peripheral elements of our economy. And that is why our politics have come to revolve around them. In this way, the predator state has evolved from the damage inflicted on the planning system by neoliberal reform.

1 The caucus referred to is the Caucus for a New Political Science, where these remarks were delivered on February 27, 2017.

This is the shift of focus that I would urge everyone to consider and bear in mind. It's not a description which fits for the entire world economy but for the United States, it's relatively apt, especially because of the increasing asymmetry of world production systems and the moving of actual capitalist production networks to other regions, notably to Asia and across the border to Mexico. The US is left with what were formerly thought to be *supporting* institutions for actual production — the financial, insurance, research and development, and military functions — which turn out to support the incomes of the wealthiest people on the planet very comfortably, while making it ever more difficult politically to sustain the institutions that support the broad population, especially the middle class.

This political dispensation was initiated in the late 1970s, strongly advanced under Reagan, and fully formed by the middle years of the Clinton administration. It was the heart of politics in the Bush years. There might have been some reason to hope, when President Obama was elected, that it would be contained if not reversed in the wake of the financial crisis. Unfortunately there was no such luck either in the financial sphere or in the way health care reform was designed. The result has been an embedding of predatory encroachment of corporate interests in government on a bipartisan basis, with intellectual consequences that include the subsumption of public administration into such topics as outsourcing, transparency issues, civic engagement, performance metrics, and the like — anything to disguise and distract from the erosion of an autonomous public power. Related phenomena include the public-private “trans-actors” — a wonderful word — and “shadow elites” which have been described by the anthropologist Janine Wedel.

By “poisoned chalice,” on the other hand, I refer to the condition of democratic and progressive forces enmeshed in a web of state, as well as interstate, structures including treaties and trade agreements both in Europe and the US — although in Europe and especially in the case of Greece these were predominantly creditor-debtor relationships — that placed absolute and strict limits on the margin of maneuver of any political forces or national polities that attempted to propose an independent course or, thwarted in that effort, engaged in rebellion.

When I arrived in Athens on February 8, 2015, which was the day of the opening of the Greek Parliament, I went directly to the finance ministry, ascending to the sixth floor of a shabby office building dating back, I suppose, to the 1970s. There I found the new finance minister sitting with his feet up on his desk. His first sentence to me was, “Welcome to the poisoned chalice.” It revealed what we already knew at the time: namely, that there was no cause for

illusions about the prospects facing the government that had just been elected. The poisoned chalice, in short, is a political condition under which economic structures that have very obviously failed — that are no longer fit for their purpose — can be locked into place by a complex web of prior commitments and power structures that are designed to prevent both innovation and exit.

All of which brings us to the condition of the Democratic Party. President Obama was elected on a surge of pan-racial popular enthusiasm in 2008, and he assembled a very adept campaign at the time, effectively using new technologies with every prospect of building a renewed popular and participatory base for the Democratic Party. However, that prospect would have been lethal for Wall Street. It would have put in place a power base that was not prepared to tolerate the preservation or resurrection of conditions that had led to the financial crisis, and therefore for that and perhaps other reasons, it was not pursued.

Instead, over eight years the party was allowed, even encouraged, to wither away, abandoning whatever popular organization and base it could have developed or was developing in the last years of the Bush administration. What was left by the time Hillary Clinton assumed her role as the party's nominee was largely a coterie of policy professionals, of in-and-outers from finance, law, the Ivy Leagues, and the think tank world, whose focus was largely on mission-specific, career-building trajectories, and backed by a political operation whose major focus was advertising and polling. This group constitutes a twenty-first-century American version of what the Yugoslav social theorist and dissident Milovan Djilas long ago designated the “new class.”

Let me say a word about the character of this class. It is especially defined by its economists: a group of self-confident individuals who are willing and able to embody a certain image of the state, and a certain narrative of cause and effect in policy; that is, a belief that if certain steps are taken, the result will be that people will generally be better off. Economists derive their authority from their supposedly rigorous and scientific training, which is actually largely the application of mathematical language to theological (specifically Confucian and Deist) principles. They derive their influence from the support of major moneyed interests, which gives them a secure and well-compensated place in American universities and other institutions. And yet, theirs is a narrative that does not correspond to the lived experience of many people in the country, and therefore, because they were speaking about things that ordinary people knew from their personal lives, the economists were especially open to being discredited by events.

The economists are not the only group to form the New Class, although they hold an especially privileged role within it, in such elite political institutions as

the Council of Economic Advisers, which has come to exist as a rotating berth for academics on their way to the higher echelons of the university or think tank worlds. Among other professions, lawyers are the most numerous and indispensable, while financiers hold some of the most prestigious positions by virtue, largely, of wealth and connections. In addition there are many roles for officials with backgrounds in international relations, political science, journalism, academic management fundraising, and similar quasi-professions, often rooted in single-purpose or narrow-gauge advocacy organizations. I would exclude from this group the scientific and engineering talent required for such institutions as the EPA, NASA, or the Centers for Disease Control, on the grounds that those professional groups have as a rule outside (that is, independent) standards of accomplishment. What the New Class shares is an orientation to power and a distaste for grassroots politics and mass organization.

From a political standpoint the effect was that there was no there there. Indeed Hillary Clinton emerged as the perfect representative of this class, a pure product of Wellesley, Yale law school, the Children's Defense Fund, White House, Senate, and state department. She was someone who did not even have her (Rhodes Scholar) husband's rapid rise through the backcountry politics of Arkansas. I say this not to disparage her personally, but because what she was, she was.

Who then is Donald Trump? It seems clear that he was, and is, the perfect vector of distaste for being ruled by polished know-it-alls. Aggressively unanalytical, indifferent to facts, spontaneous, emotive, but by no means stupid, Trump assembled a coalition of anti-professionals including fringe agitators, white nationalists and racists of various types, and more centrally, billionaire businessmen, whose metric of accomplishment is not intellectual or professional achievement but rather the accumulation of piles and piles of money. Alongside these figures were military officers with their own professional status, somewhat distant from academic lines of achievement, and working-class voters. The latter especially had correctly recognized that major elements of the new class were practicing a kind of elite entitlement politics, often in the name of causes and groups whose underlying structures had lapsed, to the point of being — I may be a little unfair here — little more than email lists, chat rooms, and Facebook pages; entities whose exposure to their members consists largely of frantic fundraising appeals. Without disparaging the work of any particular group, it should not be difficult to discern that when politics becomes largely the interaction of narrow-gauge advocacy groups with elite professional policymakers, a democratic deficit and a potential for generalized revolt against the system may soon exist.

Political phenomena are rarely *sui generis* to a single country. In Europe, much the same process notably unfolded in the collapse of the French *Parti Socialiste* and the Brexit referendum. The French Socialist Party represented almost exactly the classes into which the US Democrats have dissolved: teachers, lawyers, bankers, economists, and civil servants, while the *Front National* is essentially Trumpism: national Gaullism plus xenophobia and a thinly veiled (if veiled at all) racist appeal.

Brexit also placed the professionals and bankers on one side, and the disaffected working class on the other. The Leave campaign was disingenuous and once it won the referendum it proved to be utterly clueless about what to do. At 4:30 in the morning, I was in England watching the BBC as the shocked announcers reported what had happened, and shortly afterwards, leading Leaver Andrea Leadsom came on and said — a bit too late — that it was time for “mature reflection.” Meanwhile the Remain campaign combined fear and condescension in an almost perfect self-parody, with the economists leading the way, once again, in disgracing themselves with doomsday predictions that no sober analysis could have sustained, and which have not been borne out. Brexit will have many bad consequences but the immediate collapse of the UK economy is not among them.

What makes the political diversity of Europe interesting is that there is a chance for other combinations to emerge, possibly by happenstance, and that is what happened in one small country on the edge of the European Union, in Greece, in early 2015. Europe’s capacity to be fractious, for its politics to generate an unpredictable result, is much greater than that of the US, and this has given rise to a dense network of obstructions — at best semi-visible in quiet times — that come into play when the dominant order is threatened. I want to say a few words about that because I did have a close connection to those events, and was working on them around the clock for the five months of the Varoufakis ministry in Athens. What the Greek finance ministry experienced during those months gives a fine example of the antidemocratic power of the interlocked technical, political, media, and corporate (financial) interests of the poisoned chalice.

The Greek upheaval flowed, as is widely known, from an unusually harsh application of neoliberal austerity to a weak and corrupted country. But it required, also, another ingredient: the emergence of a coherent alternative, which is what Syriza — the coalition of the parties of the radical left — and (largely) Yanis Varoufakis offered in the run-up to the 2015 election. There was, in this particular case, as there was not so strongly in Spain or Portugal in later elections, something which effectively represented both in Greek and

in English for a larger audience, a fully fledged program of proposed changes in the European order.

And when the Greek government went into negotiations on February 11, 2015 in Brussels — I was there — it had a dossier of specific, minimal objectives to present to its negotiating partners. It wasn't exactly prepared to carry out negotiations at a high level — many of the team had never been in government before — but it did have an idea of what it wanted.

There were four elements to this specifically. First, a realistic fiscal target, not the 3.5 or 4.5 percent of GDP primary surpluses which had been put into the program because the IMF insisted on them for its debt-sustainability analysis, which was disconnected from reality.

Second, the Greeks wanted international labor standards consistent with those offered for the rest of Europe by the ILO, rather than an unethical experiment in complete labor market deregulation with the objective of internal devaluation to restore the so-called competitiveness of Greek industry, something that could never be restored under present conditions even if the Greeks agreed to work for free.

Third, the Greek government wanted to maintain minimum pensions, to have no further severe cuts in pensions — which for many hundreds of thousands of Greeks were already down to about 350 euros a month, which is not much to live on.

And fourth, the Greeks wanted a privatization program that did not consist of placing every single state asset on the auction block at the same time, a proposition which even the dullest neoclassical economist will admit is not likely to get you a good price.

No one ever argued against the merits of these positions. The government was backed also by massive popular support. In Brussels on February 12 a poll came out showing that the new government had 80 percent popular approval, meaning that half the people who voted against them were in favor of their program three weeks after the election. I said to the Vice Prime Minister Yannis Dragasakis, "Enjoy it. You're never going to see this again."

The definition of what I've called the "poisoned chalice" lies in what happened next. Discussions occurred on three levels. At the technical level, there were negotiations with the troika — the IMF, ECB, and European Commission — that were not negotiations. The representatives of those agencies were entirely concerned with their own institutional power, and they had no authority to make reciprocal concessions, so their practice was to talk the Greeks into doing something. Then they'd say, "That's fine," pocket the concession, and "now let's go on to the next one." Their instructions were to report to their

institutional masters on the performance of the Greeks with respect to the existing financial program, not to make any changes.

At a higher level, there was the Eurogroup, an ad hoc collection of the nineteen finance ministers of the eurozone countries, which met — it seemed — on an appallingly frequent schedule. It might have been every month, but in any event, it involved four-hour flights from all corners of Europe in order to hear the finance ministers make speeches based entirely on their local politics. The Eastern Europeans were committed austerity ideologues. The Iberians didn't want to make concessions because they didn't want to give encouragement to Podemos or the Left Bloc. The French and Italians were sympathetic but didn't want to use any political capital to help the radicals in Greece. The Germans were trying to impose a program on Paris and Rome, and so they were giving no concessions to the Greeks. That's what Wolfgang Schäuble told Yanis Varoufakis directly; those were his reasons.

The Greeks had no chance at the finance ministerial level. They knew that, and so they moved up and tried to deal at what was called the political level, that is to say with direct discussions between Prime Minister Alexis Tsipras and Chancellor Angela Merkel, with sympathetic intervention from anybody they might be able to engage, including the government of the United States.

The US government was sympathetic. It listened to the Greek position and constantly reiterated its desire for there to be a reasonable compromise. But when it came to putting pressure on the Germans, the US government had a higher priority, which was Ukraine. For that reason primarily, it was not going to use pressure tactics on the Germans.

The net of this is that the issue of what was good for the Greeks or what would constitute a program that might stabilize, let alone restore, the Greek economy — that might bring an end to 25 percent unemployment and 60 percent youth unemployment; the collapse of the nation's public services: health care, education, and transportation; the impoverishment of the elderly population of Greece as well as the bankruptcy of Greek businesses and the impact of foreclosures on Greek households; all of this was never engaged at all.

What Greece faced instead was a financial squeeze on payment deadlines, together with destabilizing pressure from the European Central Bank, intended to force either the capitulation or the collapse of the government, and capitulation is what did happen in July 2015.

The combination of an entitled professional, political-administrative class, a rigidly interlocked set of institutional interests, and a predatory politics surrounding existing state structures — which is perhaps a synthetic view of the political condition of North America and Europe at the present time — surely

signals a system in serious decline with fragilities and vulnerabilities that may in some ways not be unlike those that faced the USSR in the 1980s or Yugoslavia at the end of that decade.

Yugoslavia is where the concept of the New Class was articulated a half century before. It ended in fascism, ethnic nationalism, and war. Bannonomism consists precisely in forging an alliance of business billionaires, a pure money elite, and angry non-professionals, including racists and bigots and religious extremists, but also many ordinary working and retired people who feel ignored and left out, to break the professional system. The National Front in France and the Leave campaign in Britain had similar alliances, taking advantage of the inability of the New Class to engage effectively with disaffected voters.

How to proceed in these circumstances? It's a question for which there is no ready answer. However, the experience of Bernie Sanders in 2016 and of Jeremy Corbyn's Labour Party in the 2017 UK elections — along with that of Greece in 2015 — suggests that political space has opened for a hard-hitting left program, provided one is willing to accept the breakup of the compromised alliances that were, twenty-five years ago, the route to power.

But let me also suggest that this is not entirely a question for political elites to answer. A feature of the Athens Spring was an extraordinary popular mobilization — a determination by the Greek people to back their government, which in the end exceeded the political will of the government itself. *That* is what we need. We will need to have true political empowerment, organization, and engagement — a civic force which has not been present for many years on the Left, based on actual democratic principles, and we professionals who wish to participate should support rather than short-circuit the resulting formations, and should not expect to form a permanent state *nomenklatura* all by ourselves.

So let us — those of us who are professionals — engage. As these are dark times, in which many people will be hurt, unnecessarily and for political reasons, let us assist in bearing witness. Let us bear witness ourselves. Let us report on what is happening in our communities and hope that our voices begin to consolidate and carry, in the face of the many insults to common decency presently underway.

And let us always remember, and perhaps this is an overly familiar line, but in the immortal words of Pogo, “We have met the enemy and he is us.” ☞

Adapted from keynote remarks delivered to the fiftieth anniversary conference of the Caucus for a New Political Science, held on South Padre Island in Texas on February 27, 2017.

It is increasingly argued that the best way forward for the European left is to exit from the European Union. But this is a flawed strategy. First of all, exit will court genuine economic disaster, and it will give a huge boost to nationalist and xenophobic political forces. Just as importantly, it will not insulate the Left from the power of European capital, which has many instruments that will enable it to suffocate national economic strategies. European capital's real power does not depend on the technical details of the union, but on the balance of class forces in the region — and it is this balance that the Left has to change. A politics of real, concrete gains for the working class will be far more important in forging a new progressive agenda than campaigns to exit the EU.

ILLUSIONS OF EU EXIT*

BERND RIEXINGER

Britain's decision to exit the European Union has reignited the debate on left strategy in Europe. In particular, the demands, "Out of the EU!" or "Exit from the euro!" have been adopted as the appropriate left-wing strategy in the wake of Brexit.

It is clear to most that nationalist and racist overtones dominated the Brexit campaign. Corbyn biographer Richard Seymour wrote, "In most circumstances I would have supported a Brexit, but in this campaign the left played no role. It was a dispute between two right-wing camps, although the vote for 'Leave' was by far the uglier option — Brexit is making Great Britain a racist country while the problems of the EU are left untouched." It is not surprising that Le Pen, the FPÖ, or Wilders were among the first to cheer the vote. The Left must not lend its voice to this jubilation. Exit campaigns dominated by the Right are no place for the Left.

Though broad criticism of the EU is growing, it remains dominated by the Right. Therefore, it is crucial that the Left clearly differentiate itself from conservatives on this question. We must develop a clear and radical critique of the EU's neoliberal, imperial, and undemocratic constitution that goes beyond a superficial criticism of elites or the euro. A left-wing critique must

* Translated by Michel Vale. Title of original German article: "Gegen-Macht und linke EU-Kritik statt Exit-Illusionen," *Prager Frühling: Magazin für Freiheit und Sozialismus*, Oktober 2016

center on the violence done to the interests of the majority of people by the neoliberal EU and the class relations and system of governance on which it rests. Right-wing populists object to the euro, even as a debate continues in the AfD over whether it is against the euro or wants to strengthen “German” dominance within the EU. The populist forces of the Right shift continually between neoliberalism and the nationalist ethnopluralism of the New Right. They may reject “cosmopolitan neoliberalism” as represented by Angela Merkel and significant segments of Social Democracy and the Greens, yet in the event of a renewed escalation of crisis, they are ready for an openly authoritarian, neoliberal solution counter to the interests of working people.

For the Left, defending the “idea of Europe” against the Right cannot suffice. What is necessary is the formation of a third pole in opposition to the neoliberal EU as well as to the right-wing populism and neofascism currently rampant in Europe: a pole that is stalwart, internationalist, class-oriented, and radically democratic, for the reconstruction of a new Europe from below.

FROM A NEXUS OF INTERRELATED SOCIAL FORCES, THERE IS NO EXIT

RIEXINGER

Advocates of a return to national currencies or a European monetary system of coordinated national currencies — represented by the Social Democrats Heiner Flassbeck and Wolfgang Streeck and, on the Left, Jean-Luc Mélenchon, Stefano Fassina, Oskar Lafontaine, and Sahra Wagenknecht, among others — call for stronger national states in the face of the legitimate criticism of the EU’s undemocratic institutions. A return to national currencies, they argue, would offer wider ranges of action for a more demand-oriented policy for working people, pensioners, and the unemployed.

Particularly those countries with weaker economies and lower standards of productivity would be better able to protect their economies through devaluations. Behind this renaissance of national-Keynesian positions is the hope that hard-won achievements in matters of welfare are best defended at the national level. Wolfgang Streeck sees it as “a second best solution that uses the EU’s historically evolved institutions, plus whatever remains of democracy in the nation states, as brake pads on the downhill path into a unified market state scraped bare of democracy.”¹

Anchoring austerity policy in the constitution and institutions of the EU

1 Wolfgang Streeck, *Gekaufte Zeit* (Frankfurt: 2013), 256.

may seem like a plausible solution, but it is a dangerous and errant path for the Left to take. In its current neoliberal form, the EU is characterized by a balance of forces between capital and labor on the world market and a balance of power between states in imperial competition. The EU's political role for large corporations and banks is to make Europe the most competitive region in the global economy by creating favorable conditions for the expansion of capital. To this end, the European governing class has created a supranational state apparatus that is largely out of reach for the working classes as long as they remain confined to national organizational forms.

This framework undermines those channels that exist for the working class to influence policy. There are many examples of this. The European Commission's mode of operation allows corporations direct access to it. The ECB acts outside channels of democratic control and has financially strangled Greece to enforce austerity. The Fiscal Pact has caps on debt written into it, marginalizing parliaments, and it can only be abrogated by breaches of treaty or the emergence of a different composition of majorities in all member countries.

The present balance of forces and (class) battles therefore set the conditions under which an "exit" (from the EU or the monetary system) can take place. One cannot walk away from an intricately configured nexus of interrelationships. Advocates of a "Plan B" hence likewise argue that we cannot reform the EU, as neoliberal policy is enshrined in both the EU treaties and the Fiscal Pact because of the unanimity rule. However, in arguing this, they exaggerate the power of the law and its diverse clauses, and underestimate the material forces at work that shape the state and inform legislation.

THE EURO SPACE AS A NEOLIBERAL PROJECT

The euro is not a neutral instrument, but belongs to the core of the neoliberal project under German domination.² The euro came into existence to build a single economic area, one of the most competitive in the world. Asked what her vision of Europe is, Angela Merkel should have responded "competitiveness." The euro is a disciplining instrument in full accord with the intention of the national ruling classes. The neoliberal construction of the eurozone creates pressure on the weaker capitals and national economies, and since devaluations

2 See Thomas Sablowski and Frederic Heine, "Zerfällt die Europäische Währungsunion? Handelsund Kapitalverflechtungen, Krisenursachen und Entwicklungsperspektiven der Eurozone," *Prokla*, no. 181, 4/2015; Jannis Milios and Dimitris Sotiropoulos, "Eurozone. Die Krise als Chance für die kapitalistische Offensive," *Prokla*, no. 171, 3/2013.

of the euro are ruled out and no wage coordination or common social standards exist, wages endure the worst of its effects.

“The pressure generated by how the EMU functions is aimed at the very core of capitalist economic exploitation and is a prerequisite for a continual restructuring of labor. The EMU embodies and functions as an extreme variant of the open-door strategy toward international competition, which can be maintained only on the condition that the wage earners will continue to adapt.”³ The German export industry particularly profits from this arrangement, contributing to the deindustrialization of southeastern Europe. But the other national ruling classes in the EU have had a hand in organizing this project under the influence of neoliberal logic and pressure from the dominant fractions of capital too. It is an illusion to believe that we can shift this relationship simply by direct assault on the monetary system as a nodal point.

To be clear, depreciation of the currency does not automatically lead to greater margins for action in shaping social policy. These margins depend on the state’s position in the capitalist world economy, the organization of its industry, or its dependence on imports. The example of England shows that devaluations are by no means a royal road. A devaluation of the British pound by more than 30 percent did not give the deindustrialized economy competitive advantages on export markets. We cannot turn deindustrialization around by interventions focused on the currency question.

On the other side, in Greece, the Troika has de facto suspended democratic sovereignty. But the alternative of “Grexit” would not have meant the recovery of “national sovereignty”: if Grexit had happened, Greece would have woken up to find itself confronted most assuredly with the “sovereignty of real financial markets.” Grexit would not only have meant drastically increased costs for imports (e.g., food, drugs, and machinery), but also dramatic increases in the debt burden and interest rates on capital markets. We must premise a “left exit” on very concrete answers to these economic problems. Without a unilateral debt reduction and drastic interventions in distributive and property relations, there is no way to cushion economic turmoil by social policy. Greece did not meet the conditions for such measures in the summer of 2015.

All the more unconvincing is the position of Flassbeck and others, which seeks to introduce a new monetary union to remedy the existing economic imbalances among the diverse governments in Europe. The abolition of the eurozone and the return to national currencies would result in a descent into

3 Sablowski and Heine, “Zerfällt die Europäische Währungsunion?”; Milios and Sotiropoulos, “Eurozone. Die Krise als Chance für die kapitalistische Offensive.”

economic crisis with an uncertain future and indeterminate outcome. Banks and funds would use the rocky process of establishing a new currency system to speculate on global financial markets, likely aggravating the crisis in most European countries, creditor countries included. Germany would have to revalue its own currency significantly, which would inevitably lead to a considerable decline in general prosperity and intensified conflicts over distribution. An exit by Germany, economically the strongest and wealthiest country in Europe, cannot in any case be a left response to the crisis in Europe. If the balance of forces in some EU countries were to shift to enable some countries to take a coordinated “left exit” from the euro system, which Germany would have to tolerate at least, fundamental reform of the EU would become possible.

THE NECESSARY FAILURE OF “KEYNESIANISM IN ONE COUNTRY”

It is crucial for the Left in the EU to take the manifold integration of capital, and the resulting economic interdependence, in a new and progressive direction. As early as the beginning of the 1980s, Mitterrand’s experience showed the limits of a Keynesian policy in a single country. No doubt, Germany would have considerable space for national economic policy as the most powerful economy in the union, while the autonomy of debtor countries is virtually nonexistent. But at the end of the day, in the long term a “welfare state in one country” will be all but impossible, even in the Northern European countries.

The realization of a renewed social and democratic EU undoubtedly poses major challenges. It would have to expect a counterproject funded in a polarized constellation by German and other capital at the heart of Europe. The prerequisites would be anti-neoliberal left governments in the most economically powerful countries such as Germany and France. But that would not be enough to force capital into a “class compromise” throughout the whole of Europe. We could only achieve this in conjunction with transnationally mobilized trade unions and social movements capable of building effective counterpower. A series of breakthroughs brought about by anti-neoliberal structural reforms would have to occur: e.g., European unemployment insurance, Europe-wide labor redistribution, a reduction in working hours, monetary policy reform, democratic control of the ECB, and EU-wide taxation of the super-rich, banks, and corporations. A new constitutional process for the democratization of European institutions would have to give precedence to social rights, tying property to the “common good” over “entrepreneurial freedom.” The European Parliament would have to become the actual legislator with decision-making

powers as opposed to the European Commission. The road to these conditions is difficult and takes time. The enormous disjunction in the occurrence of economic, social, and political crises in Europe along with the very different balances of political forces in the northeast and southeast of Europe are reasons for skepticism in this regard.

TURN LEFT BEFORE THE TWO CUL-DE-SACS

Due to both neoliberal capitalism's crises and the way law has evolved in Europe, the European left needs an offensive, unified perspective. In the struggle for a new social and democratic renewal of Europe, it must not enter the dead-end road of deepening European integration at any price or the improbability of national Keynesianism. The main impediment to the realization of a more progressive economic policy in Europe is not the euro, nor is it neoliberal ideology alone; it is that the forces of working people and social movements are still too weak. To further a left European project there are no shortcuts regarding the currency question on the laborious road to a new balance of forces between capital and labor in Europe and an updated configuration of social majorities. Quite the opposite: instead of continual splits over exit from the euro, this issue should take into account the relationships among concrete economic and political forces. Positions that will take the battle further politically are those that spell out in concrete terms the collective interests of working people across borders and coalesce forces for a new Europe.

Philosopher Michael Brie is right: To contrast action at a national level to action at the EU level as an either/or issue makes no sense.⁴ The battle against labor precarization and mass joblessness could be a point on which European trade unions come together; alliances can form with the new "democracy" movements, which young precarious people support. Refugee and migration policy has become a point around which crises are crystallizing. To counter competition on the labor market and racist fear mongering, the conflict must shift gears. We must intimately link the demand for an end to the regnant migration regime, liable for the thousands of dead at the external borders, to the prospects of putting another political economy for Europe into place. Key to this are demands for a European investment program to expand the social infrastructure of health care, pensions, and housing. The program should also include a revitalization of renewable energy along with demands for a reduction

⁴ "Twofold Transformation: Strategic Challenges for the Left," *transform! europe*, February 23, 2016."

of working hours and a redistribution of labor. Without concrete *alternatives* to locational competition, the Left will never gain hegemony in Europe. The European left must further our discussions on European industrial policy and develop more concrete proposals that can be useful to trade union struggles, ecological movements, and resistance to destructive “investment projects” in the service of large corporations. Public promotion of initiatives championing cooperatives and an “economy of human needs” should accompany a model for an investment program. Without steps toward European economic democracy, we cannot overcome locational competition.

Radical redistribution of wealth is at the heart of any strategy for radical transformation of the EU. A radical taxation of the super-rich and expropriation of the financial sector’s profits are key to resolving the debt crisis, the battle against joblessness and precariousness, social infrastructure expansion, the energy revolution, and socially just migration and refugee policy.

The concentration of assets in Europe has increased during the crisis; the power of banks is unbroken. In 2015 alone the profits of the ten largest banks in Europe increased by 73 percent to a total of 29 billion euros. It is time for the European left to cease its dogged debates on the currency issue and instead redraw the lines of battle: away from the clamor over the “rich north” vs. “an over-indebted south,” which is repeatedly clad in nationalist or racist garb, and toward a polarization against the super-rich, the asset-rich, and the banks.

In refugee policy, Austria, the Czech Republic, Hungary, and Poland have shown how right-wing forces can exploit the cracks produced by the EU crisis. For the Left, different strategies can be useful counters: depending on their strength, left-wing forces can work together in a European context in specific areas of conflict (such as the battle against TTIP) or exploit the margins of a national economy. Stronger networks in the southern European countries where the Left is more powerful might allow for purposeful breaches of contracts in economic and social policy that could alter the balance of forces.

The German left bears significant responsibility in pushing toward a more progressive Europe. The primary task of socialists in Germany is “to mitigate, even break, German domination from within” — that is, to forge an alternative hegemonic project.⁵ But such a project can neither adopt the “idea of Europe” nor reject the euro completely. Instead, it must form around real alternatives to neoliberal policy that are capable of gaining majority support. ✎

5 Andreas Fisahn, “Neustart der EU?” *Sozialismus* 10/2016. Cf. Bernd Riexinger, “Für eine Revolution der Gerechtigkeit. Herausforderungen der LINKEN im Kampf gegen Neoliberalismus und Rechtspopulismus,” *Sozialismus* 5/2016.

During the eurozone crisis much of the Left argued in favor of remaining in the European Monetary Union (EMU) and the European Union, often in the name of internationalism, while developing a broad alliance against austerity and neoliberalism. However, the EMU has functioned in practice as a mechanism of ascendancy for German manufacturing capital, based on suppressing German workers. As the eurozone crisis is pacified, an entrenched division in Europe has emerged between an unstable core dominated by Germany, a Southern periphery with no growth prospects, and a Central European periphery dependent on German industry. Faced with this harsh reality, a class-based strategy for the Left must include rejecting the EMU, clashing with the EU, and demanding popular sovereignty. That would provide a true basis for internationalism in Europe.

A SOCIALIST STRATEGY FOR EUROPE

COSTAS LAPAVITSAS

The eurozone crisis broke out in 2010, hard on the heels of the Great Recession of 2007-2009. It partook of the systemic collapse of finance and production and expressed the contradictions of financialization and neoliberal economic policies that had manifested themselves in the Great Recession. But the crisis in Europe assumed a special virulence and lasted for an unusually long period because it was uniquely framed by the specific domestic balances of class power and the rigid hierarchy of nations that defines the European Economic and Monetary Union (EMU). The most important factor in this respect has been the dominance of German industrial capital over German labor, which ultimately prepared the way for German hegemony over Europe.

During the late 1990s and early 2000s, German capital delivered a blow to German labor, weakening the country's long-standing corporatist structures and relegating the working class to a clearly subordinate position. This opened the way for a long period of wage stagnation as well as major social spending cutbacks in Germany. Within the framework of the EMU, the resulting change in the balance of domestic class forces allowed German manufacturing-exporting capital to assert its competitive supremacy. During the same period the placement of substantial German foreign direct investment (FDI) in connection with the extensive supply chains in neighboring countries, and especially some that formerly belonged to the Eastern Bloc, further increased German competitiveness and commercial supremacy.

Germany's ensuing assertion of its competitive supremacy prepared the ground for constructing new political forms and institutional arrangements in the European Union that could translate Germany's industrial export preeminence into political dominance. The defining moment in this evolution arrived when Germany assumed leadership over its European partners in determining the EU response to the crisis. Germany accomplished this feat by taking advantage of its position as prime European lender and creditor, built up over years of German exporting surpluses. It obliged debtor countries in the periphery of the EMU, especially Greece, to accept suffocating policies of austerity and liberalization as the condition for bailing them out. It also imposed changes in the EU that institutionalized austerity and neoliberalism for countries of the core, such as France and Italy.

By 2017, Germany had brought Europe's crisis fully under control, while subordinating the core powers of France and Italy to its will and consolidating its dominant position over the EU's periphery. Far from partnership and convergence, the new European order expresses dominance and divergence. The core includes Germany, France, the Netherlands, Italy, and other countries, but its economic pivot is the German manufacturing-exporting complex: above all, automobiles, chemical, and machine tools. In relation to the core, there are at least two distinct peripheries. First, the Southern periphery, namely Spain, Portugal, and Greece, which bore the brunt of the crisis and comprises economies with weak industrial capacity and high unemployment. Second, the Central European periphery, including Poland, the Czech Republic, Hungary, Slovakia, and Slovenia, which played an important role in creating the German manufacturing complex and followed a different trajectory from that of the Southern periphery, both economically and politically.

These developments present an enormous historical challenge for the Left in Europe, which is thoroughly divided on the question of the EMU and the EU. The dominant current is unwilling to acknowledge that the outbreak of the eurozone crisis, as well as the ensuing regime of austerity and liberalization, are structurally induced by the very operation of the German-dominated EMU. Instead, these developments are viewed more generically as expressing the prevalence of neoliberalism leading to maldistribution of income and weak demand followed by predictable government attempts to tackle the problems in the interests of capital and at the expense of labor. The conclusion thus drawn is that the Left should wage an all-out counterattack on neoliberalism by fighting for concrete policies to strengthen labor against capital while fostering transnational unity.

From this perspective, the EMU and the EU are seen as no more than arenas in which to fight political struggles. Far from being inherent to their institutional

functioning, the neoliberal and anti-working-class policies of these vast transnational mechanisms are assumed to reflect the transient balance of class forces in key countries, such as Germany and France. From this perspective, calls to exit or dissolve the EMU would not only be pointless, but could open a path for driving sections of the working class into the arms of right-wing nationalist and authoritarian forces. The political conclusion drawn is that the Left ought to separate the EMU and the EU from their neoliberal political baggage, allowing them to promote national and working-class solidarity across Europe. For the dominant current of the European left it is an article of faith that the EMU and the EU should be defended in the name of internationalism, while being criticized for their neoliberal policies.

This approach fundamentally misunderstands the role of the EMU and other associated European institutions in shaping contemporary European capitalism. The EMU does not constitute a neutral set of governing bodies, institutions, and practices that could potentially serve any sociopolitical forces, parties, or governments, with any political agenda, depending on their relative strength. Its institutions were structured from the start in the interests of capital and against labor and have been gradually revised so as to serve ever more effectively the international agenda of a particular dominant class, namely German capitalists, and especially German industrial-export capitalists.

More specifically, the EMU has come to foster an international hierarchy of economies in the EU that is associated with German dominance, both within the core and between core and periphery. By virtue of its institutions, norms, and functioning, the EMU has enabled Germany to acquire tremendous competitive preeminence and a towering current account surplus, as well as assuming the position as European creditor *par excellence*. On these grounds Germany has become the EU's dominant force and the hegemon of Europe.

In working out a strategy appropriate to the current state of Europe, it is crucial for the Left to recognize that the destructive role of the EMU is not derived primarily from its overlay of neoliberal thinking and politics, which, if torn away, would allow the euro to function in the interest of working people. The EMU is a rigid set of institutions that has become the backbone of the EU. Its deepest failing has been its role in constructing and reproducing German preeminence, thus also reshaping the EU in practice. That has been the primary function of the euro in historical terms, even if it was not purposely intended by those who created the monetary union in the 1990s.

Given this overriding reality, to hope that the outlook of the EMU and the EU could be altered through the simultaneous election of left-wing governments in core countries, drawing upon common anticapitalist policies and supported

by grassroots workers' movements, is to add fantasy to misunderstanding. The political emptiness of this view has been made clear — in different ways — by the failure of Syriza in Greece and the rise of the Labour Party in Britain following Brexit.

Europe needs fresh economic policies capable of tilting the balance in favor of labor and against capital. These economic and social policies could also provide a feasible socialist perspective for the continent. For that to become a political reality, however, it would be necessary for the Left to recapture its historic radicalism and reject the mechanisms of the EMU and the EU as transnational mechanisms of European capitalism. Seeking to develop a movement against austerity, refuting neoliberalism, and advancing a critique of the policies of the EU and EMU are not nearly enough. The Left must confront the EU directly, while advocating exit from the EMU and writing off the massive debts accumulated in the preceding period. This is true of the Left in both core and peripheral countries, and nowhere more than in Germany.

Furthermore, German hegemony, and the attachment of European elites to the EU and the EMU, have weakened democratic representation and practice across Europe. The immigrant and refugee crisis that has erupted since 2015 has cast a harsh light on the xenophobic malaise in the heartlands of Europe. Far from opening the floodgates to nationalism and authoritarianism, rejecting the transnational mechanisms of European capitalism would open a path to defending the democratic rights of citizens, immigrants, and refugees alike, while assuaging frictions and tensions among European nations.

In sum, the Left needs a strategy that draws on its historical radicalism and internationalism. It is vital to break free from the false internationalism of the EMU and the EU, which serves only big business and promotes German domination of Europe. The sooner the Left moves in that direction, the better for the working people and nations of Europe.

FROM EUROZONE IMBALANCES TO GERMAN PREDOMINANCE

In strict economic terms, the eurozone turmoil began in 2010 as a balance-of-payments crisis involving a sudden reversal of capital flows from abroad, a phenomenon that has occurred frequently in developing countries in the decades since the 1980s, often referred to as a “sudden stop” crisis.¹ There is

1 Analysis in this section draws on C. Lapavitsas, “Political Economy of the Greek Crisis,” *Review of Radical Political Economy*, (forthcoming, 2018). There is an extensive mainstream

no denying that in confronting this crisis, the EMU has suffered from technical deficiencies in its architecture. Not least among these is the absence, first, of a unitary or federal government with the ability to tax, spend, incur deficits, and make fiscal transfers and, second, of a central bank that could freely buy government debt. An overarching state would have been able to provide funds to countries (and banks and enterprises) generated through taxation across the EMU. A central bank that could buy government securities in the primary markets would have been able to support countries unable to borrow in open markets. These would have been important levers in lessening the crisis.

However, even nontrivial deficiencies such as these could never by themselves have accounted for the outbreak of a balance-of-payments crisis of the magnitude and severity of the one that engulfed Greece, Ireland, and Portugal in 2010, with Spain escaping the worst only by the skin of its teeth. There had to have been a discernible mechanism which generated the enormous imbalances in international transactions among eurozone countries in the 2000s, and thus acted as the underlying driver of the crisis.

The view preferred by the European Commission is that the tendency to crisis resulted from the loss of competitiveness in the peripheral countries, due to their putative structural “inefficiencies,” most often arising from high protections for workers and the citizenry generally. These “inefficiencies” include, presumably, inadequate controls on government spending, weak taxation systems, inflexible labor markets resulting from overdeveloped institutions of collective bargaining and protections for workers against firing, extensive public ownership of productive and other resources, generous pension systems, market regulations in goods and services markets, bank loans advanced on concessional and even corrupt terms, and so on.

Starting from this premise, the Commission has been able to justify a host of neoliberal policies imposed on the stricken periphery, ostensibly to improve efficiency — notably, austerity and wage reductions along with deregulation and privatization. These would supposedly achieve stabilization by compressing domestic demand and thereby reducing imports and the current account deficit. At the same time they would ostensibly improve competitiveness and

literature on balance of payments crisis of the “sudden stop” variety, see G. Calvo, A. Izquierdo and E. Talvi, “Phoenix miracles in emerging markets: recovering without credit from systemic financial crises,” Technical report, National Bureau of Economic Research (2006), and G. Calvo, “Crises in Emerging Market Economies: A Global Perspective,” National Bureau of Economic Research, Working Paper No. 11305 (April 2007). See also *The Eurozone Crisis: A Consensus View of the Causes and a Few Possible Solutions*, edited by R. Baldwin and F. Giavazzi, (London: CEPR Press, 2015).

increase exports, thereby stimulating economic growth.

The approach of the European Commission is profoundly flawed and reminiscent of the IMF's approach toward developing countries beginning in the early 1980s, which gradually came to constitute the "Washington Consensus." A large critical literature has identified the weaknesses and blunders of this neoliberal totem.² The so-called "inefficiencies" often amount to nothing more than the disparities between the abstract models of neoclassical economic theory, which the IMF deploys, and the concrete institutional and class realities of particular countries. There is no reason in general why such disparities should hinder capitalist accumulation and growth. On the other hand, the so-called "cure" of austerity, which reduces aggregate demand, frequently has a destructive effect on output, employment, and productive capacity. As for privatization and deregulation, there is little evidence that they result in sustained and rapid growth.

However, there was an even bigger problem with the Commission's approach, a veritable elephant in the room — namely the stagnation of German wages since the late 1990s and the class politics that lay behind it. Since the emergence of the EMU in the late 1990s, extraordinary wage restraint has been imposed on German workers, with nominal wages remaining essentially frozen from the late 1990s to the late 2000s, and rising only very gently during the ensuing decade. The counterpart to this trend has been an exceptionally low rate of inflation in Germany compared to other eurozone countries. The systematic repression of German wage growth has been of overriding importance in explaining the huge divergences of competitiveness within the EMU, and thus the buildup of current account imbalances that opened the way to the crisis. This crucial factor has been systematically ignored in the Commission's account of the crisis.³

The long-term suppression of German wage growth was conditioned by a series of developments that took place starting of the 1990s, subjecting the German working class to ever more powerful competitive pressures to which it has

2 For a relatively old but still useful account see *Development Policy in the Twenty-first Century: Beyond the Post-Washington Consensus*, edited by B. Fine, C. Lapavitsas, and J. Pincus (London: Routledge, 2001).

3 See C. Lapavitsas, A. Kaltenbrunner, D. Lindo, J. Michell, J. P. Paineira, E. Pires, J. Powell, A. Stenfors, and N. Teles, "Eurozone Crisis: Beggar Thyself and Thy Neighbour," RMF Occasional report, (March 2010); H. Flassbeck and C. Lapavitsas, "The Systemic Crisis of the Euro: True Causes and Effective Therapies," Rosa Luxemburg Stiftung Studien (2013); H. Flassbeck, J. and C. Lapavitsas, *Against the Troika: Crisis and Austerity in the Eurozone* (London and New York: Verso, 2015).

yet to find an answer.⁴ German unification devastated the East German economy by exposing the region's enterprises to West German costs and prices, a process rendered all the more excruciating by the government's decision to swap the East German mark at the rate of one to one for the West German deutsche mark. A great mass of unemployed — and unemployable — labor was thereby created in the East, exerting continuous downward pressure on wages in the West.

The collapse of the Eastern Bloc as a whole detonated an even deeper transformation that today is still far from complete. The opening of Poland, Hungary, the Czech Republic, Slovakia, and Slovenia, with their relatively high-skilled and low-cost labor, presented German manufacturing capital with an unprecedented opportunity.⁵ International supply chains have become a vital feature of contemporary globalized capitalism, allowing manufacturers to shift some parts of production to cheaper locations abroad and finish the product at home. Since the early 1990s German enterprises have constructed manufacturing supply chains throughout Europe by relocating productive capacity not simply to countries of the former Eastern Bloc, but also to core countries, including the Netherlands and Austria. However, by taking advantage of the low wages, well-trained labor force, and institutional capacities of the former Eastern Bloc countries, German manufacturers have turned these into a periphery for German capital, while adding further downward wage pressure on workers in the German labor markets.

The run-up to EMU occurred against this background of softening up the German labor movement. German capitalists had already begun a process of seceding from their union contracts, union density had fallen significantly, and nonunion labor had increased.⁶ Meanwhile, neoliberal economics had

4 For further analysis of internal developments in Germany and their importance to the neoliberal transformation of the EU, see W. Streeck, *How Will Capitalism End?* (London & New York: Verso, 2016); F. Scharpf, "Forced Structural Convergence in the Eurozone – Or a Differentiated European Monetary Community," MPIfG Discussion Paper 16/15, (2015); F. Scharpf, *Community and Autonomy: Institutions, Policies and Legitimacy in Multilevel Europe*, Publication Series of the Max Planck Institute for the Study of Societies, Cologne, Germany, volume 68 (Frankfurt/New York: Campus Verlag, 20); M. Hoepner, "Europe would be better off without the Euro," *Labor History*, vol. 55, no. 5, (2014), 661-666. See also H. Flassbeck and C. Lapavitsas, *op. cit.*, (2015).

5 Historically German capital has been closely connected to Central and Eastern Europe, and there are deeply rooted cultural and other links among these countries that might have facilitated the flows of FDI and the construction of supply chains. See S. Gross, "The German Economy and East-Central Europe: The Development of Intra-industry Trade from Ostpolitik to the Present," *German Politics and Society*, vol. 31, no. 3, (2013), 83-105.

6 For the decline in union power in Germany, see A. Spitz-Oener, "The Real Reason the German Labor Market is Booming," *Harvard Business Review* (March 13, 2017); K. Yamamura

become dominant in German policymaking circles, giving credence to the notion that German wages were too high and wage restraint was thus the key to increasing employment. The Social Democratic government of Gerhard Schröder seized upon the already weakened state of labor and the ideological dominance of neoliberalism to consolidate the subordination of the working class by German employers.

Put forward by Schröder and the SPD, the so-called Agenda 2010 promoted deregulation of the labor market, giving firms greater freedom to hire and fire. At the same time, rules were loosened to permit the increase of part-time and temporary jobs, leading to an extraordinary rise in precarious employment. Even more consequential was the introduction of the Hartz IV reforms, which brought about a decisive reduction in unemployment benefits. Hartz IV did introduce a guaranteed minimum living allowance, but it also forced the unemployed into seeking and taking work that they hitherto would not have considered. The protection of the German worker in the labor market was profoundly weakened and downward wage pressures increased in the bargain.

The overall outcome of Schröder's policies was to weaken German workers in the face of employer demands, undercutting their ability to resist. But the importance of the changes that occurred in the late 1990s and early 2000s is to be found less in the loosening of the German labor market than in the undisguised political expulsion of labor from its traditional place in the corporatist structure of the German economy. This was no gradual reform that was mutually accepted by capital, labor, and the state. It represented a shock delivered from above, which had the explicit effect of demoting the German working class as a political player.

The implications of this signal defeat of the German working class for the evolution of the EMU have been dramatic. German nominal wages were prevented from rising virtually at all from the end of the 1990s to the end of the 2000s, as was German inflation. As a consequence, Germany's rivals inside the eurozone, largely unable to match Germany's wage restraint and low inflation, for the most part failed to prevent the decline of their competitiveness. In particular, membership in the EMU meant that countries could not counteract the loss in competitiveness by lowering their exchange rate, i.e., devaluing their currency.

To put it differently, Germany's real effective exchange rate declined systematically, allowing German industry to effectively turn the eurozone into

and W. Streeck, *The End of Diversity? Prospects for German and Japanese Capitalism* (Ithaca: New York 2003).

its own domestic market.⁷ France and Italy saw their former leading positions within the eurozone undermined. The Southern European periphery of Portugal, Greece, and Spain developed large current account deficits. Germany's current account surplus, meanwhile, rose extraordinarily. The basic conditions for setting off the eurozone crisis were thus put in place.

Nevertheless, before examining the way in which Germany's wage repression and export success led to the crisis of the eurozone, it is vital to stress its implications for the broader functioning of the German economy, and to some extent for the European economy as a whole. The very suppression of wage growth that facilitated Germany's export success also slowed the growth of domestic consumption and this aspect of the home market. The weakness of consumption is, moreover, far from counteracted by a rise in investment. Indeed, perhaps the most striking aspect of the evolution of the German economy is the sustained failure of German capital to significantly augment its purchases of new plant and equipment, which is paralleled by weak public expenditure on infrastructure. The overall outcome has been the halting growth of aggregate demand in Germany and, through German-inspired austerity policies applied since the outbreak of the crisis, in Europe as whole.

Against this background of feeble expansion in the markets of Europe, the fate of German manufacturing has also come to rest on its ability to enter export markets beyond Europe, especially to capture some of the global demand for machine goods and other specialized manufactures in the face of increasing international competition. In this respect, the downward pressure on German wages, the maintenance of a low exchange rate for the euro, and the construction of supply chains throughout the EU, not least by taking advantage of lower costs in Central Europe, are vitally important factors. Only if German manufacturing can stand up in the global markets will it be able to maintain its ascendancy, which is far less secure than might appear.

In sum, Germany's increasing competitiveness and export growth is hardly based on its ability to raise output per person but rather, on its capacity to suppress compensation per person. The country's contradictory development within the EMU and beyond, and the pressures it has placed on its own working class, could hardly be more evident.

7 On the significance of real effective exchange rates, especially with regard to the Greek crisis, see M. Nikiforos, D. Papadimitriou, and G. Zezza, "The Greek Public Debt Problem," Working Paper No. 867, Levy Economics Institute of Bard College (May 2016).

FROM BALANCE-OF-PAYMENTS CRISIS TO GERMAN HEGEMONY

The balance-of-payments crisis that broke out in the EMU in 2010 resulted from the profound buildup of current account imbalances that were themselves rooted in the divergence of competitiveness within Europe caused largely by the suppression of German wage growth. Annual current account deficits caused a buildup of debt on the part of less competitive countries. At a certain point, the debt came to appear unsustainable to international creditors, and a “sudden stop” occurred as banks and other large financial institutions ceased making advances to governments and often to private borrowers as well.

Banks in particular began to demand the paying down of existing loans as they sought to protect themselves from a likely precipitous decline in the value of loans. Liquidity became scarce and debtor countries found themselves unable to borrow to meet short-term obligations, particularly to service their accumulated external debt. The prospect of default thus arose and, as it did, the prospect of the collapse of European financial markets increased in tandem.

In crisis situations of this type it is imperative to secure liquidity for the markets and additional funds for the countries under pressure. These roles are typically played by central banks, which provide liquidity to market participants, as well as by surplus states that lend funds to countries unable to borrow in the open markets. Moreover, as historical experience since the 1980s has shown, even if fresh funds are secured by borrowers, the financial crisis generally results in an economic crisis, including a decline of GDP and rising unemployment. The economic crisis subsequently has an additional effect on the economy’s capacity to pay loan obligations, which further exacerbates the downturn.

All of which is to say that in 2010 the EMU had no established mechanisms capable of providing funds to countries in crisis. The result was that *ad hoc* mechanisms had to be created that succeeded in lending funds to countries, but only with attached “conditionality” — that is, a harsh set of demands imposed on the borrowers as the condition for receiving the loan. This eventuality provided an excellent political vehicle for Germany to impose its will across Europe.

During the first decade of the twenty-first century, peripheral countries of the eurozone had incurred huge external debts, owed mostly to the core, as a consequence of financing their rising current account deficits. The funds had inevitably come from surplus countries, which meant primarily Germany. Put another way, the negative saving of peripheral countries in the EMU, which reflected their external deficits, was matched by the positive saving of core countries, which reflected their external surpluses.

In addition, peripheral countries had built up domestic debt as national banking systems took advantage of the low interest rates that resulted from the common loose monetary policy of the EMU operated by the European Central Bank (ECB). In Spain and Ireland, in particular, bank credit expanded tremendously, leading to historic housing bubbles. While the enormous expansion of domestic debt in peripheral countries created the impression of economic prosperity, especially as their private debt rose proportionately more than their public debt, it also masked the collapse of their competitiveness and national savings.⁸

At a certain point in 2010, and in the wake of the Great Recession of 2007-2009, international creditors came to regard the pile-up of public debt in Greece as unsustainable. The chief lenders, mainly in Germany and France, ceased to lend and sought instead to have their Greek debtors pay off their debts. This was the “sudden stop” that detonated the eurozone crisis, which quickly engulfed Portugal and Ireland, with Spain avoiding the worst by a whisker.

A characteristic feature of the eurozone crisis, especially under the political pressure of the Germans and their partner creditors, was that it led to the accumulated private debt held by the banks migrating to the public ledger, especially in Spain and Ireland. Instead of Spanish and Irish banks declaring default and taking losses for their shareholders and bondholders, the government effectively covered the debts of banks, with the public ultimately held responsible for paying off those debts. The process was initially different in Greece, where banks were not as exposed as in Spain and Ireland, but the state was more heavily indebted. However, as the crisis unfolded and the emerging recession weakened Greek banks, the state effectively took charge of a large part of their debts, with responsibility placed with the Greek citizenry.

By bearing the brunt of the crisis, the governments of the peripheral countries were in effect protecting the lending banks of the core, especially Germany and France. If peripheral banks had declared bankruptcy, core banks would have found themselves in deep trouble. The cost of the crisis was thus heavily shifted onto peripheral countries and the ruling classes of the peripheral countries willingly submitted for fear of the domestic unrest and international turbulence their own default would have generated. This was a vital first step, indeed, the turning point, in enabling Germany to translate its debtor position into political hegemony inside the EMU, for it allowed Germany to begin to impose “conditionality” on the peripheral countries — a program of austerity,

⁸ For empirical substantiation of these points, see C. Lapavitsas, A. Kaltenbrunner, G. Lambrinidis, D. Lindo, J. Meadway, J. Michell, J.P. Paineira, J. Powell, E. Pires, A. Stenfors, N. Teles, and L. Vatikiotis, *Crisis in the Eurozone*, (London and New York: Verso, 2012).

privatization, and liberalization

Once the first shock of the crisis passed, Germany took advantage of its competitive superiority, its current account surpluses, and its creditor position to dictate the policies of the eurozone and, more broadly, of the EU. It secured its ascendancy first by dictating the immediate steps to confront the crisis in the Southern periphery; second, by determining policies to be put into effect across the eurozone, ostensibly to restore competitiveness and forestall future crises; and third, by continuing to integrate the Central European periphery to its own manufacturing-exporting complex. It is telling that throughout the 2010s, the EU has avoided any institutional changes that might have jeopardized the dominant position of German exporting capital.

Specifically, the EU took four fundamental steps to confront the immediate effects of the crisis, at the behest of Germany.⁹

First, throughout 2010-II the ECB provided abundant liquidity to struggling private and public banks with the overriding aim of rescuing the banks of the core — mainly German and French — that were exposed by their lending to the periphery.

Second, the EU consistently rejected any prospect of debt forgiveness, or even substantial debt relief, for the heavily indebted countries, despite the clear advocacy of debt haircuts by the IMF.¹⁰ It is a firm principle of the EMU that no member state, and certainly not Germany, would accept responsibility for the debt of another. On the same grounds, Germany has systematically opposed all proposals to “mutualize” debt — that is, to share the risk of nonpayment by issuing eurobonds or similar instruments.

Third, the EMU saw to the provision of loans to debtor states that could no longer access loanable funds in the international financial markets. This was accomplished by creating *ad hoc* mechanisms of inter-state lending under the leadership of Germany. By 2012, the EMU acquired a permanent institutional framework that could deal with this task: above all, the European Stability Mechanism (ESM). It cannot be stressed enough that the ESM is an unaccountable body lacking entirely in democratic credentials. But by virtue of the substantial funds it commands, it can unilaterally impose severe conditions for loans to states in difficulties.

9 This section draws on C. Lapavitsas, C. T. Mariolis, and C. Gavrielidis, “Eurozone failure, German policies, and a new path for Greece: Policy analysis and proposals,” Rosa Luxemburg Stiftung Publikationen (January, 2017).

10 See International Monetary Fund, (IMF), Independent Evaluation Office, “The IMF and the Crises in Greece, Ireland and Portugal: An Evaluation by the Independent Evaluation Office,” (July, 2016).

Fourth, in exercising its powers to lend, the EU obliged debtor countries to achieve fiscal stability through the imposition of austerity, i.e., by reducing public expenditure and raising taxes. There was no backing down from this rule throughout the crisis regardless of the damage austerity did to employment, incomes, and production.

Against this background and at the behest of Germany, the EU and the EMU began to impose a longer-term transformation of the economies of the debtor countries, ostensibly to improve their competitiveness and prevent future disturbances. These changes occurred under the guise of “reforms,” the implicit model for which was transformation that had taken place in Germany in the 1990s and 2000s.

The result was to subject much of the rest of Europe, especially the Southern periphery, to ever-increasing downward pressures on wages and living standards. Germany secured its competitive dominance by relying heavily on the stagnation of domestic wages for well over a decade. If core countries, such as France and Italy, and even more so, those of the Southern periphery, were to follow the same road and at the same time compete with Germany, they would have to apply even greater downward pressure on wages. This unprecedented race to the bottom would take living standards to previously unplumbed depths in Europe. That is the underlying logic of the German plan for recasting the European economy to ensure the ascendancy of Germany in Europe and its presence in the world market.

Thus, first, the EU has hardened fiscal discipline, making austerity its driving principle. It has made the existing Stability and Growth Pact tougher in the form of the Fiscal Compact, which was adopted in 2012. The EU now operates in an environment of permanently institutionalized austerity which gives it the right to impose penalties on countries that cannot keep within the budget limits (maximum deficits) that are key in defining the austerity principle.

Second, the EMU has determined that competitiveness is to be raised primarily through wage restraint, privatization of public assets, and deregulation of markets. A neoliberal growth agenda now holds sway in the EU, complementing austerity’s dominance in public policy.

Third, the ESM has gradually evolved into a mechanism capable of dealing with future public debt crises. It has been endowed with a “war chest” in the region of 500 billion euros that could be deployed for loans but always on the basis of strict conditionality. The ESM could potentially develop into a version of the IMF for the EMU, imposing and policing austerity and liberalization. Indeed, it is possible that it will become even more intrusive than the IMF since it might acquire the capacity to reform the administrative and other state mechanisms

of entire countries in the direction chosen by Germany. The prime example is Greece, as will be seen.

Fourth, the EMU has planned to deal with the fragility of European banks through the establishment of a banking union under the guidance of the ECB. Provision has been made for the “bail-in” of privately held bank bonds and even bank deposits in case of bank failure.

The outcome has been weak growth and persistently high unemployment in the EMU, and especially in the Southern periphery, since the outbreak of the crisis. The measures have actually hardened the dysfunctional regime of the common currency, solidifying in particular the advantages of German industrial-exporting capital as Germany refuses to consider changing its domestic policies.

As of 2017, Germany had fully consolidated its position as the dominant EMU power, shaping the policies and outlook of the broader EU as well. German exporting capital used the EMU as a springboard to gain enormous trade surpluses not just within the EU but beyond its borders. Austerity and neoliberalism have become the credo of EU institutions, while democratic rights suffer as austerity is applied. The entrenchment of austerity in Germany within the framework of the EMU has warped the economic structures of Europe in an absurd attempt to emulate Germany. The outcome is the domination of Europe by German capital, which now has a stronger base to compete in the world market. The notion of a common European project of solidarity and unity among European people, ostensibly incarnated in the EMU, has functioned exceptionally well in facilitating German economic and political domination.

AN UNSTABLE CORE AND TWO DISTINCT PERIPHERIES

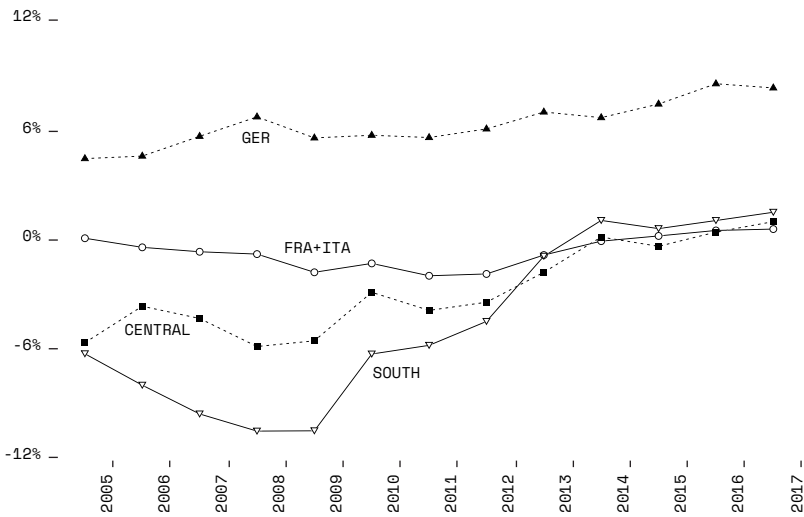
As German ascendancy became indisputable, it has also become clear that the EU is firmly divided into core and periphery. The core, which belongs to the monetary union, shows signs of considerable internal weakness, as France and Italy have proven incapable of confronting German ascendancy.¹¹ Furthermore, the periphery, parts of which do not belong to the EMU, exhibits considerable differentiation. Specifically, the Southern periphery is quite distinct from the

11 For our purposes the core of the EU is taken to comprise Germany, France, and Italy. It is true that the Netherlands, Austria, and other countries could also be included in the core, but that would only complicate the analysis without much benefit. It also helps to keep Germany separate from France and Italy to show the nascent divisions within the core.

Central European periphery.¹² These divisions are of critical importance and will place their stamp on the future development of Europe.¹³ What is certain is that there will not be any convergence of economies within the EU. This is the world with which the European left must now contend.

The divergence in economic performance within the core, between core and periphery, and among the two peripheries is clearly shown by the trajectory of the current account in Figure 1.

FIG. 1: CURRENT ACCOUNT BALANCE OF CORE & PERIPHERIES (% OF GDP)



Source: Constructed from AMECO data

LAPAVITSAS

12 The Southern periphery is taken as Spain, Portugal, and Greece, and the Central European periphery as Poland, the Czech Republic, Hungary, Slovakia, and Slovenia.

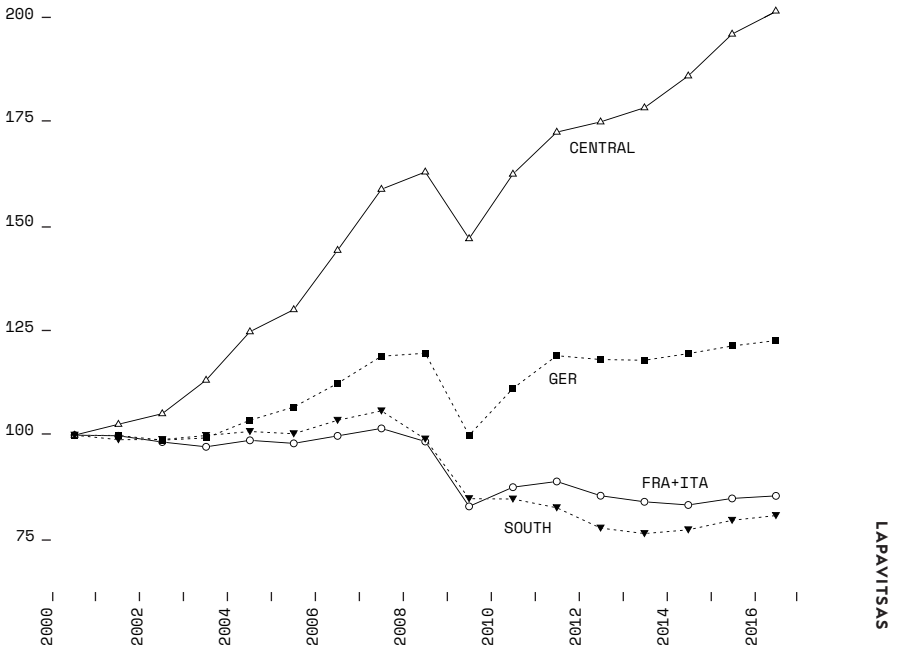
13 Path-breaking empirical work along these lines has been systematically undertaken at the Vienna Institute for International Economic Studies. See, for instance, M. Landesmann and D. Hanzl-Weiss, “Structural Adjustment and Unit Labor Cost Developments in Europe’s Periphery: Patterns before and during the Crisis,” *Research Report 390*, The Vienna Institute for International Economic Studies September, 2013); M. Landesmann and S. Leitner (in collaboration with R. Stehrer), “Competitiveness of the European Economy,” *Research Report 401*, The Vienna Institute for International Economic Studies (May 2015); D. Hanzl-Weiss and M. Landesmann, “Correcting External Imbalances in the European Economy,” *Research Report 410*, The Vienna Institute for International Economic Studies (April 2016).

Germany registered a historic upward shift in its current account surplus, mostly due to the export of industrially produced commodities. Until 2007 the German surplus was drawn primarily within the EMU, but with the onset of the crisis, German industry began securing large surpluses outside the EMU. At the root of the second surge lies domestic wage restraint, as well as the low exchange rate of the euro relative to the US dollar and other key currencies on account of the eurozone crisis. In contrast, France and Italy mostly registered deficits in the 2000s, although in the 2010s Italy began to register surpluses by consistently applying austerity measures that depressed domestic demand, and thus imports. The inability of both countries to compete with Germany within the EMU is clear.

The contrast between the two peripheries is similarly pronounced. The Southern periphery registered large deficits in the 2000s, which turned to small surpluses in the 2010s as the EU imposed austerity and bailout programs. The Central European periphery registered small deficits in the 2000s and small surpluses in the 2010s; its external trade relations are very different and far more dynamic than those of the South.

The underlying differences between and within core and peripheries are also starkly visible in Figure 2, which presents the trajectory of industrial output. Note, above all, the contrast between the two peripheries. The South has a weak industrial base: it comprises economies with a large service sector, weak competitiveness and, historically, a relatively large public sector that used to act as mass employer. The Central European periphery acquired a far stronger industrial character, and has been more successful in supporting competitiveness.

FIG. 2: INDUSTRIAL PRODUCTION, EXCLUDING CONSTRUCTION (2000 = 100)

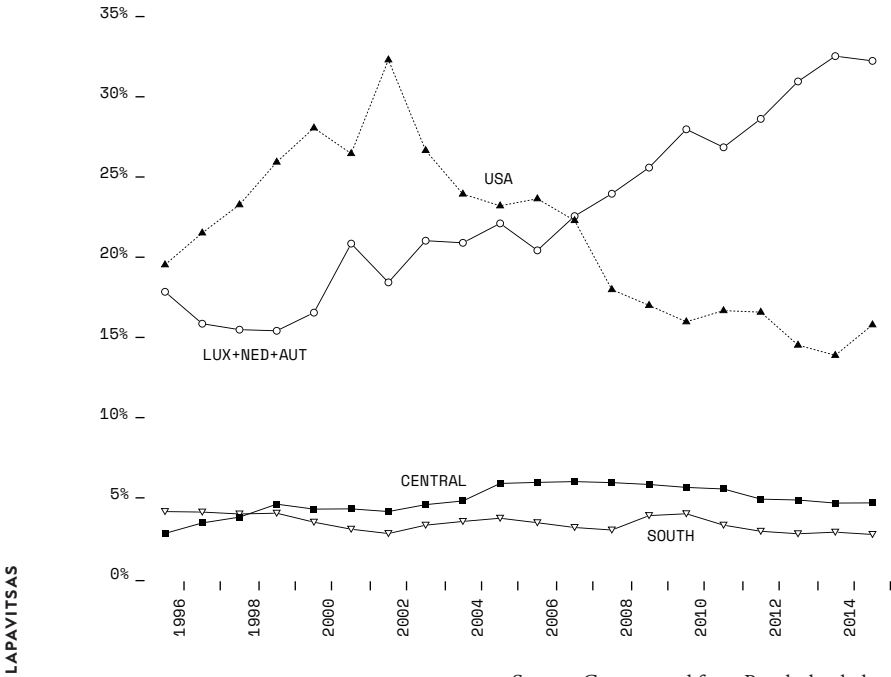


Source: Constructed from AMECO data

The steady ascent of industry in the Central European periphery compared to the South is the result of several factors, but two stand out. First, there has been a sustained flow of German manufacturing FDI in Central Europe, especially in the automobile sector, which results in a high proportion of “greenfield” investments. The result is considerable growth of intra-industry trade, which further boosts industrial capacity in Central Europe by providing opportunities to large numbers of local small-scale suppliers. Second, Poland, the Czech Republic, and Hungary, which are by far the leading countries and main recipients of German FDI in the Central European periphery, are not members of the EMU. They avoided the competitiveness trap and austerity vice of the EMU that throttled the South. When necessary, they have also been able to rely on exchange rate policy, especially the devaluation of their currencies.

To establish the point further consider the broader allocation of German outward FDI in Figure 3.

FIG. 3: GERMAN OUTWARD FDI, % OF TOTAL

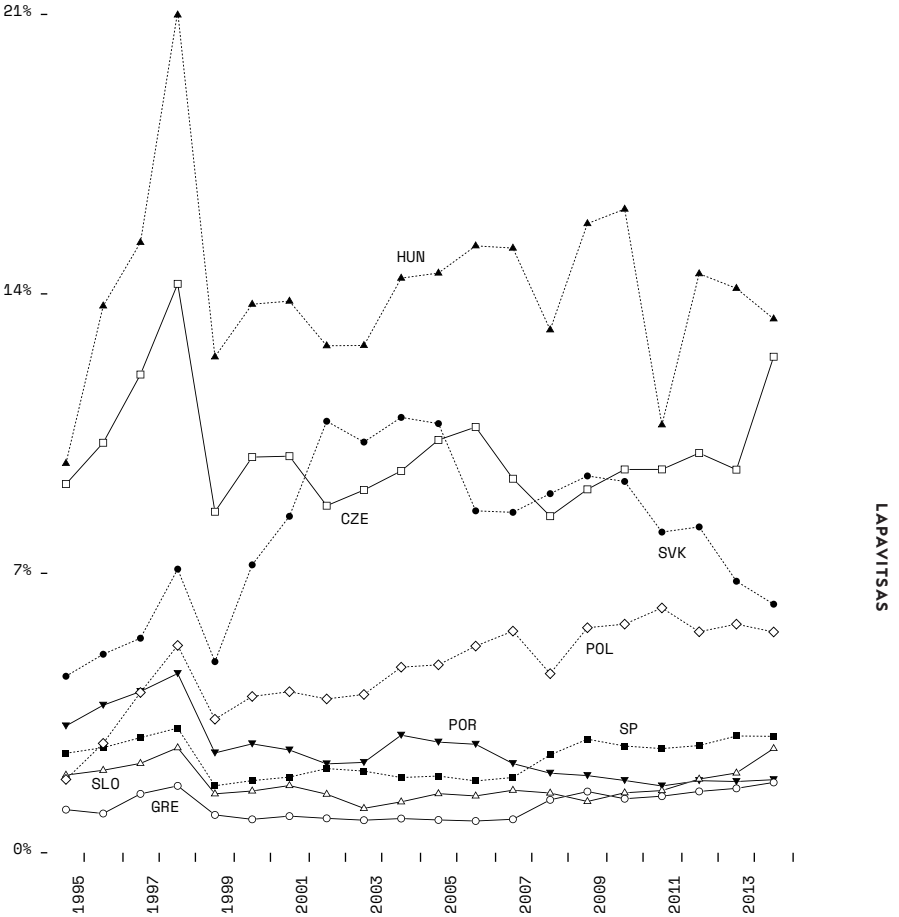


Source: Constructed from Bundesbank data

The direction of German outward FDI has changed dramatically since roughly the time of the introduction of the euro, with the US declining precipitously and three core countries of the EMU — Holland, Luxembourg, and Austria — rising equally precipitously. The FDI going to the two peripheries is much smaller, and the balance has switched in favor of Central Europe. The figure shows clearly that, as the euro was introduced, German manufacturing capital began to create supply chains mostly with other core countries but also with the Central European periphery. The Southern periphery was left behind.

The difference between the two peripheries is reflected even more clearly in Figure 4, showing the weight of German FDI relative to the GDP of each country.

FIG. 4: GERMAN FDI AS % OF RECIPIENT'S GDP, CENTRAL & SOUTHERN EUROPE



Source: Constructed from Bundesbank data

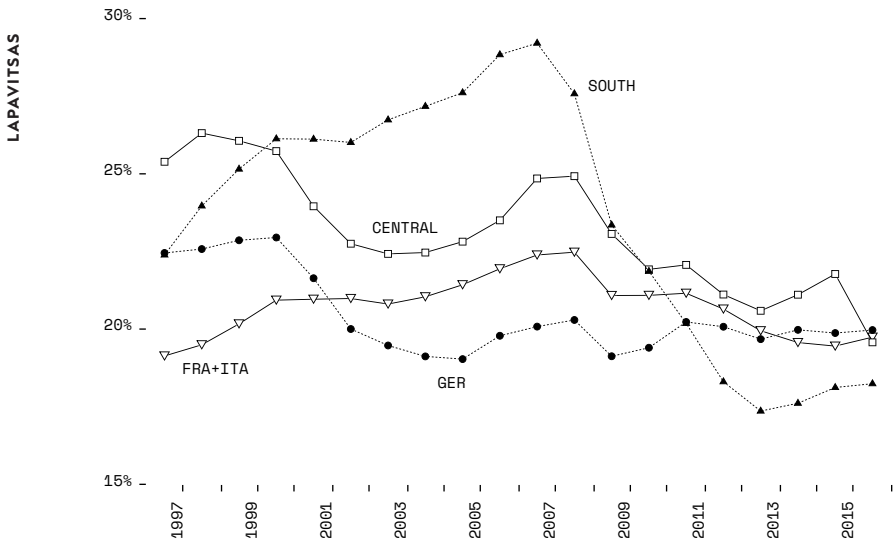
Poland, the Czech Republic, Hungary, and Slovakia are in a different league than Spain, Portugal, and Greece as recipients of German FDI. Slovenia has similarities with the South, but it has absorbed significant volumes of FDI in recent years. That is the foundation of the supply chains that have led to substantial intra-industry trade and to an emerging domestic industrial base in

Central Europe.¹⁴ In contrast, few significant manufacturing supply chains link the Southern periphery to the German industrial core of Europe.

The availability of cheap and well-trained labor in Central Europe attracted German manufacturing capital, with Central Europe coming to depend heavily on Germany for technology transfer while its economy moves in tandem with that of Germany. Unemployment is falling in the Central European periphery and wages have even edged upwards, but the danger of close attachment to the German industrial core is apparent. Southern Europe, in contrast, is on a declining industrial path, relying heavily on services, including tourism, and its technological base is generally weak. Both peripheries also export trained labor to Germany, thus weakening their capacity for productivity increases.

Finally, lest it be thought that German ascendancy in the EU has resulted in the resurgence of the continent as a productive force in the world economy, consider Figure 5 showing domestic investment as a proportion of GDP.

FIG. 5 INVESTMENT AS % OF GDP



Source: Constructed from AMECO data
 *Gross Fixed Capital Formation as % of GDP at current prices

¹⁴ The IMF has been aware of some these developments for some time now. See its extensive report in IMF (2013).

Dominant German industrial capital is simply not investing domestically, and its enormous profits tend to become monetary surpluses held by corporations. Put differently, the suppressed wages of German workers have tended to become money capital available for lending abroad. The domestic performance of the German economy has been correspondingly weak, with sustained domestic austerity bringing weaknesses in infrastructure and welfare provision. As a result, average growth rates in Germany since the crisis have been poor, barely reaching 2 percent on average, and mostly deriving from exports. There is no productive “miracle” in Germany. Its ascendancy is based on relentless pressure on its own workers.

The weakness of investment is also apparent in France and Italy, and neither of the two peripheries fares much better. Investment has completely collapsed in the South, inducing the shrinkage of aggregate demand that made the eurozone crisis so severe. Aggregate domestic investment has also been on a downward path in the periphery of Central Europe despite a rising industrial output. The weakness of investment is reflected in weakness of growth. Under German leadership the EU and, more broadly, the continent, have lacked any vigor in capital accumulation.

In this light, there can be little doubt that the EMU is a historical failure, although it helped German industrial capital establish its supremacy. A class-based left strategy for Europe must take these material realities as its point of departure, rather than abstract generalities about neoliberalism, nationalism, European unity, and so on. It must also depart from the concrete political and social experience of the years that have followed the outbreak of the crisis. Two world-historic events have shaped that experience: first, the rise and abject surrender of Syriza in Greece, and second, the Brexit vote and ensuing Labour Party surge in Britain.

THE DISASTER OF SYRIZA AND THE PROMISE OF BREXIT

Greece received an enormous economic, political, and social shock in the course of the eurozone crisis. Its trajectory offers an object lesson in the failure of the dominant current of the European left, which seeks to fight austerity and neoliberalism while accepting the framework of the EMU and the EU. The Greek experience demonstrates concretely that, if the Left intends to challenge austerity and the rule of capital in Europe, it must necessarily break with the EMU and directly challenge the mechanisms of the EU.

There have long been pronounced structural weaknesses in Greek

capitalism, made especially notable since the country joined the EU in 1981. Greece has failed to compete successfully within the EU and the Greek economy relies heavily on “non-tradable” at the expense of “tradable” goods and services.¹⁵ Productivity has generally been low and comparable to European averages only for some non-tradable commodities. As a result the country imports ever larger proportions of high-tech products. The weakness of the economy in this respect is particularly striking in the industrial sector, which depends heavily on imports. Since the early 1980s, whenever the rate of growth has significantly increased, Greece has faced strong “leakages” abroad in the form of imports by the industrial sector, which contribute to the weakness of its external balance.

During the last three decades Greece has been in a developmental dead end, specialising in commodities of low and middle technology and relying on unskilled labor. These products make a relatively poor contribution to productivity, and so limit the growth potential of the economy as a whole. The low growth potential is exacerbated by negative aggregate net saving ever since the country joined the EMU. During this period Greece has registered relatively high consumption, weak investment, and sustained trade deficits. It has been able to grow relatively fast in the 2000s only by expanding its borrowing from abroad.

After joining the eurozone, Greek competitiveness collapsed in the face of the German wage freeze. The traditional route of boosting competitiveness by devaluing the currency was no longer available. The country found itself in a trap of which its social and political leadership was only dimly aware. While competitiveness evaporated, private debt greatly expanded as Greek banks took advantage of cheap liquidity to expand loans. However, Greece did not have a bubble similar to Spain or Ireland. There was also heavy borrowing abroad by the Greek state, which took advantage of EMU membership to change the composition of its debt away from domestic and toward foreign lenders. This was a catastrophic development that eventually led to Greece’s loss of sovereignty.

For a short period in the 2000s, investment picked up and productivity

15 The following paragraphs draw on C. Lapavitsas, T. Mariolis, and C. Gavrielidis, “Eurozone Failure, German Policies, and a New Path for Greece: Policy analysis and proposals,” Rosa Luxemburg Stiftung Publikationen (January 2017); T. Mariolis, “Currency devaluation, external finance and economic growth: A note on the Greek case,” *Social Cohesion and Development*, vol. 8, (2013), 59-64, and T. Mariolis, “The foreign-trade leakages in the Greek economy,” Paper presented at the workshop ‘What is the future for Europe?’ of the European Research Network on Social and Economic Policy, AUTh (April 26-27 2016); A. Katsinos and T. Mariolis, “Switch to devalued drachma and cost-push inflation: A simple input-output approach to the Greek case,” *Modern Economy*, vol. 3 (2016), 164-170.

growth accelerated. The underlying weakness of the economy was, however, manifest in the current account deficit, which reached 15 percent of GDP in 2008-9. When the Great Recession of 2007-9 broke out, Greek growth rates declined, and by 2009 the country's hopeless position was apparent. In early 2010, the Greek state was shut out of the international financial markets. The pressure on Greek banks together with the dearth of domestic saving led to an unprecedented collapse of investment, ushering in a crisis of extraordinary depth and persistence.

Bailout policies were adopted after 2010, imposed by the lenders, i.e., by Germany, with the full connivance of the "historical bloc" that runs Greece, to use Gramsci's apposite term. Membership in the EMU meant that Greece had no command over monetary policy and no exchange rate policy. The lenders imposed rigid austerity, and enforced dramatic reductions in wages and pensions. The ostensible purpose was to stabilize the economy by eliminating the current account and fiscal deficit. The lenders further imposed privatization as well as the deregulation of markets with the aim of encouraging growth.

Two factors made the Greek bailout utterly disastrous, both related to EMU membership and German ascendancy. The first was that the country did not have a currency to devalue so as to channel some of the adjustment pressure abroad. Consequently, the domestic economy bore the brunt of eliminating the external deficit. The second was that significant debt relief was denied to Greece because of fears about the impact on European banks, and because Germany consistently refuses to carry the cost of another state's debt within the eurozone. There is no doubt that the denial of debt relief to Greece came from the EU, i.e., from Germany; the IMF had advocated a restructuring of Greek debt but was turned down by the EU.¹⁶ Lack of devaluation and debt relief together with the bailout policies spelled doom for the Greek economy.

Aggregate demand was destroyed by austerity comprising of cuts in public spending, tax increases, and falling wages. The result was an unprecedented downward spiral for the economy in 2010-13. The cost of adjustment fell primarily onto wage labor, which faced extraordinary unemployment, rising to 27 percent of the labor force in 2013-14. The bailout measures also effected the income and living conditions of the middle class, forcing hundreds of thousands into the status of a new proletariat, except that there were no jobs available to

¹⁶ See International Monetary Fund, (IMF), Independent Evaluation Office, "The IMF and the Crises in Greece, Ireland and Portugal: An Evaluation by the Independent Evaluation Office," (July, 2016).

them. Membership in the EMU and obeying the commands of the EU came at an extremely high price.

This was the context in which Syriza emerged in 2012, transforming from a small part of the Greek left into a party of government that rejected the bailout policies and promised a path of hope across Europe. Unfortunately, the promise of Syriza proved completely without foundation as it surrendered abjectly, adopting the policies of the lenders wholesale. The question is why?

For the answer one must first look at the main classes of Greek society.¹⁷ The Greek historical bloc, i.e., an alliance of ship owners, bankers, industrialists, merchants, upper-middle-class professionals, and petty capitalists, never entertained any notion of dissenting from the bailout program and the demands of the lenders. Remaining in the EMU and avoiding conflict with the EU is a nonnegotiable position for the social strata that run Greek capitalism. Exit from the EMU and open conflict with the EU would directly and immediately challenge the domestic power and international alliances of the Greek historical bloc. These were the crucial issues on which class conflict crystallized in Greece as the bailout policies wrought havoc on economy and society. The Greek historical bloc, placing its class interests first, preferred to accept a severe loss of sovereignty by submitting to the lenders, even if that meant accepting wholesale the nation's economic destruction. Under no circumstances would they contemplate defaulting on the national debt and exiting the EMU.

The outlook of the working class and lower middle class, in contrast, is far more fluid and ready to countenance even the option of default and exit, as was indicated in repeated opinion polls during the crisis. There was a sustained campaign of fear — perpetrated by the mass media and supported by the massed ranks of Greek intellectuals — regarding the putative disaster that would presumably follow default and exit. Nonetheless, opinion polls consistently showed that between one-fifth and one-quarter of the Greek population supported this option, most prominently among the poorest layers. The class lines were clearly drawn. The problem was a lack of political leadership, especially from the Left.

The largest organization of the Greek left has traditionally been the Communist Party (ΚΚΕ). It is an understatement to say that the ΚΚΕ has been irrelevant to the Greek turmoil since 2010. The party has failed to propose a political program that confronts the key class questions of the crisis, i.e., the debt and the euro. It certainly failed to develop answers to these questions that could

17 For further material on this issue, see C. Lapavitsas, "Political Economy of the Greek Crisis," *Review of Radical Political Economy*, (2018, forthcoming).

become “politics of the masses” and thereby sharpen the class struggle and lead to a change in the balance of class forces. Instead, the KKE sought refuge in ultra-leftism, largely implying that the Greek crisis could be dealt with only through socialist revolution, which would naturally take the country out of the EU and the EMU. The party has always been quick to add, however, that without “popular power” it would be disastrous for Greece to leave the EMU, or even the EU. The KKE has posed practically no danger for the Greek historical bloc and that remains the case today.

In the absence of the KKE, Syriza found propitious terrain. By 2012, and after some early confusion, Syriza promised the Greek people that it could reverse the bailout policies, lifting austerity, raising wages, and obtaining debt relief, while also keeping the country in the EMU and avoiding a break with the EU. The logic of the argument — insofar as any could be found — was that by gaining democratic legitimacy through elections, Syriza would directly challenge the authority of the lenders and help change the EU by reversing neoliberalism. In short, the strategy of Syriza was in essence the strategy of the dominant current of the European left wishing to fight austerity and neoliberalism without exiting the EMU or rejecting the institutions of the EU.

Syriza tried this approach after their January 25, 2015 victory, and its failure was total and irrevocable. Remarkably, the strategy could not even survive the first contact with the lenders, resulting in the infamous agreement of February 20, 2015, signed by the Finance Minister, Yanis Varoufakis, barely a month after Syriza’s election. The lenders were utterly implacable, demanding full compliance with the existing bailout conditions. The Greek side was completely routed, agreeing to honor its debt obligations fully and desist from “unilateral” actions. It effectively agreed to scrap the program on which it had been elected, thus setting the terms for the final surrender in August 2015. The February 20 agreement caused the first rupture within Syriza, as its own left wing refused to accept it. But Alexis Tsipras ensured that Syriza as a whole complied with it, instead of mobilizing the people and all available forces for a true confrontation with the lenders. The result was the eventual triumph of the lenders.

There are two fundamental reasons for the failure of Syriza, both of which are of crucial importance for the European left.

The first is the rigid institutional structure of the EMU, which Germany has further hardened since 2010 and which cannot tolerate divergence of practice among its members. The leading institutions of the EMU, furthermore, possess the means to destroy any opposition. The ultimate weapon in the hands of the lenders to Greece was the monopoly power of the ECB over the final means of payment. The monetary union has removed monetary sovereignty from member

states and deposited it with the ECB. The final source of liquidity in the EMU — vital to banks and all other agents in the economy — is the ECB. Faced with Syriza, the ECB began restricting the supply of liquidity to the Greek economy until such time as the country was effectively asphyxiating.

Syriza could find no answer for the problem because none was available within the EMU. The only possible answer would have been to create national liquidity, i.e., to exit the EMU. But this would have involved the radical domestic and international rupture that Syriza leadership was not prepared to contemplate. It complained, dallied, retreated, and tried to buy time, but all was in vain. In the end, it surrendered.

The second reason was the absolute ideological hostility of the mechanisms of the EU and the EMU, dominated as they are by neoliberalism, toward the strategy of Syriza. It was unthinkable for the neoliberal machinery of the core of Europe to allow any leeway to a government of radical upstarts. The hostility didn't abate until Syriza was defeated. The point is crucial for those who still harbor notions of radical change through mere electoral means. The core of the EU showed complete disregard for the wishes of the Greek people, paying no attention to democracy.

The EU's disregard for democracy was vividly manifested in the Greek referendum of July 2015, after which Syriza shamefully surrendered. The great majority the Greek people voted "No," showing that, despite all, they were ready to fight to reject austerity and regain sovereignty against the lenders. But the Syriza leadership had neither the historical stature nor the required strategy to carry the popular will. They were unwilling to have a radical rupture with the institutions of the EMU and the EU, but also with the domestic historical bloc that was rabidly in favor of "Yes." The leadership turned the popular "No" into "Yes," becoming an obedient tool of the lenders by adopting the bailout policies.

To recap, the surrender of Alexis Tsipras and his party, quite apart from being one of the darkest spots in the history of the Left, shows precisely the strategy that the European left must *not* adopt. Namely, it must not attempt to implement policies against austerity and in favor of working people, while complying with the institutions of the EMU and without directly challenging, even rejecting, the EU. This strategy, shared by the dominant current of the European left, is hopeless.

In this respect, Brexit offers a very different perspective for the European left. Britain is, of course, a historic center of capitalist accumulation and a leading world power, in contrast to Greece. More to the point, it has never belonged to the EMU, and on this score alone it cannot be considered a core country of the EU in spite of its evident weight in European economics and politics. The

decision to exit the EU, taken via a popular referendum in the summer of 2016, nonetheless casts a stark light on the evolution of the EU.

The British historical bloc, an alliance of financiers, merchants, industrialists, and the professional upper middle class, has been profoundly split on the question of Europe for decades. The core sections, and certainly the bulk of the historical bloc, have unquestionably been in support of EU membership, and some have even been in support of joining the EMU. But there is a strong element in favor of exiting the EU and, needless to say, keeping well away from the EMU. The interests behind these components of the British historical bloc are not clearly demarcated, and it is a mistake to seek to identify them in purely economic terms. Sovereignty and its associated ideology are equally important in explaining the split.

It not easy to escape the dead hand of history on matters of sovereignty, and for this reason alone the ascendancy of Germany has had a very different impact on Britain compared to other European countries. The split of the British historical bloc on the EU has been refracted through the loss of sovereignty, thereby creating a split in the Conservative Party, the historic voice of the “bloc.” The focal points of conflict are not directly economic, but rather about who makes and applies the laws, and who takes decisions on the immigration and movement of people. The crucial point in political terms, however, is that the split within the historical bloc allowed the muted popular discontent with neoliberal policies to find a voice, thus swinging the vote in the British referendum of 2016 in favor of exit.

There is no doubt that the working class and plebeian strata of British society have tended to support Brexit.¹⁸ In essence the vote to leave was a vote against the dominant current within the British historical bloc, which has dictated the direction of the country for decades through harsh neoliberal policies and which has clearly expressed its preference for staying in the EU. The vote to leave was thus a vote by proxy against austerity, poor jobs, and the decline in welfare provision, particularly since the great crisis of 2007-9.

The British referendum was one of those rare historical moments when a rift in the historical bloc creates space for a deeper rift in society to manifest itself at the forefront of politics. In the case of Britain, the deeper rift was between the minority that has benefited from neoliberal policies and the majority that has borne the brunt of the transformation of British capitalism in recent decades.

18 For detailed empirical work that broadly confirms this point, see H. Clarke H., M. Goodwin, and P. Whiteley, *Brexit: Why Britain Voted to Leave the European Union* (Cambridge: Cambridge University, 2017).

The democratic vote on Brexit acted as a vehicle for the plebeian layers of British society to arrive temporarily center stage, much to the chagrin of those sections of society that are heavily in favor of remaining in the EU.

To be sure, the leave vote assumed a right-wing perspective with strong anti-immigrant overtones. However, Brexit was and continues to be systematically misrepresented by intellectual forces in British society that are strongly in favor of the EU, often presenting exit as surrendering to racism, rabid nationalism, and near-fascism. This misrepresentation has been exceptionally strong within the Labour Party, and it even temporarily became a stick with which to beat Jeremy Corbyn, the leader of the party from the Left, for not being sufficiently forthright on the issue and thus, presumably, not meriting the leadership. However, the prominence of these deeply troublesome features in the leave vote has much to do with the inability of the British left to develop a radical program for exiting the EU. There was little that was inherently conservative, authoritarian, or right wing in the referendum vote, as became clear during the ensuing period.

The political reality of Brexit became clear in the general election that Theresa May's Conservative government called in 2017, after making the miscalculation that it would secure a sound and easy victory. The Tories won, but the real victor of the election was the Labour Party, which based its campaign on a strong social-democratic program opposing austerity and even calling for nationalization of the railways and other resources. Corbyn emerged as the prime minister in waiting.

In sum, the organized political forces that led the campaign in favor of Brexit were right wing and stamped by racism, nationalism, and isolationism. However, the referendum vote subsequently made possible a great electoral swing to the left, which could potentially result in a genuinely radical government for the country. The social-democratic program of the Labour Party, strongly supported by workers and other plebeian layers, would have been impossible to implement within the EMU, and would also have led to direct conflict with the EU, for instance, with regard to railway nationalization, a demand that is strongly supported by the UK electorate. The Labour Party was able to adopt a realistic and radical program that proved an electoral success only because the country has never been in the trap of the EMU, and has voted to get out of the neoliberal machine of the EU. The referendum has in practice pushed Britain to the left as well as poses a major challenge to the dominant neoliberalism in the continent.

THE OUTLINE OF A CLASS-BASED STRATEGY FOR THE LEFT

The strategy of the Left in Europe today must depart, first, from the historic failure of the EMU and the consequent evolution of the EU. Far from delivering greater unity and prosperity among European people, the monetary union in practice promotes the interests of German industrial capital, the ascendancy of Germany, and the division of the continent into an unstable core and distinct peripheries. With the EMU at its heart, the EU emerged as a set of rigid neoliberal institutions that promote the interests of capital, bypass democracy, and foster national hierarchies while disregarding sovereignty. There is no prospect of attaining socialist policies within the framework of the EMU and EU.¹⁹ There is also no prospect of institutional transformation to promote democracy, ensure relations of solidarity in Europe, and serve the popular will.

The European left in both core and peripheral countries — but above all in Germany, the effective hegemon of the EU — should develop a radical strategy that is in accordance with these developments while learning from the experiences of Greece and Britain. Simply opposing austerity and neoliberalism in the interests of working people is not nearly enough. Moreover, the notion that an anti-neoliberal front can be built and take electoral power at the core subsequently to transform the institutions of the EMU and EU in a pro-worker direction is wishful thinking.

Given the evolution of the EMU and the EU, the Left ought to place the issues of popular sovereignty and democracy coupled with national sovereignty at the forefront. There is little doubt that the balance between national and international relations in Europe should be altered in the interests of labor, helping to secure democratic rights for all citizens and equality of nations. To this purpose, the Left must reject the institutions of the EMU and the EU while proposing economic policies that strengthen labor against capital, not least by boosting income and employment. That is the basis for a genuine internationalism in Europe, distinct from the neoliberal institutions of the EU.

The first step in this respect is to rid Europe of the straightjacket of the EMU. Without the common currency, the constraint of austerity imposed by the Fiscal Compact can be lifted, the plan to unify banking under the tutelage of the ECB can be scrapped, and the drive to impose neoliberal “reforms” across both core and periphery will be attenuated. However, dismantling the

19 Or even plain social-democratic policies, as W. Streeck has argued in *How Will Capitalism End?*, (London and New York: Verso: 2016).

EMU is only a first step. Europe, including Germany, needs a concerted long-term strategy of income redistribution and sustained investment to strengthen productivity growth, employment, and income. Such a radical reconstruction of policy will inevitably generate broader conflict with the institutions of the EU. Following Brexit, it is clear that the option of exiting from the EU should also be openly considered by the Left. But there are vital differences between dealing with the EMU and clashing with the EU, which ought to be at the forefront of a Left strategy.

For countries in the Southern periphery, such as Greece, the immediate issue would be to exit the eurozone, a complex task with pressing requirements. The exiting country would urgently need to recreate its domestic capacity to generate liquidity, thus regaining monetary sovereignty. The required steps to this purpose are well understood.²⁰ They include an Act of Parliament to change the monetary unit of account, thus immediately converting the great bulk of monetary contracts into the new currency. They also include regaining control over the central bank, nationalizing private banks, and imposing banking and capital controls. At a further remove, they include ensuring the short-term supply of medicine, food, and energy. Above all, they include tackling the inevitable devaluation of the new currency and supporting enterprises that rely heavily on imports. None of these steps will be effective without immediately defaulting on the national debt and calling for negotiations to achieve a deep write-off.

Once it regains monetary sovereignty and frees its fiscal policy from the constraints of the EMU, a peripheral country would have to adopt a policy of strengthening domestic demand by initially boosting public consumption and investment, but also by cutting taxes. The funding could initially come from issuing money as the risk of inflation would be small, particularly given the depressed state of aggregate demand. The country would then adopt a medium-term strategy to alter the structure of its economy by strengthening industry and agriculture. That would allow for an improvement in net saving, thus entering a virtuous circle of growth and employment. The required development strategy, based on a new relationship between the public and private sectors, and pivoting on public investment, would inevitably bring conflict with the neoliberal policies of the EU.

20 For a developed plan of exiting the EMU and restructuring the Greek economy along these lines, see C. Lapavitsas, T. Mariolis, and C. Gavrielidis, "Eurozone Failure, German Policies, and a New Path for Greece: Policy analysis and proposals," Rosa Luxemburg Stiftung Publikationen (January 2017).

Merely enumerating these steps is enough to show what a radical change of course this strategy would entail for Southern peripheral countries: in effect, it would be a wholesale rebalancing of economy and society in the interests of wage labor, small and medium enterprises, and farmers. On this basis, a left government could directly challenge the power of capital, potentially opening a path toward socialist transformation.

It would further accelerate movement in that direction by restoring labor rights, taking steps to redistribute income and wealth, revamping public administration to deal with corruption, and bringing deep reforms to justice and education. The implications for the polity would be profound as popular participation in political life would be strengthened, ensuring the restoration of democratic rights. By regaining popular sovereignty, the country could advance toward regaining national sovereignty and breaking free from domination by German capital.

Countries of the core exiting the EMU would have broad technical similarities with Southern peripheral countries, for instance, in terms of recreating the domestic capacity to generate liquidity, dealing with the redenomination of contracts and the national debt, and imposing banking and capital controls. But there would also be vital differences with regard to the exchange rate of the new currency, which in the case of Germany, for instance, would tend to appreciate rather than depreciate.

That alone points to the qualitatively different nature of the task in hand for core countries. The loss of national sovereignty and submission to German ascendancy, though present for core countries, is not of the same qualitative order. Since there is a hierarchy of power in the EU, for countries of the core, the issue would not simply be exiting the EMU but dismantling and replacing its mechanisms. Core countries would have to take the lead in devising a new system for managing international transactions in Europe without allowing currency markets to freely determine rates.

The Left in Germany and France ought to be at the forefront of proposing arrangements to control international exchanges in Europe while rejecting the EMU. There is no shortage of options, such as reviving some of the mechanisms of the old European Monetary System and introducing a managed new currency purely for external transactions among European countries. Vital principles would be exercising controls over banking and capital flows, and providing solidarity support in case of shortages, without bailouts marked by neoliberal conditionality. Genuine internationalism in the economic sphere, as the Left has long understood the term, is vastly different from the dysfunctional performance of the EMU.

The complexities of exiting and dismantling the EMU aside, it is apparent that clashing with the EU, including to the point of exit, would be a still more complex process for both core and periphery. Since the EMU has become such a pivotal part of the EU, abandoning the monetary union would certainly deliver a body blow to the EU as it currently stands. It would reverse the European “project” and provide space to defend the interests of labor against capital.

However, confronting the EU would by definition involve renegotiating a series of interstate treaties and agreements regarding the movement of people, trade in commodities, financial flows, investment frameworks, and so on. It would further entail rebalancing the relationship between domestic and European law. Not least, it would also require extensive domestic intervention, including legislation, with regard to the labor market, rights at work, and social protection. Each country and its people would retain the right to push this process to the point of exiting the EU.

These complex international and domestic processes would in essence restore elements of national sovereignty while redefining popular sovereignty. It is inevitable that they would become contested terrain, both internationally and domestically, as has already happened in Britain. In the international sphere they would bring questions of German ascendancy and the division of Europe into core and periphery to the fore. In the domestic sphere, they would raise the issue of popular control and democracy in the face of opposition by domestic capital.

The economic programs necessary to alter the balance of power in favor of labor, furthermore, would require adaptation to the specific conditions of each country, bearing in mind the differences between core and periphery. The establishment of popular and national sovereignty and the strengthening of democracy would be inherently different processes in peripheral countries than in those of the core.

It would be incumbent upon the Left of the periphery to lead the struggle for the restoration of national sovereignty in the face of German ascendancy. For the Left of core countries, the issue of national sovereignty is not posed in the same way, though recapturing popular sovereignty would be of paramount importance. Moreover, the national legal framework of labor rights and social protection could well be worse in individual countries in both core and periphery compared to the EU as a whole. The Left of both core and periphery should take the lead in proposing mechanisms and institutions that would defend individual and worker rights in particular countries while fostering solidarity among the peoples of Europe.

During the last decade, right-wing populism and authoritarianism, often in fascist form, has taken hold in several parts of Europe, including in the periphery. This development is directly related to German ascendancy and the resulting stratification of Europe. It is also directly related to the retreat of democracy as the EU has tackled its crisis under the leadership of Germany. Parliamentary democracy has become ineffectual across Europe, most clearly manifested in Greece, and political systems, serving the interests of capital, have become detached from the concerns of working people.

The acceleration of migrant and refugee flows during the same period, partly within the EU and partly across its southern border — often accompanied by a catastrophic failure by the EU to deal with the flows in a humane and rational way — exacerbates the perception of instability and loss of control. Popular reaction has taken the form of demanding more sovereignty over the conditions of life and work, including who makes and enforces the laws, who is accountable to whom, and how. In the past, the forces of the Left in Europe would have been formulating these demands to express the needs and aspirations of working people, opposing big business and German ascendancy across Europe. Unfortunately, the Left hasn't played this role in Europe for years, and as a result, the Right has stepped in, even appropriating the Left's modes of expression and giving an authoritarian turn to popular demands.

There is nothing inevitable about this development and there is no firm attachment of working people and the poor to the extreme right. The real issue is whether the Left could start to intervene along class lines, thus recapturing its historic role in Europe. The driving principle in this respect — unfortunately often forgotten — is that the internationalism of the Left is unrelated to the internationalism of the EU. The EU is based on the power of capital, always reasserting new borders and leading to a hierarchy of nations across the continent while seeking to ensure the uninterrupted flow of cheap workers, commodities, and money. Europe needs a new internationalism based on the ascendancy of labor against capital.

A radical internationalism would create a true basis for solidarity in Europe through cooperative economic policies domestically and internationally. That would also be an adequate basis for a broad and inclusive concept of citizenship, while giving fresh content to popular sovereignty and democratic rights. The sooner the Left in Europe begins to engage in an open debate along these lines, the better for the people of the continent. ⚡

This essay surveys the debate on the universal basic income (UBI) that has emerged in recent years, focusing on the main objections from the Left. I evaluate the normative issues at the heart of the proposal and analyze a range of possible empirical effects, from the impact on wages and labor force participation to gender and collective action. Ultimately, I make a case for UBI on grounds of freedom and power: insofar as it allows people to escape from Marx’s “double freedom,” the universal basic income fosters both “exit” and “voice,” and thus has real affinity with the socialist project.

DEBATING BASIC INCOME

DAVID CALNITSKY

In relatively short order, universal basic income (UBI) has transformed from what was little more than a glorified thought experiment into a concrete policy option, and discussion in the media has mushroomed accordingly. Debate has likewise intensified on the Left, taking on a sometimes productive, sometimes acrimonious, tenor. The reasons for the latter are obvious, but when productive, the discussion has proceeded as a debate among those who share a set of moral commitments but disagree on questions of strategy or analysis. In the case of UBI, an abstract policy measure with no history of genuine implementation, it is natural to see a good number of different intuitions, crosscutting hypotheses, and wide-ranging concerns about unintended consequences. Indeed, the debate on the Left may ultimately rest on empirical outcomes. Will UBI in fact improve people's lives? Will it facilitate wider and deeper transformations? Or is it just a neoliberal mirage?

This essay surveys the debate surrounding UBI that has emerged in recent years, focusing on the main objections from the Left. This entails analyzing the gamut of possible empirical effects, from the impact on wages and labor force participation to gender and collective action. The debate on these empirical questions, it must be said, is decidedly unresolved. As with any major social transformation, the impact of offering substantial cash transfers to all might generate outcomes that are impossible to foresee. To claim otherwise — that we have a clear-eyed understanding of the full set of consequences — would

be foolhardy. With this caveat registered, it should be said that we luckily *do* know something about the impact of UBI, and drawing on the available evidence we are able to say something meaningful about its consequences in multiple spheres of social life.

The concept of a universal basic income refers to a monthly cash income paid to each member of society without regard to income from other sources and with no strings attached.¹ There is no precise level of payment built into the definition. Proposals on the order of \$14,000 per person — a number exceeding the official poverty line for single individuals in the US (\$12,000) and totaling about one-quarter of US GDP — are often seen as somewhere between modest and substantial. Proposals that are more generous tend to hover around \$18,000 or \$20,000 per person. I have the number \$14,000 in mind as more or less the minimum payment level required to achieve the normative objectives discussed herein; in particular, this sum is meant as the lower-bound threshold that affords people an above-poverty fallback position, providing everyone with a measure of freedom *from* work, and therefore, of power *at* work.

Understanding basic income requires a consideration of its likely empirical consequences, as well as clarifying the underlying normative agenda. In some cases, there are pragmatic empirical tests that any normative vision must pass for it to be realized; in others, the normative arguments can hold their own whatever the empirical consequences. All things considered, including some ambiguities discussed below, there is a powerful socialist case for basic income. This essay shows that the scheme, were it sufficiently generous and universal, would help realize the moral vision socialists ought to hold. It is worth getting back to basics, so to speak, to make some sense of this debate.

THE ENDS OF SOCIAL POLICY

One of the constitutive aspects of left politics is that the policies advocated for are not mere ends in themselves, but rather instruments for realizing a broad set of normative commitments that envision how the world *ought* to be.

1 This essay also discusses the guaranteed annual income, a proposal similar to the UBI in that there are no work requirements, and different in that it is income-conditioned: as market income rises the guaranteed income slowly phases out. Where UBI is paid to every member of society and then partially collected back through taxation, the guaranteed income is paid to anyone whose income, for whatever reason, falls below some threshold. I believe that many but not all of the virtues of UBI are also available with the guaranteed income. For example, as I will argue below, both policies provide the freedom to exit from the labor market, but UBI, as a truly universal policy, is better positioned to strengthen social solidarity.

Sometimes the Left, mistakenly in my view, evades these lofty commitments because they are far removed from the grind of political struggle or because moral argument is seen as the domain of liberal and conservative politics. But this position has never been persuasive. To evaluate policies and politics we have to commit to a moral vision, even if it is somewhat hazily characterized as a future defined by human flourishing and real, substantive freedom.

When it comes to the impact of actual policies, it is useful to distinguish *ameliorative* from *emancipatory* reforms. Ameliorative reforms, like traditional welfare policies, are valuable because they provide direct material benefits and improve people's lives, which is a normative end in itself. If a political vision loses sight of life-improving reforms, it will be abandoned by poor and working people; they would rightly see that vision as callous to their needs. Still, it is difficult for left political operatives to get overly excited about purely ameliorative reforms. While they make people's lives less painful, such policies do not, by definition, help to mobilize people or expand their power. The concept of an emancipatory reform, on the other hand, refers to some social policy that may ameliorate a particular deprivation but does so in a way that pushes us closer to an underlying moral vision. These are policies that tip the balance of power and strengthen the position of poor and working people when facing off against bosses, spouses, and other powerful individuals in their lives.

The main reason UBI ought to be a part of a left normative vision is because it facilitates exit from relations of exploitation and domination — the power of exit has ameliorative as well as emancipatory significance, as I will show. The foundational Marxist objection to the structure of capitalist labor markets is that they are superficially free but substantively unfree. Dispossessed of the means of production, and therefore of subsistence, workers can happily choose between capitalists, but are ultimately forced to choose one. This is what Marx termed “double freedom”: our freedom to be exploited by the employer of our choosing is coupled with the freedom to remain hungry should we choose none. For those who object to the compulsory nature of the capitalist labor market, basic income is appealing because it ensures that people not only have the abstract right to freedom, but the material resources to make freedom a lived reality. It gives people the power to say no — to abusive employers, unpleasant work, or patriarchal domination in the home.

People often use that power. In the case of the Canadian Mincome experiment from the late 1970s, some participants did in fact take up their newfound ability to quit. In the town of Dauphin, Manitoba, a three-year guaranteed annual

income led to an 11 percentage point drop in labor force participation.² Across the five major guaranteed annual income experiments previously conducted in the US and Canada, there was a wide range of average labor supply reductions for men and women, from a low of nearly zero in some cases to a high of about 30 percent.³ The guaranteed annual income is not identical to the UBI; the former phases out above a certain income threshold, reducing its universality and, to an extent, its desirability. However, even this version touches a wide swath of the population: a high guarantee level and a low phaseout rate will run deep into the middle class. It moreover makes the option of work withdrawal universally available and allows for a good amount of inference about a fully universalistic model. As discussed below, I also found evidence suggesting that in the Mincome case, the guaranteed income reduced domestic violence. In providing people with a decent fallback position, such a policy affects underlying power relations and changes the background conditions under which negotiation takes place, both at work and at home.

But there is a stronger point about emancipatory reforms to be made here: as a social policy, basic income can pave the way toward broader social transformations. In particular, UBI can help set in motion a dynamic process that empowers people to struggle to build a better society. It achieves this in two ways: the power of exit, noted above, and the institutionalization of solidarity. The former allows poor and working people a better footing to bargain from, instigating broader and more far-reaching gains; the latter, by redrawing the social boundaries carved by categorical welfare states and reducing the appeal of “defection” from collective action, improves the odds that they do

2 Because Mincome is discussed throughout the paper it is worth providing some basic details about the experiment as it operated in Dauphin. Guaranteed annual income payments were available to all Dauphin households for the three years of the experiment (1975-1977) at a guarantee level of \$19,500 (2014 CDN dollars) for a four-person family — in Dauphin at the time this guarantee level constituted about half of the local median household income. Payments would phase out at 50 cents for every dollar earned on the market. The system worked as follows: If you did not work at all, for whatever reason, your payment would be \$19,500; if you went into the labor market and earned, say, \$6,000, your payment would be \$16,500 ($19,500 - 6,000 \times 0.5$) leaving your final income at \$22,500 ($16,500 + 6,000$). Unlike traditional welfare, you are never made worse off by deciding to work. The labor market participation effect of the Dauphin experiment is derived by subtracting the baseline-study period change in the control group — i.e., non-participants located elsewhere in Manitoba — from the baseline-study period change in the Dauphin group.

3 See David Calnitsky and Jonathan Latner, “Basic Income in a Small Town: Understanding the Elusive Effects on Work” *Social Problems* 64, no. 3 (2017), 1-25; and Karl Widerquist, “A Failure to Communicate: What (if anything) Can We Learn from the Negative Income Tax Experiments?” *Journal of Socio-Economics* 34, no. 1 (2005), 49-81.

so collectively rather than individually. At bottom, the vision of basic income is attractive because of its dual function as an ameliorative and emancipatory policy measure.

In this hopeful depiction, basic income thus articulates both an economic alternative and a theory of social change. There is a concern, however, that social change happens not when people are given exit options, but when circumstances lock them into unavoidable interaction, when the lack of alternatives leaves collaboration and struggle as the only viable option. To be sure, it is sometimes argued that the Left ought not to allow people an exit option; that is, if we aspire to build power and mobilize people, we ought to encourage “voice” over “exit.”⁴ As an empirical matter, this argument cannot be dismissed.

Indeed, there is always a chance that giving people the freedom and capacity to do what they want might mean that they do things we would prefer them not to do. Perhaps basic income would be emancipatory for individuals, but inadvertently fragment us as collectivities. After all, some might choose to withdraw from the social world entirely.

To the contrary, however, there is good reason to believe that it is the possibility of exit that *facilitates* voice. If a stable flow of cash gives you the power to threaten to leave a marriage or a job — that is, if your threat of exit has real credibility — you are in a better position to speak your mind. In what follows I attempt to make this case, though I advance basic income as a desirable reform even if it fails this empirical test. Differently put, basic income can provide resources to facilitate collective action, as will be explored below, but it does so without precluding more solitary escape routes. This position ought to be seen as perfectly consistent with a socialist ethics: we wish to nurture collective action by fostering its conditions of possibility in a *positive* sense — not through the active obstruction of alternative pathways, and not by leaving collective action as the only path to individual survival.

Basic income thus both enhances people’s negative freedom from coercion and their positive freedom to do what they want. There are few on the Left who would disagree with these principles. Do we wish, for example, to block a Walmart worker from quitting her job if she so desires? If we are in favor of basic human autonomy, the answer is no. The answer ought to be no, even if my argument about the positive relationship between basic income and collective action fails to persuade — even if collective action is nourished only when

4 See for example, David R. Howell, “Block and Manza on the Negative Income Tax,” *Politics & Society* 25, no. 4 (1997), 533-540.

people are locked inside conflictual relationships. Rapunzel might survive best in her tower, but that would scarcely convince her of its value. There is a real sense in which left opposition to basic income's underlying principle entails advocating some degree of coercion. This might be philosophically defensible, but it does not square with a commitment to decoupling Marx's double freedom, nor with deep socialist commitments to expanding the domain of human autonomy. We return to these core philosophical issues after taking stock of an array of normative and empirical questions, and addressing the major left criticisms of basic income.

NEOLIBERAL IN PRACTICE?

Left objections to unconditionally giving people money have proliferated of late, sparked no doubt by UBI's strange bedfellows on the Right. Some of these objections are highly pertinent and have pushed the debate in positive directions; others are less persuasive. With basic income on the policy agenda in a number of countries around the world, it is necessary to appreciate the broader context of the discussion.

The first and most important objection has been stressed recently by John Clarke of the Ontario Coalition Against Poverty, among others: given the constellation of forces and the political commitments of many proponents, odds are that basic income, if implemented, will come in a neoliberal guise, dishing out meager payments and accompanied by severe austerity measures.⁵ Indeed, like every social policy, basic income could be implemented in neoliberal fashion, and over the past four decades there has been no shortage of such regressive proposals in Canada and the US.

This is a legitimate worry, and it is in the implementation of the policy where the strange bedfellows problem will be resolved, one way or another. The rogue's gallery of right-wing supporters, from Milton Friedman to Charles Murray, is often unambiguous in its desire to use basic income as a knife to eviscerate the expensive insides of the welfare state. To different degrees, recent support within elite tech-chauvinist circles, from Peter Thiel to Mark Zuckerberg, might be similarly understood. How on earth could Marxists form a political alliance with the boy-king of Silicon Valley? Perhaps some elites see basic income as a pragmatic means to avoid the radicalization of a population that has seen little improvement in living standards in recent years, but others

5 John Clarke, "Looking the Basic Income Gift Horse in the Mouth," *Socialist Bulletin* 1241, April 1, 2016.

envision a Trojan horse designed to raid the citadels of Social Security, Medicare, and education spending.

If basic income is little more than a dressed-up neoliberal policy, there is no doubt: it ought to be resisted. But why not work towards a better version of basic income? There are vastly different visions for what a basic income would look like, and a small basic income deployed in a libertarian fashion to replace the welfare state is not just different from a generous version built into the existing welfare state, but it is actively rooted in the opposite philosophical vision. Where the former is designed to reduce the tax burden on the rich and avoid supposedly paternalistic social policies, the latter is designed to negate the coercive nature of the capitalist labor market and empower popular forces. Quantitative changes in generosity induce qualitative changes in result. There are qualitatively different varieties of basic income, and it is entirely possible that in the contemporary political context an undesirable vision becomes reality. But no political vision, it must be said, can escape the uncertainty built into the passage from theory to practice.

An instructive comparison here is the call for guaranteed work. If a jobs guarantee were implemented in the contemporary context, it is easy to imagine a version that is far from liberatory, where the jobs would be backbreaking and the breaks would be few. Political scientist Adam Przeworski argued against this unsavory but plausible vision of a work guarantee: “Making people toil unnecessarily, just so they can be paid something without others complaining and so they will not hang around with nothing to do, is to substitute one deprivation for another.”⁶ This is not to claim that a progressive vision of a jobs guarantee is unimaginable; to the contrary, a workable scheme of that sort has a great deal of potential, and if implemented successfully would be a vast improvement on the current configuration of social policies. But the forces that might sabotage a basic income would operate similarly in the case of a jobs guarantee.⁷ There is, moreover, a well-known historical example of an ugly implementation of the jobs guarantee; it was called the workhouse. For centuries the old English workhouse tied public assistance benefits to toil and operated on the principle of “less eligibility,” a doctrine ensuring that workhouse conditions be made worse than those outside in order to deter its use. It might also be noted that

6 Adam Przeworski, “The Feasibility of Universal Grants under Democratic Capitalism,” *Theory and Society* 15, no. 5 (1986), 695-707.

7 The tech world has begun to take notice of the jobs guarantee. For example, influential Silicon Valley start-up Y Combinator is running a basic income pilot project, but according to their research group, they are also interested in alternatives, including the jobs guarantee.

highly suspicious proponents were attracted to this system of poor relief. For example, Jeremy Bentham advocated for the workhouse because it was a “mill to grind rogues honest and idle men industrious.”⁸

The problem, therefore, is a general one. As a rule, the Left opposes meager unemployment insurance and embraces generous unemployment insurance. Bad health care policy is bad, and good health care policy is good. Left strategy has always involved fighting to improve those policies, and any model of the world suggesting that decent unemployment insurance or good health care is won through struggle would apply equally to UBI. Criticism of the abstract idea thus ought to be distinguished from criticism of its concrete implementation — this talking point ought to be old hat for socialists, at least those old enough to remember unsavory implementations of their dearest ideas. As with all social policy measures, a basic income might be implemented in an appalling way. Should we therefore reject the idea out of hand? As an argument against the impulse to loosen the compulsory nature of capitalist labor markets, this line of reasoning is hardly sustainable.

A related critique is that basic income is a bloodless, technocratic social policy — many UBI advocates seem to imagine that once the appropriate legislation is passed, the job is done. They imagine a policy that gets wonkishly imposed, outside the context of social struggles, as if policy and power exist in separate worlds. But the critique here is primarily of those advocates, not the idea itself. Indeed, if basic income is abandoned to the technocrats we will be sure to get a tepid or even regressive set of social policies; a desirable, radical version will find many opponents, in particular employers, and will require massive popular mobilization. But it is strange to believe this problem is unique to basic income.

NEOLIBERAL EVEN IN THEORY?

Apart from the anxieties about right-wing politicians implementing their preferred version of basic income, there are a number of criticisms of even a generous and truly universal basic income. This essay evaluates a range of empirical arguments concerning gender, capitalism, and collective action, but in this section I zero in on two oft-made normative arguments: (1) that we ought to expand the public provision of key services before we consider income maintenance; and (2) that we ought not have a basic income because

8 Cited in Karl Polanyi, *The Great Transformation* (Boston: Beacon Press, 2001), 126.

we have an obligation to work, contribute to the community, and not live off of the productive labor of others.

To begin, some argue that money earmarked for a UBI should instead be spent decommodifying important services like housing, childcare, transportation, and more. This objection to basic income, first made by the economist Barbara Bergmann, is a powerful one, but in the end is not persuasive.⁹

The issue is sometimes framed in the following way: If you had one additional dollar to spend, where should it be spent first? The services-over-income argument is perhaps most powerful in the form of a utilitarian hypothesis. Using one marginal dollar of additional tax revenue to expand existing public transportation or health systems, or to provide new kinds of public services, might improve people's lives more than offering people the equivalent dollar in cash.¹⁰ Perhaps it would more effectively extend the average lifespan or improve people's subjective well-being. This is an unanswered empirical question, but if true it would be hard to ignore. Framing the question in narrowly economic terms, however, posits a false choice between decommodifying labor power and decommodifying services — as if both cannot be pursued at once. In a rich, productive society we ought to be able to afford both a basic income *and* high-quality public goods. Were popular forces powerful enough to make progress on one, they very well might be powerful enough to make progress on the other.

But granting the framing, the calculus still makes two mistakes. First, it ignores the goal of real freedom as a non-instrumental moral objective. On the grounds of freedom — in particular, the positive freedom to decide on the activities we want to pursue and how to spend our days — it is worth defending a strategy that directly and forcefully erodes workers' background condition of market dependence. That is, it is a good thing to be able to quit your Walmart job whatever the long-term consequences. Second, the Bergmann argument ignores the process whereby reducing labor market coercion and providing a genuine fallback better positions people to achieve broader goals.

There is, of course, a degree of symmetry between the exit option provided by basic income on the one hand and a comprehensive set of publicly provided

9 Barbara Bergmann, "A Swedish-Style Welfare State or Basic Income: Which Should Have Priority?" *Politics & Society* 32 no. 1 (2004), 107-118.

10 The arguments I make in this section take for granted the importance of public service provision in plenty of arenas, hence the emphasis on an "additional" dollar of spending. Public health care, to take an obvious example, is highly efficient, entails important positive externalities, is characterized by pervasive asymmetries of information, and is therefore a clear case where public service provision is preferable to cash.

goods and services on the other. However, I believe the expansion of freedom and power is weaker in the latter case. As Offe and Wieselthaler emphasize in a well-known essay, the needs and preferences of poor and working-class people are deeply heterogeneous — the needs of a young man living in a small rural town, a single mother in a large city center, and an older suburban couple are inescapably diverse.¹¹ On these grounds, money, a highly fungible good, can better satisfy diverse needs and subjective preferences than even a fairly comprehensive suite of specific goods and services.¹² This means that basic income would more effectively reduce the costs of being fired and better create an alternative to the labor market for a wide swath of society; by more effectively constructing a fallback position it would better expand workers' leverage at work.

If we must choose between expanding the public provision of services and providing a basic income, and we go with the former, we should be clear on the meaning of this choice. It implies that we prefer a system where people remain somewhat more dependent on the labor market for survival, that we prefer to retain, in all likelihood, Marx's double freedom. By contrast, a basic income insists that it is important to decommodify not only a range of goods and services, but labor power itself.¹³ It says that taking coercion out of the labor market and abolishing what the labor movement once called "wage slavery" may ultimately be more liberatory than taking a broad spectrum of commodities off the market. It says that we ought to have the positive freedom to spend our time as we wish. Rather than improving our ability to get to work, UBI provides the means to avoid it if we need to.

There is another side to the services-over-income objection. John Clarke

11 Claus Offe and Helmut Wieselthaler, "Two Logics of Collective Action: Theoretical Notes on Social Class and Organizational Form," *Political Power and Social Theory* 1, no. 1 (1980), 67-115.

12 It is hard to imagine that any decommodification program could decommodify all the diverse goods that people feel they need, which they could use money to access — from marijuana to piano lessons, from halal foods to loan collateral — and that's why UBI would more effectively give them the freedom to exit the labor market should they so choose. Moreover, the more comprehensive the decommodification program — moving far beyond education, transportation, and health care and into a range of day-to-day consumption items — the closer the system gets to a command economy, the more inefficiencies we are likely to see, and, on market socialist grounds, the less successful it is likely to be.

13 Strictly speaking, basic income would not fully decommodify labor power in the sense of abolishing all markets for workers. Likewise, providing high-quality public housing is not equivalent to abolishing the market for homes (most proposals here continue to include income-testing). Decommodification ought to be seen as a continuous variable, wherein offering decent alternatives to the market sits somewhere between market dependence and the wholesale abolition of exchange in a particular commodity.

argues that even in the best case, giving people money will foster a consumerist society. Labor power might be decommodified, but if everything else must be bought, we will end up spending all our time as “customers in an unjust society.”¹⁴

It is worth making two points in response. First, a world with an open market in most goods but no compulsory capitalist labor market in fact might be a decent transitional vision of market socialism. The injustices of capitalism have much more to do with the coercive nature of the labor market than the existence of markets for consumption items. Indeed, the anti-consumerist argument misidentifies the sources of injustice in capitalism. The goods market is not so much a bad in itself; the problem is rather that people have insufficient purchasing power to make effective demand correspond to actual want and need.¹⁵ A more egalitarian distribution of purchasing power would help bring the neoclassical fantasy that market demand equals need into alignment with reality.¹⁶

Second, it seems perfectly reasonable to expect a basic income to make for a much less consumerist life. As noted above, the Dauphin experiment generated a nontrivial drop in labor force participation. For some people, basic income might also mean exiting the paid labor force, collecting a lower income, and thus having less, not more, to spend. It is often hoped and hypothesized that socially valuable activities would be encouraged if people’s basic needs were

14 John Clarke, “Basic Income: Progressive Dreams Meet Neoliberal Realities,” *Socialist Bulletin* 1350, Jan. 2 2017.

15 Moreover, it is decidedly not neoliberal to suspect that no system of comprehensive planning could successfully produce and allocate hundreds of millions of unique consumer goods. See Alec Nove, *The Economics of Feasible Socialism Revisited* (New York: Routledge, 2003). This is why most sensible models of socialism incorporate some type of consumer market, or consumer market-like mechanism: they take seriously the fact that human beings have unlimited hostility towards inconvenience, line-ups, and endless meetings. This is true for Roemer’s coupon socialism, but it is even true for Cottrell and Cockshott’s vastly more ambitious blueprint for matrix math socialism. See, John Roemer, *A Future for Socialism* (London: Verso, 1994), and Allin Cottrell and W.P. Cockshott, *Towards a New Socialism* (Nottingham: Bertrand Russell Press, 1992).

16 To clarify, there are two main mechanisms through which basic income creates a more egalitarian income distribution, one direct and the other indirect. First, redistribution emerges from the tax and transfer scheme itself. To the extent that basic income is paid for through income taxes, although everyone is a recipient, the tax burden rises with market income, and high earners become net contributors. The more a payment scheme relies on regressive forms of taxation — such as consumption taxes — the less redistributive the scheme becomes, and the more it becomes a form of risk pooling. Second, and more generally, redistribution indirectly emerges from the changes in bargaining power that basic income yields, as discussed below.

secured outside the labor market. Moreover, the virtue of basic income is its potential to expand people’s leisure activities. We can turn to data from the urban portion of the Mincome experiment — a randomized controlled trial based in Winnipeg conducted in conjunction with the Dauphin portion of the experiment — to analyze this very question. Mincome inquired into the day-to-day activities of basic income recipients who left the labor force; relative to controls, the intervention led to growth in a range of socially valuable activities, including care work and education (see Table 1). The intervention also led to growth in the portion of men and women reporting that they were not working simply because they “did not want to work.” In a free society, this decision ought to be available to the poor as well as the rich.

TABLE 1. TREATMENT EFFECTS FOR SURVEY QUESTION, “WHAT IS THE MAIN REASON YOU WERE NOT WORKING?”*

ANY REASON	7.1	
JOB/WORK CONDITIONS [“Labor dispute”; “No jobs available”; “Available wages too low”]	5.9	
FAMILY [“Wanted to take care of family”; “Child care too expensive”; “Pregnancy”]	3.9	
“Did not want to work”	4.0	
“Self-employed”	2.7	
EDUCATION [“In school”; “In job training”]	2.6	
“Laid off”	0.7	
“Unpaid vacation”	0.5	
“Retired”	0.3	*Data from randomized controlled trial, Winnipeg sample, Mincome experiment; right column is percentage point change
“Ill or disabled”	-3.8	
OTHER/UNKNOWN	0.8	

NOTE: “Treatment effects” refer to the isolated effect of the experiment, or the “difference-in-difference”. The difference-in-difference subtract the baseline/study period change in the control group from the baseline/study period change in the treatment group. For example, the treatment effect of the experiment for answering “education” is 2.6 percentage points. In this case, the percent of control subjects reporting that they were not working due to education increased from 4.6% at the baseline to 5.7% during the experiment, and the percent of Mincome treatment subjects reporting the same answers increased from 4% at the baseline to 7.7% during the study period, leaving the full treatment effect at 2.6 percentage points. See also D. Calnitsky, Latner, J., & Forget, E. 2017. Working Paper. *Life after work: The impact of basic income on non-employment activities.* Available upon request.

CALNITSKY

While it's possible that some people would spend more of their newly freed-up time shopping — not to mention doing experimental theater and rollerblading, the most underrated of all basic income critiques — they also might spend free time with others, pursue social and political projects, undertake care work, or engage in a wide array of other, non-consumption-related activities.

Before moving on, it is worth making note of a second normative critique of basic income, one that stretches from Rosa Luxemburg to Jon Elster, and which is anchored in a good deal of liberal and left political theory: that we do not have a right to live off someone else's earnings.¹⁷ Rather, the argument goes, we have a moral obligation to contribute to the community, and therefore, to work. In part, this is what led Tony Atkinson to propose a "participation income" in place of basic income: the participation income would provide a stream of income conditional on participation in some socially valuable activity, be it inside or outside of the formal labor market.¹⁸

Here I see two issues worth contemplating. First, from the viewpoint of socialist freedom, there is every reason to believe that rather than equalizing work levels and incomes we ought to provide people a choice between higher income and more leisure. This is consistent with what G. A. Cohen has named "socialist equality of opportunity."¹⁹ In such a world, inequalities in income and leisure reflect nothing more than differences in personal tastes for income and work — that is, differences consistent with socialist justice. For Cohen, a society where each person has roughly equal work/wage bundles is inferior to one allowing for a choice between varying bundles of income and leisure. Basic income goes some way to allow for individuals who might choose a basic-income/maximal-leisure bundle *or* a high-income/minimal-leisure bundle. I return to this question of socialism and freedom in the conclusion.

17 Luxemburg: "A *general requirement to work* for all who are able to do so, from which small children, the aged and sick are exempted, is a matter of course in a socialist economy." Rosa Luxemburg, "The Socialisation of Society," December 1918 (original emphasis). Elster: "Against a widely accepted notion of justice ... it is unfair for able-bodied people to live off the labor of others. Most workers would, correctly in my opinion, see the proposal as a recipe for exploitation of the industrious by the lazy." Jon Elster, "Comment on Van der Veen and Van Parijs," *Theory and Society* 15 no. 5 (1986), 719. David Schweickart makes the argument as well: "We do not have a moral right to a BI. We do have a moral obligation to work. When we consume, we take from society. Justice requires that we give something back in return." Cited in Michael W. Howard, "Basic Income, Liberal Neutrality, Socialism, and Work," in *The Ethics and Economics of the Basic Income Guarantee*, ed. Karl Widerquist et al. (London: Routledge, 2005).

18 A.B. Atkinson, "The Case for a Participation Income," *The Political Quarterly* 67, no.1 (1996), 67-70.

19 G.A. Cohen, *Why Not Socialism?* (Princeton University Press, 2009).

Second, the normative argument that people do not have a right to live off another's earnings — and by implication that only those who work shall eat, that only those engaged in productive labor ought to be compensated — is unacceptably libertarian in its underlying theory of remuneration. The theory ignores the non-attributability of outputs to production inputs: production is a deeply interdependent activity and, particularly in a world of non-constant returns to scale, the abstract process of linking one person's productive effort to their ultimate compensation is always an ambiguous exercise. This means that the very concept of an individual's appropriate earnings is ill-defined. But even more importantly, the principle suggesting that we ought not live off the labor effort of others gives far too much weight to current productive labor — that is, the labor of living workers rather than the whole history of work — as the driving force of current output. As Herbert Simon has argued, high levels of individual productivity in rich societies are, for the most part, consequences of the brute luck of being born into a rich society.²⁰ High incomes and high productivity are attributable less to current labor effort and more to past labor effort, and all members of society ought to benefit from the work of prior generations and the overall wealth and development of society. For the current generation, this means that through no contribution of our own we have been endowed with highly developed technologies, infrastructure, language, and culture, and this gives current income, in large part, a morally arbitrary character. This is, therefore, a powerful reason to redistribute a good amount of it to people whether they work or not.

BASIC INCOME AND CAPITALISM

A separate set of critiques from the Left concerns the unintended consequences of basic income on the labor market, employer behavior, and capitalism more broadly. These arguments are often framed in terms of the apparent limits of capitalism and the subterranean economic forces that compromise progressive social transformation. As a general rule, arguments taking the form “a decent basic income is impossible under capitalism” should be treated with the same suspicion we have for claims about capitalism's fundamental incompatibility with a decent welfare state. History has shown capitalism to be a highly flexible system; what was once said to be impossible under capitalism is later said to be an essential feature of its legitimation. In such arguments it is *pro forma* to

20 Herbert Simon, “UBI and the Flat Tax,” in *What's Wrong with a Free Lunch?*, ed. Philippe Van Parijs et al. (Boston: Beacon Press, 2001), 34-38.

allude to some deep and unmovable economic (rather than political) impasse, but the idea that a decent basic income is impossible under capitalism boils down to the claim that real reform of capitalism is impossible.

However, one very real feasibility constraint concerns labor market participation: if basic income pulls most of the workforce out of the labor market, the scheme's ultimate revenue source will dry up. Yet, as noted above, experimental evidence suggests that basic income payments hovering at half of median family income induce some labor market withdrawal, but not catastrophic levels. To my mind, this result is more or less desirable: no work reduction would mean no expansion of freedom and no lessening of toil, but extreme work reduction in the short-run risks unraveling the program. Contrary to common opinion, basic income should not be understood by itself as a post-work utopia: indeed, if most everyone dropped out of work, there would be no revenue to fund the scheme. The wager is that even though work would be a choice rather than an economic necessity, people would for the most part continue to find work attractive, albeit less so; poorly remunerated jobs would be bid up (itself a process that makes work more appealing, partially compensating for exits elsewhere), and workplaces characterized by the worst forms of domination would be less sustainable.

A further prediction made by David Purdy is that workers who reduce labor hours or exit from the labor market will make it easier for underemployed or unemployed workers to find work.²¹ If it is indeed the case that employers require replacement hires for exiting workers — and it should be said that there exists no evidence for or against this hypothesis because of data limitations — this particular mechanism predicts not so much an increase or decrease, but rather a redistribution of available work. There are reasons, therefore, to expect increases in labor market participation in some cases, even if the scheme generates net declines.

Nevertheless, despite evidence to the contrary, it may be the case that basic income *does* drain most workers out of the labor market. Or perhaps these perverse effects would eventually materialize with a massive basic income. If so, the non-sustainability argument has force, and it means that there is some Goldilocks level of basic income, above which people drop out in droves. My own estimation is that if some such level exists, it is considerably higher than the figures posed above: none of the evidence from a wide range of benefit

21 David Purdy, *Social Power and the Labour Market: A Radical Approach to Labour Economics* (London: Palgrave Macmillan, 1988). Purdy's compelling, quirky, and little-known book merits a wider audience.

levels in the various experiments comes close to inducing a collapse in the labor market. Because of the benefits of added income, the inherent appeal of work, and its potentially growing attractiveness due to changing power relations, it seems to me that an increasingly generous basic income will face other sustainability problems long before some mass exodus of labor buckles the economy.

This brings us to a second feasibility constraint: a decent basic income might be impossible under capitalism due to capital flight. In this story, high taxes or high wages will lead capitalists to disinvest, thereby undermining the revenues required to fund an expensive basic income. How narrow are the bounds of a progressive welfare state within the context of capitalism? Would basic income provoke debilitating levels of capital flight, thereby depleting the tax base necessary to fund the scheme?²² Although UBI is undeniably expensive, this criticism is overstated. One way to think about the problem is as follows: At the highest level of abstraction it is clear that a country like the United States is far from the threshold where tax revenue as a percentage of GDP reaches its theoretical limit inside a more or less capitalist economy. If the lower bound for this theoretical upper limit is the Danish level of about 51 percent, the United States, at about 26 percent, can afford to double its spending. On abstract feasibility grounds, there is plenty of room to grow the portion of resources that we devote to public purposes before the Marxist theory of the state kicks in to insist on a hard limit to left policymaking within capitalism.²³ This counterargument obscures many important details — for example, the types of tax instruments used can significantly impact the likelihood of capital flight — but it is worth recalling that the threat of capital flight is often just

22 For an attempt to make this very case, see Erik Olin Wright, “Why Something like Socialism Is Necessary for the Transition to Something like Communism,” *Theory and Society* 15 no. 5 (1986), 657-672.

23 In rough terms, I use the phrase “Marxist theory of the state” to identify the following causal chain: greater social spending implies a greater burden, ultimately, on profitability; if profitability is harmed, capitalists may flee or strike; if they flee or strike, state revenue will dry up, thereby undermining any social policies that might have been achieved; if those policies are undermined the government that promoted them will be abandoned by the very people who once supported them. My point is not to deny this mechanism, but to say that there is no reason to see it in hydraulic terms; nor is there good evidence to argue that we know where the ultimate limits to democratic incursion on capitalist profitability are located. Moreover, even if this mechanism is in operation, it might best be understood as a countertendency rather than a tendency. For most of the last one hundred years, even the last forty, social spending as a percentage of GDP in the OECD has had a tendency to ratchet up, not down. See data.oecd.org, Social Expenditure aggregate data, and Peter Lindert, *Growing Public: Social Spending and Economic Growth since the Eighteenth Century, Vol. 1* (Cambridge University Press, 2004).

that: a threat.²⁴ If higher social spending is forcibly imposed on them, there is good reason to believe most capitalists would accept it, albeit unhappily, rather than abandon their firms.

Even if there is good reason to believe that the threat of paralyzing capital flight is itself far off, it may still be ultimately fatal at some threshold. At this point, however, it is likely that social and political conditions also begin to change. Indeed, as basic income grows — because of rising expectations, the program's rising popularity, and an increasingly empowered populace — there will be a greater need to find new funding by directly taxing capital through a range of mechanisms. Perhaps funding schemes that heavily tax capital are avoided at first because of the sensitivity of investment, but eventually it becomes an unavoidable revenue stream, thereby exacerbating the capital flight threat. One solution that may become viable for political leaders is — in fits and starts, and in specific industries — a program to socialize various means of production. The initial hazard posed by capital flight may thus become an opportunity. This will help solve the underlying economic problem of abating private capital's need for profits, while also serving as a fresh source of funding. For example, John Roemer's coupon socialism model is essentially a basic-income-like dividend funded by the universal ownership of all capital assets.²⁵ This story is of course highly speculative, but as a sketch of the transition to socialism it seems about as plausible a way to surmount the capital flight problem as any. Call it the basic income road to socialism.

To conclude this section, it is worth making note of a final, more pointed economic critique of basic income; namely, that the policy is nothing more than an employer subsidy. One version of the argument goes like this: there is a subsistence wage out in the world that is historically determined, but more or less fixed, and if the state can be made to cover some of that wage, employers will happily pay less of it.²⁶ Apart from resting on an unsustainably functionalist argument about wage setting, the inner logic is absent. Wage declines do not happen magically — they have to be imposed. But when workers have an exit

24 The particular tax mix is likely be relevant to the capital flight question, as value-added taxes, property taxes, and income taxes will be less vulnerable than, say, corporate taxes.

25 Roemer, *A Future for Socialism*. On the opportunities that capital flight opens up for the socialization of the means of production, see Wright, "Why Something like Socialism is Necessary."

26 Note that this argument can easily expand to *any* aspect of the welfare state that improves people's living standards. It can function, for example, as an argument against food stamps.

option, a bargaining chip, wages are likely to go up rather than down.²⁷ Indeed, in the case of Mincome, we can observe this very effect: relative to businesses in control towns, basic income forced Dauphin businesses to raise wage offers in order to better attract workers who now had a decent alternative.²⁸

The argument goes further. Even a small but unconditional basic income would not be an employer subsidy. To clarify, take a seemingly similar case: The US Earned Income Tax Credit *is* an employer subsidy, but not because of some functionalist mechanism about subsistence wages; it is an employer subsidy because it is an income transfer that is conditional on work and therefore increases the labor supply, which pulls wages down.²⁹ In contrast, a small unconditional basic income would, in a small way, raise the reservation wage of labor, just as food stamps, in a small way, raise the reservation wage of labor and lower work hours — they allow people to be just a bit pickier.³⁰ Provided a basic income policy is not conditional on work, even a modest version added to the current welfare state would make it marginally easier to say no to bosses because it offers a modicum of an alternative.

It is important to put the employer subsidy position — a truly classic case of Albert O. Hirschman’s perversity thesis — to bed because, first, there is no evidence to support it, and second, it forecloses on the otherwise reasonable strategy that views a small basic income as a way station to a large one.

27 This point is related to another critique of UBI, namely that the policy will summon the specter of inflation. If we are worried about inflation, this criticism holds for virtually every left economic policy whose underlying goal is tighter labor markets. More fundamentally, however, basic income does not come about through monetary expansion; rather, it is redistributive. It takes one dollar from one place in the income distribution and moves it to another, lower, place.

28 Data from surveys sent to all Dauphin firms and to all firms in seven control towns shows that median hourly wages on job openings and median hourly wages on all new hires increased between baseline and study period in Dauphin, but changed little in control towns. See David Calnitsky, “The Employer Response to the Guaranteed Annual Income,” 2017, Working paper.

29 Austin Nichols and Jesse Rothstein, *The Earned Income Tax Credit* (EITC), no. w21211 (National Bureau of Economic Research, 2015).

30 Hilary Hoynes and Diane Whitmore Schanzenbach. “Work Incentives and the Food Stamp Program,” *Journal of Public Economics* 96, no. 1 (2012), 151-162. Indeed, this is why work unconditionality is a feature of basic income that is even more important than the amount.

BASIC INCOME, COLLECTIVE ACTION, AND SOLIDARITY

If the above argument about wage growth is correct, coupled with public support, an insufficient-but-unconditional basic income presents a viable path to a more generous one. While I make this case below, it is first worth laying out an argument leveled against the potential impact of basic income on solidarity: UBI will not only dramatically increase the tax burden on some and redistribute a good amount to others, but it will do so in a way that is immediately socially recognizable as a transfer; unlike, say, health care and housing, transferring actual cash from one party to another is conspicuous. As a consequence, it is easy to imagine a vulnerable group being publicly accused of laziness and dependence. Is it possible that the net-contributors to the program will strongly differentiate themselves from and even begrudge the net-recipients?

In response, it is useful to distinguish between different types of income transfer programs. For example, unlike a negative income tax, where some people — those below a given threshold — collect payments and others do not, the universal basic income makes everyone a recipient. The calculation of the net impact of a UBI is far less conspicuous than under a negative income tax where you either physically receive payments or don't. The UBI computation requires comparing the amount you receive to the portion of your tax contribution allocated to the program. Post-tax-and-transfer winners and losers are far less visible, even if the two schemes achieve the identical post-tax-and-transfer income distribution. It is also worth mentioning that family allowances — in Canada, France, and the UK — are (or were) near-universal cash transfer programs and among the most popular social policies in those countries. Indeed, there are plenty of cash transfers that are robust and popular. Those that are, as I discuss below, tend to avoid distinctions between the “deserving” and “undeserving” poor, and thus escape the cycle of stigma and victim-blaming that so many social assistance programs are vulnerable to.³¹

31 See Michael B. Katz, *The Undeserving Poor: America's Enduring Confrontation with Poverty* (Oxford University Press, 2013) and Walter Korpi and Joachim Palme, “The Paradox of Redistribution and Strategies of Equality,” *American Sociological Review*, 63, no. 5 (1998), 661-687. Perhaps the point can be made even more strongly, following Elster's quote above: “it is unfair for able-bodied people to live off the labor of others. Most workers would, correctly in my opinion, see the proposal as a recipe for exploitation of the industrious by the lazy.” While this might have some truth to it, it will be less true than in the traditional welfare system where people's activities and income sources are easily discernible. In a basic income world, the lines between people who are not working because they cannot find work, because they've committed to other productive activities, or because they want to relax at

By contrast, traditional welfare policies suffer from inherent limits to political mobilizing: they impact only a small, poor, and marginalized group, and are consistently at the top of the list of the most unpopular social policies. Because so few people are touched by welfare policies targeted at the poorest populations, organizing benefit increases is always an uphill battle and requires disproportionate reliance on moral arguments, rather than material ones. It is for the same reason that such policies are uniquely vulnerable to austerity. Yet even a weak basic income could touch a broad array of people and help build a solid constituency to support its continual growth and expansion. As more people are folded into a program, two things happen. First, quality improves. And second, it becomes a political third rail. Programs with benefits dispersed broadly across diverse social layers tend to become highly popular and can start to be seen as a civic right, making for ratchet effects where gains become irreversible.

Indeed, this popularity effect is clear from the qualitative commentary from Mincome participants in Dauphin. Mincome helped blur the usual lines of demarcation between the deserving and undeserving poor. For many, welfare was viewed in moralistic terms; it was a signal of a tarnished moral character and consistently too humiliating for most to consider joining. Mincome, however, was viewed as a neutral, pragmatic program, and its widespread availability meant it was not interpreted as a system for “other” people. People took casual and positive attitudes toward Mincome and participated because they simply “needed money,” while the vast majority despised welfare because, among other things, it was for the “needy and bums.” They often distinguished their own Mincome receipt — which was based simply on needing cash in an economy with precarious employment opportunities — from the circumstances of welfare receipt, which were caused by recipients’ moral failings. Even Mincomers with strong ethics of self-reliance or negative attitudes toward government assistance felt able to collect Mincome payments without a sense of contradiction.³²

There is thus a powerful argument that the universalism of UBI would

home, become blurred. Moreover, even if to some degree outcomes depend on the actual activities of the recipients — educational attainment, job training, and care-work are unlike pure leisure — the link between people’s daily endeavors and their dependence on UBI will be somewhat opaque. Finally, this mechanism will differ on the basis of the scheme’s funding source; income taxes are different from sales taxes, capital taxes, and taxes on rents in this respect.

³² Surveys cited above are held at Library and Archives Canada, Winnipeg, MB; Department of Health funds, RG-29; and Policy, Planning and Information Branch sous-fonds, branch accession number 2004-01167-x, Operational Files of Manitoba Basic Annual Income Project (Mincome).

facilitate solidarity that is otherwise obstructed in a highly fragmented and categorical welfare state marked by deep tensions between low-wage workers, unemployed workers, and social assistance recipients. Similar life experiences are critical in facilitating communication and solidarity (for Marx, it was the similarity of life inside the walls of the factory that galvanized solidarity). At minimum, even if a UBI does not actively nurture solidarity, breaking down the categorical nature of social provisioning may reduce the barriers to alliances across otherwise separated groups of poor and working people.

However, there are other aspects to consider when thinking through the impact of basic income on collective action and solidarity. Indeed, it may be the case that the overall impact of basic income on solidarity is somewhat indeterminate, with certain forces facilitating it, and others running against the grain. Although we have seen that the impact on wages is likely to be favorable, what can we say about the *manner* in which those wage gains are made? Put differently, if wage increases can be won through individual or collective strategies, how might UBI play out in this respect? The basic fact of an exit option might mean that individuals use their newfound powers to bargain on their own, not collectively. It might allow them, moreover, to opt out entirely. After all, basic income increases workers' bargaining power with their bosses, but it also increases their power with respect to their unions. Offering people alternatives to economic dependence on employers also means alternatives to economic dependence on collective solutions.³³

The optimistic view proposes that basic income would for the most part

33 Even though basic income improves wages, this is one core reason why the response from unions has been tepid. It is worth noting, however, that the union position has changed over the years: in 1970, Canadian unions were overwhelmingly in favor of the policy. The Ontario Federation of Labor and the Canadian Labor Council produced posters and radio spots advocating the policy. One radio ad confidently demanded, "A guaranteed annual income for all Canadians ... That's what the Ontario Federation of Labour says is needed today. ... We cannot long afford to have over 20 percent of our people living in poverty while the rest of us enjoy all the good things of life. That is why we would urge you to support our campaign for a guaranteed annual income for all Canadians." Library and Archives Canada, Ottawa: Guaranteed Annual Income. General files (R5699-67-3-E). Microfilm reels H-725 (1969, 1971). Canadian labor changed their tune, however, after the experience with particular neoliberal plans designed to eviscerate the welfare state, such as the 1984 MacDonald Commission's Universal Income Security Plan, perhaps history's best case for basic income as a neoliberal Trojan horse. Thus, the particular historical experience is in part what explains the uneven union response. Additionally, it is worth noting that unions might oppose basic income for the simple reason that overall tax increases could leave members as net losers. The funding of an expensive UBI will require collecting revenue from the middle classes, not just the elite, and if the incomes of better-off working people are sufficiently high, the tax increase they face might swamp the benefits they receive.

facilitate collective action. It is sometimes suggested that a UBI could operate as an inexhaustible strike fund; indeed, the National Association of Manufacturers (NAM) was the first to recognize this in their Congressional testimony on Nixon's Family Assistance Plan, a guaranteed income that nearly passed in Congress in 1970. The business group was willing to support the plan as long as it was a significantly watered-down variant of the original, fairly radical and work-unconditional proposal. In congressional hearings the NAM insisted that they would support the program only "if the basic allowance is a realistic minimum, and if the earnings disregard provides a true incentive to work and advancement and if the work requirement is strong." Finally, they expressed concern about the link between the guaranteed income and labor upheaval: "We suggest that anyone directly involved in a labor dispute should be ineligible for benefits under the family assistance plan."³⁴ This worry on their part seems perfectly reasonable.

In this vision a UBI aids collective action because it provides the positive resources to facilitate it. Moreover, the policy would reduce the temptation to "defect" from collective action. Desperate workers, individuals with few alternatives, would be less inclined to scab if they had another decent survival option. However, while basic income provides the positive sustenance for collective action, it *weakens* the negative motivations that spur it on. Much collective action happens because workers have no alternative but to struggle in conjunction with others. Basic income eliminates the external condition of starvation, the condition that forces collective action on people as the only viable path to advancement. Thus, while it undermines the push factor, it strengthens the pull factor by providing the material support that makes collective action more likely to occur and succeed.

It is of course perfectly reasonable to imagine that basic income might empower people both as individuals and collective actors, facilitating both solitary *and* collective struggles against powerful social actors. From the perspective of socialist freedom, this approach to collective action strikes me as desirable. Moreover, as noted in Table I, survey data on why people were not in the labor force during the Mincome experiment reveals some evidence suggesting that people acted individually and some suggesting collective action. I noted above that survey data showed that care work and education were cited, but the strongest reason for not working was related to dissatisfaction with job

34 US Congress, 1970. Family Assistance Act of 1970: Hearings, Ninety-First Congress, Second Session on H.R. 16311. Senate Committee on Finance. U.S. Government Printing Office (1928).

or work conditions. One can see answers relating *both* to workplace struggles and opting out in the data — another common answer, as indicated above, was “did not want to work.”

But what if, contrary to my arguments, universalistic income maintenance ultimately hampers solidarity? If basic income enhances some of the positive reasons for collective action and undermines some of the negative reasons, the net effect could still be negative. It may turn out that the only way to nurture solidarity is to leave workers with no exit option, and no alternative to collective action. Perhaps free (or freer) people will not choose solidaristic strategies and prefer to go it alone. Should we decide that it is then preferable to maintain an external starvation constraint in order to better ensure group solidarity? Even in this limiting case, it would be strange for the Left to argue in favor of economic dependence on the capitalist class. Certainly the freedom tradition in socialism would find little in the way of argument to justify an instrumental case against current autonomy in the anticipation of greater autonomy in the faraway future. The intuition that suggests workers ought not have a basic income because they might behave in ways we don’t like is the same intuition recommending that the Garden of Eden ought to be destroyed should it one day be discovered on Earth. A place like Eden, where our subsistence needs can be met by plucking fruit from the trees, where we can make ends meet on our own, might corrupt our other-regarding impulses. But that would be a bad argument against Eden. The issue is best conceived as a socialist wager: we hope and hypothesize that free people would prefer cooperative, collective action, but if they don’t then they don’t. That sad counterfactual is an insufficient reason to limit their freedom.

BASIC INCOME AND GENDER

Among the open questions concerning the empirical consequences of basic income, the issue of gender is sometimes seen as the most ambiguous. Before interrogating the evidence on this matter it is worth recalling the 1970s Marxist-feminist campaign for “wages for housework,” a social movement (and demand) with much affinity to basic income, as demonstrated by Kathi Weeks.³⁵ Wages for housework was in part a real demand for remuneration for valuable economic activity, and in part an attempt to socially recognize the unpaid care work done disproportionately by women. It was meant to make visible labor

35 Kathi Weeks, *The Problem with Work: Feminism, Marxism, Antiwork Politics, and Post-work Imaginaries* (Durham: Duke University Press, 2011).

that was otherwise invisible. The demand itself was straightforward: Women do valuable and productive, but unremunerated, domestic work and they ought to be paid for it.³⁶ There is a “social factory” that is largely invisible but facilitates the very existence of the industrial factory insofar as the former partially produces (or “reproduces”) the human inputs for the latter.

However, even the chief proponents in the movement were hesitant to commit to the normative demand as a concrete social policy. Ellen Malos noted that it was “not clear whether campaigners for wages for housework really want what they are asking for.”³⁷ As an earnest normative demand it was a nonstarter. Few feminists could get on board with a scheme that is dangerously essentialist and at bottom a categorical social policy only available to women — or women who do housework. As it was designed, it would fortify a highly gender-inegalitarian division of labor — indeed, male housework was sometimes regarded as scab labor in the milieu of the time. Moreover, the perspective views the assignment of housework to women as more or less appropriate. The wages for housework demand might render the housework done by women visible, and recognize it as socially valuable, but it also naturalizes it, and buttresses a gendered division of labor. For these reasons, wages for housework, taken as a genuine attempt to reorganize social life and envision a just system of remuneration, was indefensible.

In Weeks’s overview of the debate, she draws a straight line from wages for housework to basic income, arguing that the latter better achieves the underlying objectives of the former. Weeks writes that wages for housework proponents sought a “measure of independence”: a certain level of autonomy — and power that flows from it — was the underlying objective, and wages for housework was the means for achieving it. The problem was that it was a categorical social policy that poorly realizes its own core normative vision.

36 Conceptually, the analysis rested on the domestic labor debate — either domestic labor directly produced surplus value, or it did not, but it was nonetheless “necessary.” Apart from the far-from-settled question of whether domestic labor was indeed necessary (or necessarily gender-inegalitarian), the theoretical set-up presented challenges. If you accepted that domestic labor contributes to the value of labor power, you had to violate a key Marxist axiom: that in equilibrium labor power sells at its value. For many debate participants this was a bridge too far. However, if you denied that domestic labor produced “value,” but accepted that it should nonetheless be remunerated, you came dangerously close to the neoclassical worldview. After all, if domestic labor should be remunerated, on what basis should it be remunerated? It ought to be remunerated not because it contributed, like “productive” labor would, to any exchange value, but because it produced use-values, or utility.

37 Ellen Malos, “The Politics of Household Labour in the 1990s: Old Debates, New Contexts,” in *The Politics of Housework* (Cheltenham: New Clarion, 1995), 21.

For Weeks, “[p]recisely because it does not address its potential recipients as gendered members of families, the demand for basic income is arguably better able to serve as a feminist perspective and provocation.”³⁸ Unlike wages for housework, basic income comes without the strings of actual housework: for that reason it better undermines economic dependence and better realizes the twin goals of autonomy and power.

From a Marxist viewpoint, one of the central conditions undermining autonomy and facilitating exploitation in the labor market is the double freedom discussed above. There is a clear parallel here with the historic conditions underwriting women’s subordination to their husbands. In a traditional marriage, without access to external means of subsistence, women remain economically dependent on male breadwinners. As a consequence, their power both inside and outside the context of marriage is constrained.

If double freedom is a stylized fact of capitalism, from the Marxist-feminist lens, what happens then when a social policy breaks the second half — the freedom to starve — of that dictum? The Marxist hypothesis is that power relations between workers and employers will be transformed. The corresponding Marxist-feminist problematic centers on the ways that social policy weakens or entrenches women’s dependence on their husbands. Basic income operates as an outside option that can modify the internal dynamics of marriages. If you have a viable exit option, your power inside a marriage can improve. If you have no outside options, you are more likely to remain a subordinate partner.

These issues were debated in the context of the American guaranteed income experiments. The debates played out in the pages of the *American Journal of Sociology*, and they were framed in an exceedingly narrow fashion — would the guaranteed income undermine “marital stability”? — but the implications for women’s power and autonomy lurked in the background. Some evidence appeared to show that women would leave their husbands because they could make do without them (this was termed the “independence effect”) and some evidence seemed to show that extra income would improve marital stability (the “income effect”).³⁹ The debate generated an immense controversy on empirical and methodological grounds, but a weakness of equal importance

38 Weeks, *The Problem with Work*, 149.

39 See, for example, Michael Hannan and Nancy Brandon Tuma, and Lyle P. Groeneveld, “Income and Marital Events: Evidence from an Income-Maintenance Experiment,” *American Journal of Sociology* 82, no. 6 (1977), 1186-1211, and Glen Cain and Douglas Wissoker, “A Reanalysis of Marital Stability in the Seattle-Denver Income-Maintenance Experiment,” *American Journal of Sociology* 95, no. 5 (1990), 1235-69.

was that the core questions were undertheorized. At no point did researchers attempt to investigate the ways that an outside option would impact the *power relations* internal to marriages.

It was seldom acknowledged that if some marriages dissolved, perhaps they were bad or abusive marriages, formed and sustained in the context of limited alternatives. Likewise, if some marriages were stabilized — as others found — then perhaps it was because the guaranteed income ameliorated underlying financial stressors. There are, however, further hypotheses that were ignored. Rather than simply making exits more likely, basic income may impact the balance of power and decision-making within relationships by making the *threat* of exit credible. It may also mean that relationships prone to large inequalities in power were less likely to form and solidify. It may be hypothesized further that these changes in the positional power of women, their expanded capacity to realize their demands, have broader effects, including possible reductions in the risk of violence. This view shifts attention from the dissolution of marriage to changes in the power relations interior to them, from actual exit to the threat of exit, and poses a further empirical hypothesis: basic income could increase the bargaining power of wives vis-à-vis husbands and thereby reduce the risk of violence by making credible the threat of exit. In the Dauphin case, I find some preliminary evidence of a decline in domestic violence, and several mechanisms — actual exits from marriage such that exposure to potential violence declines, changing power relations due to the availability of the threat of exit, and a decreased risk of violence due to reduced financial stress — may have all played a role.

However, if the impact on power and autonomy is a net positive, what are we to make of the potentially negative implications for women? It is often argued that a universal basic income would disproportionately reduce female labor market participation and entrench a gendered division of labor. This itself might have implications for the reduced power of women inside relationships. Indeed, the experimental evidence from the 1970s shows that women reduced their labor supply a good deal more than men did. Would a contemporary implemented UBI have the same disproportionate effects?

While it may still be the case that women would reduce work more than men, it is highly unlikely that the effect will be as disproportionate as it was in the 1970s. With a far narrower gender wage gap, many women today will find the opportunity costs of work withdrawal to be too high, and thus decide, like most men, to continue to work. Even so, it is still possible that women would see a somewhat greater impact than men on this front, generating some negative empirical outcomes, including the entrenchment of a gendered division of

labor. One response would be to say that while this might be true, on balance — and especially considering the evidence on power, autonomy, and violence — a UBI would have *net* gender-egalitarian consequences. A second response would be to admit that some outcomes might be negative, and like any social policy measure with unintended negative effects, it ought to be countered by other supplemental policies that bolster a more gender-egalitarian division of labor. A third response would emphasize the limits of the old strategy of replacing domination by husbands with domination by bosses. Such a substitution may have once had appeal under certain circumstances, but weakening economic dependence as such is preferable. However one falls on this issue, what has to be asked is whether these empirical and theoretical ambiguities should prompt us to surrender the freedom to quit. Again: do we wish to disallow a Walmart worker from quitting her job if she so desires?

BASIC INCOME AND THE SOCIALIST PROJECT

With right-wing variants of basic income on the table, it is natural to see a flurry of left criticism. Nonetheless, it should be recognized that the UBI concept dovetails with a normative vision that has deep roots on the Left. The fundamental goals of the socialist left have long been fixed on emancipation, self-realization, and the satisfaction — and even expansion — of human needs. As Adam Przeworski writes, “Socialism was not a movement for full employment but for the abolition of wage slavery ... it was not a movement for equality but for freedom.”⁴⁰ It was only when those goals appeared closed off by political and economic circumstances that we narrowed our horizons and settled for a productivist alternative, characterized by more rather than less work. Having found it unworkable in the medium-run to eradicate exploitation and alienation, socialists set out to universalize them.

Socialism lost something in the reorientation from a vision defined by the abolition of the wage relation to one that fastens us all to it. A generous basic income defined by a genuine exit option from the labor market ultimately has a real affinity with the socialist project. The moral question at the fore is whether or not we wish to retain the coercive and compulsory quality of the capitalist labor market. Fighting for an exit option ought to be a priority because, first, it gives people the power to confront their bosses or their spouses — the possibility of exit facilitates voice — and second, because it gives people real

40 Adam Przeworski, *Capitalism and Social Democracy* (Cambridge University Press, 1985), 243.

freedom to enact their life plans, unencumbered by the dull compulsion of economic relations.

Expanding people's real freedom and eroding the background condition of market dependence are core features of basic income and at best secondary goals in the jobs-and-services strategy. The objective is to free workers not only from a given capitalist, but also from capitalists as a class. This is why a generous and truly universal basic income ought to be a plank in any broad socialist agenda. That said, social order is often secured through some measure of coercion, and forms of social organization that strive to reduce coercion and expand people's freedom always run the risk of dysfunctionality. This is a danger baked into the socialist project. Likewise, the risk that basic income gets co-opted and turned in on itself is a problem facing any abstract policy proposal. It is a danger inherent in the move from theory to practice, and it presents itself whenever an idea narrows in on reality. Whether or not that happens is ultimately up to us. ✎

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This essay delineates salient tendencies of Chinese labor politics since the 2008 financial crisis when China entered a new normal of slow growth and enhanced authoritarianism. It argues that the strikes that garnered the most international attention were not as transformational as observers suggest. Instead, real innovations in labor activism had emerged away from the media limelight, among semi-underground labor NGOs. Yet taking into account the post-2008 political-economic conditions, the prospect for these pockets of resistance to grow into a strengthened labor movement are faint, even as the rise of the platform economy may shift the terrains of labor struggles and bring new volatility.

AFTER THE MIRACLE: LABOR POLITICS UNDER CHINA'S NEW NORMAL

CHING KWAN LEE

In the aftermath of the 2008 global financial crisis, economic restructuring has driven a chaotic process of political realignment in most of the major economies. For the working classes in the United States and Europe, revolt against the status quo has taken the competing forms of right-wing economic nationalism and a new left populism: Trump, Farage, and Le Pen on one side; Sanders, Corbyn, and Mélenchon on the other. But what about China, the new “workshop of the world”? In the combined and uneven developmental landscape of global capitalism, how are Chinese workers reacting to economic restructuring as well as the dramatic recentralization of political power around Chairman Xi?

The dominant academic, activist, and media discourse suggests an optimistic picture. Big headline-grabbing strikes in foreign-owned companies — Honda in 2010, Ohms Electronics in 2012, IBM and Yue Yuen in 2014, and Walmart in 2016 — have been interpreted as “turning points” in the emergence of a more powerful and radicalized labor movement. I argue that this narrative of worker empowerment is largely an illusion. The reaction to the 2008 crisis has certainly produced profound changes in Chinese economic management, but the “new normal” in industrial relations heralds a weakening, not a strengthening, of workers’ capacity for large-scale collective action.

From the outside, of course, it initially appeared that the massive 2008-09 economic stimulus plan (\$586 billion in countercyclical spending) had enabled

China to weather the global crisis with minimal damage to the economy or to the authority of the leadership. In fact, the drastic shrinkage in foreign demand after 2008, together with chronic overcapacity in key industries and a huge overhang of local government debt, marked the end of the thirty-year high-growth era and forced fundamental changes in development and governance strategies. Fearful that growing public anger over income inequality, underemployment, and official corruption could spark a “Chinese spring” with possible challenges to one-party rule, the leadership adopted a sweeping new model for growth and conflict management. Accepting that the economy has shifted to a lower gear, Xi has defied the principle of collective leadership instituted by Deng Xiaoping to concentrate power around himself and initiated a series of campaigns to “cleanse corruption” but also crack down on all forms of dissent. Simultaneously, economic policy has prioritized domestic consumption, the encouragement of mass entrepreneurship and self-employment, and the export of excess capacity to the Global South (this is the ultimate logic behind the New Silk Road).

These are the material conditions that Chinese workers face today. The following discussion begins with a historical sketch of China’s “old normal” and the pattern of labor unrest it spawned. This is followed by a critical assessment of the thesis of a newly empowered workers’ movement, examining not only the big strikes involving global brands but also a wave of local struggles coordinated by underground labor NGOs. The latter movement spearheaded a number of important innovations, including active solidarity between factories and the recruitment of student and professional allies. In neither of this two cases, however, have workers had much success in building sustained organization in the face of the regime’s responses of co-optation and resistance. Far from generating an anti-systemic logic, labor struggles continue to be instrumentalized to poll shop floor opinion and implement new policies and wage adjustments. In the final section, I offer some conjectures about the future of labor on the terrain of this new normal.

THE OLD NORMAL OF EXPORT-LED GROWTH AND BARGAINED AUTHORITARIANISM

The three-decades-long boom in China was synchronized to the neoliberal transformation of the global economy. At the end of Mao’s Cultural Revolution (1966-76), the Chinese leadership was desperate to revive the economy and shore up its crumbling legitimacy. They chose market liberalization because at that time, “freeing the market” was the prevailing strategy of economic

reform among both socialist brother countries, such as Hungary and Yugoslavia, and leading capitalist rivals, such as the United States and United Kingdom.¹ Adopting a gradualist as opposed to big bang approach, the leadership first experimented with the creation of coastal “special economic zones,” the first step in China’s integration into the capitalist world economy as a late-coming export manufacturer. In doing so, China joined the “flying geese formation” — the East Asian system of multilayered industrial subcontracting, with varying levels of profitability and sophistication that originally had been organized by Japan as “head goose.” (The latter’s economic success having been facilitated by American aid and market accessibility, part of Washington’s strategy for containing communism in Asia.)²

China’s attractiveness as a manufacturing platform for global capital was due to a combination of cheap labor and the legacies of state socialist modernization. These include a relatively healthy and educated labor force, a developed infrastructure, and an existing industrial base. From the late 1980s, as the US ran large deficits in its balance of trade, a codependent relation with China quickly took shape: China exports what the US consumes, and invests its export revenues in US treasury bonds, thereby providing cheap credit to sustain ever-higher levels of American public and private debt and consumption. This nexus between the export-driven Chinese economy and debt-fueled consumption in the US together provided an important stopgap measure to the global crisis of overcapacity and falling rate of profit. But for China, this seeming bilateral balance also sowed the seeds of a dangerous structural imbalance that would reveal itself in the wake of the 2008 crisis. Compared to other East Asian newly industrialized countries (NICs), China’s unusually high level of reliance on export (35 percent of GDP in 2008, compared to less than 20 percent among the East Asian NICs at the height of their export boom) and its unusually low level of private consumption (below 40 percent of GDP whereas other NICs never dropped below 50 percent) made it exceptionally vulnerable to global economic turbulence.³

What kind of political apparatus of production was put in place to secure the massive and steady supply of cheap and docile labor required by China’s customers? The *hukuo* system of household registration and unequal citizenship,

1 Maurice Meisner, *Mao’s China and After: A History of the People’s Republic*. (New York: The Free Press, 1999), 451.

2 Ho-Fung Hung, *The China Boom: Why China Will Not Rule the World*. (New York: Columbia University Press, 2015), Chapter 3.

3 *Ibid.*, 77-78.

which had been created to keep peasants in place and producing an agricultural surplus for industry and urban consumption, was loosened without equalizing rights. As a result, hundreds of millions of rural workers moved from the fields to the factories where they encountered a repressive labor regime sustained by rampant collusion between the local state and capital, both domestic and international. The party-state's monopolization of worker representation through the official All-China Federation of Trade Unions (ACFTU) further constrained labor's bargaining power with capital.

Under these tightly regulated conditions, Chinese labor resistance has developed certain enduring characteristics: cellular (single factory), localized (single locality), and legalistic (framing demands in legal terms and refraining from transgressive modes of action).⁴ One-party authoritarianism notwithstanding, such circumscribed social unrest has always existed and provided top leaders with crucial information and leverage to discipline their local agents. In response to mounting unrest over wages, wage arrears, social security, arbitrary dismissal, and subcontracted labor, the central government promulgated a number of national labor laws to redress labor grievances and bureaucratize class conflicts. Constructing a “harmonious society” became a national slogan and stability maintenance made its way into cadres' performance scorecards. The regime's normal strategies of stability maintenance emphasized concessions, a mass-line approach, and a judicious use of force. The state's response, in other words, was usually modulated to accommodate bargaining, bureaucratic absorption, and patron clientelism. The iron fist was reserved for politically motivated organized dissent or ethnicity-based separatism.⁵

In short, export-driven, double-digit economic growth has buttressed an implicit bargain between the party-state and the working class, entailing an exchange of material improvement and economic prosperity for political acquiescence and compliance. Throughout the reform era, labor scholars have documented quantitative increases in strikes, demonstrations, and labor lawsuits, but the rising index of protest did not translate into sustained militancy and workers' power as long as resistance remained localized, fragmented, and in general “manageable” by the party-state.

4 Ching Kwan Lee, *Against the Law: Labor Protest in China's Rustbelt and Sunbelt*. (Berkeley: University of California Press, 2007).

5 Ching Kwan Lee and Yong Hong Zhang, “The Power of Instability: Unraveling the Microfoundations of Bargained Authoritarianism in China,” *American Journal of Sociology*, vol. 118, no. 6 (May 2013), 1475-1508.

AFTER THE 2008 CRISIS: A NEW ERA FOR LABOR ACTIVISM?

When the US mortgage and stock bubbles burst in 2007-2008, China's old normal of export-dependent prosperity was shaken to the core. When the global credit crunch and the contraction in US and European demand for Chinese goods hit home, the immediate and most visible casualty was the export sector, especially the numerous small subcontractors making up the lowest tiers of the global supply chains. Twenty million jobs were wiped out within a few months and millions of migrant workers were conveniently sent home, falling back on the rural economy for subsistence. Beijing rolled out a massive stimulus package totaling \$586 billion and stabilized the economy by injecting credits for urban infrastructural and real estate projects by local governments, with a fraction going to buttress income in the countryside. With its major export markets withering, the Chinese government shifted gear to promote domestic consumption by speeding up state-led urbanization and stipulating double-digit annual increases in minimum wages. Service overtook manufacturing as the leading sector of employment in 2010, and the government began talking up the growth potential of Internet-based businesses (called "internet +" in China). By 2012, the economy seemed to have absorbed the shock of the crisis although even the leadership acknowledges concern about the stability of the domestic financial system in the face of the ballooning of local government debt along with rampant real estate speculation and unproductive infrastructural investment.⁶ State planners now project a lower, single-digit annual growth rate of 6-7 percent in two consecutive Five Year Plans.

The implementation of the post-2008 policies coincided with several high-profile strikes in supplier factories producing for international brands that seemed to herald a new era of labor activism. Journalists and labor scholars have defended this image of an empowered Chinese working class by making four basic arguments: (1) The increase in strikes follows a labor shortage structurally induced by China's one-child policy. (2) This labor shortage has augmented the bargaining power of the second-generation migrant workers who are more class and rights conscious, and more technologically savvy than the first. (3) Workers' demands have changed from purely economic to political (for instance, the demand for the direct election of union leadership) while protest strategy has moved from legalistic appeals to direct action. (4) Workers, as a result, have

⁶ Victor Shih, "Local Government Debt: Big Rock Candy Mountain," *China Economic Quarterly* (June 2010), 26-32.

been more successful in obtaining favorable outcomes of strikes, in the forms of wage hikes and the recovery of employers' insurance contributions and other benefits.⁷ Unfortunately these theses, which neglect the real direction of change associated with the post-2008 transition, do not stand up to empirical scrutiny. Let's assess them one by one.

First, the quantitative increase of labor disputes — labor arbitration cases, labor lawsuits, petitions, and strikes — is neither a new phenomenon nor one that necessarily implies a surge of worker power. Labor unrest in China retains its circumscribed character with little lateral coordination across firms, locality, or social class. The state, moreover, has developed a plethora of neutralization tactics to render labor conflicts routinized and manageable.

Secondly, the demographic transition has not automatically strengthened labor's bargaining power. China's labor supply did indeed drop by 3.45 million in 2012, marking the first absolute decrease in the labor force since the 1970s. Yet the potentially positive impact of a tighter labor market has been undermined by countervailing tendencies. One countertendency is the shortening of job tenure, especially among the younger second-generation migrant workers, making for a more volatile and insecure labor market. According to a 2011 national representative survey by Tsinghua University of more than 2,000 workers, migrant workers born in the 1980s held onto jobs that on average lasted for 2.68 years, but for those born in 1990s the average job duration is only 0.93 years. Both groups' job tenure pales in comparison to that of those born before 1980, whose job duration (4.2 years) averages more than twice that of the new generation. The Tsinghua survey also revealed that 37.9 percent were "waiting for employment" — a euphemism for joblessness. Overall, the survey found a new migrant job market that is extremely fluid and unstable, inhibiting the formation of worker collectivity and solidarity.⁸

Capital has, moreover, discovered and exploited a new pool of vulnerable labor: student interns. In Foxconn and Honda factories, interns are found in many workshops, accounting for 15 to 50 percent of the workforce, with job durations ranging from two months to two years. They are students formally

7 For instance, Lu Zhang, *Inside China's Automobile Factories: the Politics of Labor and Worker Resistance*. (New York: Cambridge University Press, 2015); Parry Leung and Alvin So, "The Making and Remaking of the Working Class in South China" in Beatriz Carrillo and David SG Goodman (eds) *Peasants and Workers in the Transformation of Urban China*. (Cheltenham, UK: Edward Edgar, 2012); Feng Chen and Mengxiao Tang, "Labor Conflicts in China: Typologies and their Implications," *Asian Survey*, vol. 53, no.3 (2013), 559-583.

8 Tsinghua Sociology Research Team, "Shortening of Job Tenure: Survey on Employment Trends among Migrant Workers," *Tsinghua Sociological Review* vol. 6 (2013):1-45.

enrolled in vocational programs that require the internships as a mandatory part of their training. Without labor contracts or social insurance, performing tasks unrelated to their majors, they are not recognized as workers under the Labor Law, although they work and live like other full-time workers. Their plight as contingent labor is the direct result of the collusion between local government and powerful multinational corporations. Vocational schools have been privatized since the late '90s, and through internship programs, schools received equipment, trainers, and funding in return. Local governments compete to lure big investors like Foxconn to move to their localities, promising a steady supply of interns.⁹

Third, there's the question of whether second-generation migrant workers actually do have more rights and class consciousness than the first generation. Two recent surveys focusing on generational differences report little difference in workers' level of legal knowledge.¹⁰ What stands out among the second-generation workers, according to these surveys, is their patterns of consumption. They earn less than older workers but want to and do consume more. Whereas older workers spend mostly on daily necessity and social obligations (wedding and birthday gifts), younger workers spend on fashion, entertainment, communication, eating out, and social gatherings. But the ubiquitous use of smartphones and social media does not automatically have the effect of producing more frequent or more effective mobilization. The causal connection is more often assumed than demonstrated.

This brings us to the claim of a maturation or radicalization of worker mobilization. Oral accounts of worker leaders and ethnographic studies of recent strikes cast doubt on the assertion that migrant workers' demands have undergone a qualitative transformation. In the first place, demand for democratic elections in enterprise unions did not begin with the 2010 Honda strikes, but in 2000, at Uniden, a Japanese electronic factory in Shenzhen.¹¹ The salience of demands for rank-and-file control has, moreover, undoubtedly been exaggerated. Sociologist Wang Jinhua's ethnography of the Honda strikes

9 Yihui Su, "Student Workers in the Foxconn Empire: the Commodification of Education and Labor in China," *Journal of Workplace Rights* 15(3-4), 341-362, 2010-11; Jenny Chan, Pun Ngai and Mark Selden, "Interns or Workers: China's Student Labor Regime" *The Asia-Pacific Journal* vol 13, issue 36, no. 1, September 7, 2015.

10 Tsinghua Sociology Research Team 2013, and Ivan Franceschini, Kaxton Siu & Anita Chan (2016) "The 'Rights Awakening' of Chinese Migrant Workers: Beyond the Generational Perspective," *Critical Asian Studies*, vol. 48, no. 3 (2016), 422-442.

11 Anita Chan, "Trade Union Elections at Foreign-owned Chinese Factories," *China: an International Journal*, vol. 13, no. 3(2015), 94-113.

found among more than 100 initial demands and complaints drafted by the workers, only one that had to do with the union (i.e., item number 67: “the union fails to provide workers welfare”).¹² With the assistance of the provincial union, the Honda workers did manage to elect a new trade union leadership and secured a RMB 800 wage increase. The media dropped the story at this point. Wang, whose fieldwork traced the development of the union in the year following these concessions, found that the company was able to dismantle the QQ instant messaging network that had allowed factory-wide mobilization and implant its own management cadre as union leaders. In 2012, the rank and file circumvented the captive union to pull off a wildcat strike that won an increase in bonuses. The company, without protest from the union, retaliated by reassigning the ringleaders to the worst jobs in the plant. Activists in other strike-prone Honda factories have similarly been demoted to menial jobs or forced to resign. As the “elected unions” reverted to their old role as tools of management, Honda workers have lost faith in unions, “democratic” or not, as agents of rank-and-file demands.

Another example of militancy without radicalization was the ten-day-long Yue Yuen strike in 2014 involving 40,000 workers in the world’s largest shoe manufacturer in Dongguan. The sociologist Chen Chih-Jou, who meticulously studied the strike, stressed that carefully staying within the boundary of the law remained the rule of thumb followed by ordinary workers, strike leaders, and the most daring NGO activists alike. When the NGO activist Zhang Zhiru became an informal strategist and advisor to workers, he repeatedly emphasized the need to “pursue rational resistance,” with his text message to workers explaining that, “marching on public roads and other socially disruptive action not only harm public interests, they will also invite popular criticisms against our legal activism.” Striking workers also followed the advice of labor scholar Chang Kai who appeared in a workers’ social media group and recommended a “work unit-based” framework of action and the election of representatives.¹³ No less revealing is the fact that the leaders of this massive strike were not the much-touted young second-generation migrant workers, but veteran workers who have moved up to junior and middle management, and whose imminent retirement prompted them to check their social security accounts, leading them to discover the problem of employers defaulting their contributions.

12 Jianhua Wang, “Internet mobilization and Workers Collective Resistance in Subcontractor Factories,” *Open Times*, (November 2011), 114-128.

13 Chih-jou Jay Chen, “Protest Mobilization in an Authoritarian Regime: A Wildcat Strike in Southern China,” *Taiwanese Sociology*, no. 30 (2015), 1-51.

As mergers and acquisitions and company restructuring become increasingly common triggers of strikes in China, line managers are becoming strike leaders. Their longer tenure means that more is at stake for them when companies restructure, and their managerial role, skills, and information allow them to generate greater mobilizing capacity.¹⁴

In sum, rather than indicating radicalization in action, rising consciousness, and workers' empowerment, empirical evidence warrants a more measured assessment. Demographically, a new generation of migrant workers has appeared in Chinese cities, but there is no evidence that they are more class conscious, politicized, mobilized, and empowered than the older generation. Wages and lawful compensations (e.g., pension contributions in the case of Yue Yuen shoe factory strikes in 2014), not political representation or institutional empowerment, remain the cardinal concerns among workers. The consumerist culture among them is individualistic and opportunistic, tendencies reinforced by the vagaries of the labor market and the shortening of job tenure. Two quotes from labor NGO activists shed light on this process of atomization:

Currently, the meaning of "old worker" in IT companies is a worker who works in the same factory for more than one year. It is very common for a worker to work in a factory for two or three months. I guess the turnover rate in this company is higher than 50 percent. So, I have to face the new faces every day. It is not easy to let them know our work in a very limited time.

The rate of turnover is very high in the construction sector. The workers always work in the same work yard for less than half a year. The workers always joined our activities one or two times. But then they moved away. Visiting the builders' dormitory is our daily work, I will meet different workers in the same dormitory every week.¹⁵

Finally, higher wages are not necessarily an index of empowerment, especially in the context of soaring prices in Chinese cities, and the central government's strategy of promoting domestic consumption in order to rebalance the economy. Striking workers' demand for higher wages has been met with state toleration and tacit support, because it dovetails with the state's macroeconomic

14 Alexandra Harney and John Ruwitch, "In China, Managers are the New Labor Activists" *Reuters*, May 31, 2014.

15 Wei Zhao, "Between the Party/State and Workers: Development of Labor NGOs in China." Unpublished manuscript, Beijing Normal University, 2013.

restructuring strategy. The twelfth Five Year Plan (2011-2015) stipulated an average annual minimum wage increase of 13 percent, to reach at least 40 percent of average urban salaries. The more general effect has been doubt-digit rates of wage hike throughout China in the past decade.¹⁶ In this new model of development, workers are central to the economy not just as direct producers but also as mass consumers.

PRECARIOUS BREAKTHROUGH BY GRASSROOTS LABOR NGOS

In the shadow of these high-profile strikes, another, qualitatively more original development was taking place as a dozen or so grassroots labor NGOs, after years of providing legal assistance and counseling to individual workers, began to sponsor “worker-led collective bargaining.” With financial support from labor groups outside of China and the legal advice of rights lawyers within China, daring NGO activists built networks of worker activists across factories and recruited cross-class participation by university students and academics to sustain and spread strikes. They even coined a new term “labor movement NGOs” to distinguish themselves from their former incarnation as service-providing NGOs.

Like NGOs in other arenas, labor NGOs first emerged in the mid-1990s, mostly organized by former workers who had firsthand experience with industrial injuries, wage nonpayment, and other labor rights violations. They addressed needs unserved by the official union apparatus. As a state corporatist organization where cadres are appointed by the party-state, the ACFTU has had little institutional incentive or capacity to befriend, represent, and organize workers. Arrogant and unsympathetic toward workers, unionists are more attuned to their bureaucratic superiors’ priority of controlling imperatives than enhancing the interests and power of their rank-and-file members.

The NGOs, by contrast, are attuned to existential conditions within the factories. But they have had to operate within a legal limbo and with unstable financial support, provided on a project-by-project basis by domestic and international foundations. For two decades, these informal worker organizations, like the migrant workers they serve, have thus adopted a moderate, legalistic, and apolitical orientation, focusing on service (counseling, recreation) and education (computer skills, basic English, legal knowledge) and avoiding any

16 Li Li, “Maxing Out the Minimum Wage” *The Beijing Review* June 3, 2014.

advocacy deemed “political” by the government. Despite being vulnerable to the twin pressures of political co-optation by the state and selling their research to the international NGO industry to generate revenue, labor NGOs managed to persist because they have filled a gap created by the government’s reluctance to provide social services to migrant workers who are considered “outsiders” and second-class citizens by local officials and urban residents alike.¹⁷

But a break of sorts occurred around 2011. At that juncture, several of the more well-established labor NGOs in the Pearl River Delta area, long the most popular destination of China’s massive migrant workforce, attempted to mobilize workers to practice “worker-led collective bargaining” (as opposed to official union-led collective “consultation”).¹⁸ According to the pioneering research of labor scholar Li Chun-Yun, eleven labor movement NGOs organized forty-two strikes in South China between 2011 and 2014.¹⁹ The size of the establishments involved in these strikes varied as widely (from a dozen to several thousand workers) as the diversity of their products and services — jewelry, shoes, metal, toys, paper, molding, golf equipment, furniture, leather, sanitation, security, and public transportation. What made these strikes qualitatively different from those of the past was the involvement of worker activists from other factories as well as university students, lawyers, and the public (through the media). As catalysts of change, these NGOs provided meeting places for worker leaders from different factories to get together and share their experiences. They advised workers on how to minimize physical confrontations with employees, frame demands in effective legal language, and run election campaigns. During the strikes, NGO activists helped to sustain morale and boost confidence by having university students and academics give testimonies of their support at striking workers’ meetings. As workers’ fear could be expected to be a major factor undermining strikes, NGO staff also sought to embolden worker leaders through intensive psychological counseling, sometimes paying visits to their families back home to enlist kin support for struggles in the city.

What were the conditions and contingencies propelling these traditionally moderate, informal, and small organizations to attempt a daring breakthrough?

17 Ching Kwan Lee and Yuan Shen, “The Anti-Solidarity Machine? Labor Nongovernmental Organizations in China” in Sarosh Kuruvilla et al. (eds) *From Iron Rice Bowl to Informalization* (Ithaca: Cornell University Press, 2011), 173-189.

18 For a discussion on the difference between collective consultation and collective bargaining, see Chris Chan and Elaine Hui “The Development of Collective Bargaining in China” *The China Quarterly*, no. 217, (March 2013), 221-242.

19 Chun Yun Li, “Unmaking the Authoritarian Labor Regime: Collective Bargaining and Labor Unrest in Contemporary China” PhD dissertation, Rutgers University, 2016.

Their experience had revealed two key factors generating innovations in popular politics under authoritarian rule: First, that state repression can inadvertently lead to radicalization, and, second, that charismatic individuals, helped by personal connections with higher-ups in the structure of authority, can open up spaces within a highly bureaucratic authoritarian party-state. Of course, sustaining such moments of grassroots power and making them points of departure for creating movements or even building institutions pose daunting challenges under China's new normal. Still, there is much to be learned from taking a closer look at how these labor NGOs reinvented themselves.

The Pearl River Delta (in Guangdong Province) is the most vibrant bastion of labor NGOs because of the high concentration of migrant workers. Having established their presence and credibility among workers in industrial towns, and endured many years of state harassment and periodic crackdowns, NGO activists have accumulated almost two decades of organizational experience and legal knowledge. They have formed networks of information exchange and training workshops among themselves, where they have discussed the failures of the old recreational and service model, as well as the state's growing intolerance of even so apolitical an approach. After a wave of repression forced the eviction of a dozen labor NGOs from their rental premises, some labor activists decided to double down. A NGO staff member recalled, "When government officials frequently expelled us from our offices, the officials hastened the staff members' choice, namely, since there is no retreat, they decided to try this collective approach (of worker-led collective bargaining)."²⁰ A vital advisory role was played by the China Labor Bulletin (CLB), arguably the most influential external NGO promoting Chinese labor rights. Run by the exiled independent unionist Han Dongfang in Hong Kong, the CLB since 2005 has advocated workplace collective bargaining, rather than constitutional reforms, in a deliberate strategy to separate the struggle for labor rights from accusations of instigating regime change.

Han explained, "Did Chinese workers make any political demands in their strikes? The answer was no. In fact, in all their strike actions, workers were only asking for legally entitled overtime pay and benefits. They wanted to raise their salary to a level that reflected their labor and ensure their family's livelihood."²¹ CLB was instrumental in raising funds to allow labor movement NGOs to pursue this new tactic.

20 Li 2016: 23

21 Dong Fang Han, Prepared Statement, Hearing before the Subcommittee on Asia and the Pacific, US Congress, House of Representative (2015) Serial No. 114-72.

If the change in strategy by labor NGOs on both sides of the border illustrated that repression could lead to radicalization, then their lawyer partners demonstrate the disproportionate role charismatic individuals may play in challenging the status quo. Particularistic and personal ties (*guanxi*) with the establishment elite can create unexpected spaces to shake things up. In this case, the fifty-nine-year-old labor lawyer Duan Yi became what a Chinese labor scholar called the “concertmaster of China’s labor movement.” Son of a military officer and a government ministry staff member, Duan set up the Laowei law firm in Shenzhen in 2005. Having successfully recovered wages and compensations for many workers, he came to the realization that collective bargaining backed up by the threat of action such as strikes was the most effective means to secure workers’ rights. By 2012, he and his colleagues had trained two thousand workers to practice worker-led collective bargaining.²² Duan’s pedigree and ties to the princelings protected him. When police pressure mounted in 2013, he passed a letter to President Xi Jinping through a friend to explain the legitimate need for his approach.²³ Xi had reportedly reprimanded the official union for not doing enough to stem the tide of labor activism under his reign, accusing the official unions of “four decadent tendencies” — bureaucratization, administration, aristocratization, and recreationalization.

Indeed, Xi’s own criticisms of the official unions and his overriding concern with social stability suggested several important points of leverage for NGO activism. The NGOs have accumulated social capital among workers, something that the official unions lack and have been unable to develop due to the CCP’s definition of their mandate. The NGOs’ educational and recreational services help resolve everyday livelihood problems among the large migrant workforce (e.g., legal aid, education for migrant children, and psychological counseling). In times of strikes, workers seek NGO activists’ advice on maintaining solidarity, formulating demands, electing worker representatives, and funding their struggles. Arguably, this has played an important role in “stability maintenance” (the critical item on the performance scorecards of local officials) because it has made labor unrest more orderly and therefore manageable. But like a double-edged sword, the popularity and organizational capacities of the labor NGOs are both needed and unwanted by the regime.²⁴

22 An interview with Duan Yi discussing the trajectory of his involvement in labor rights cases can be found in the AFTU magazine *Zhongguo Gongren* (Chinese Workers), no. 5 (2012).

23 John Ruwitch, “Labor Movement ‘concertmaster’ tests Beijing’s boundaries,” *Reuters*, December 6, 2014.

24 For a discussion on this contingent symbiosis between the Chinese state and NGOs in

The labor NGOs are unwanted because they threaten the hegemony of the official unions, which have had to conduct some showpiece elections (most famously in Walmart's China stores and in some suppliers of Fortune 500 companies) to order to maintain a facade of legitimacy. But as Anita Chan has insightfully argued, these attempts at superficial reform had unintended consequences, as they opened up fault lines of divergent interests among different levels of the union bureaucracy and incited debates among ACFTU cadres.²⁵ In recent years, the competition with labor NGOs in Guangdong has led some local ACFTU officials to emulate the NGOs by promoting worker-run clubs within the factories and providing organizational and legal training for worker leaders.²⁶ All of this happened while local officials continued to harass and intimidate the NGO activists. So far the government has eschewed outlawing the labor movement NGOs, preferring instead to “discipline” them with cyclical and selective repression. But there is clearly an implicit red line beyond which the NGOs will not be allowed to cross.

BRACING FOR THE NEW NORMAL: SLOW GROWTH AND DISCIPLINARY AUTHORITARIANISM

This red line revealed itself dramatically in December 2015 when, after some seventy strikes involving NGO coordination and resources,²⁷ eleven staff members from different labor NGOs were arrested. Four were released without charge, but seven were detained. Zeng Feiyang — probably the most well-known labor activist — and his organization, the Panyu Migrant Workers Service Center, were subjected to a smear campaign on national television and in the official media.²⁸ Eventually, in September 2016, three activists were charged and convicted of disturbing public order but given suspended sentences. In the court verdict as well as the media, the government insisted that they were the trained agents of hostile foreign forces intent on creating chaos in China by

general, see Anthony J. Spires, “Contingent Symbiosis and Civil Society in an Authoritarian State: Understanding the Survival of China’s Grassroots NGOs” *American Journal of Sociology*, vol. 117, no.1 (2011), 1-45.

25 Anita Chan, “Trade Union Elections at Foreign-owned Chinese Factories,” *China: an International Journal*, vol. 13, no. 3 (2015), 94-113.

26 Lefeng Lin, a sociology student at the University of Wisconsin, Madison, has carried out primary ethnographic research on this in Shenzhen for his doctoral dissertation research.

27 Han, 2015, Prepared Statement, op.cit.

28 Zhang Cong, “From the end of ‘lucky star’ true colors.” *People’s Daily*, December 23, 2015; “‘Industry Star’ Zengfei foreign crime investigation.” CCTV, December 23, 2015.

exacerbating labor conflicts. These accusations echoed the xenophobic rhetoric of the new Overseas NGO Management Law, passed a few months earlier in 2016, which put foreign NGOs and their Chinese partners under the regulation and surveillance of the Ministry of Public Security.²⁹

The crackdown on labor movement NGOs is only one example of President Xi Jinping's broad assault on civil society since late 2012. The media, internet, universities, human rights lawyers, and feminists have all been subjected to his administration's tightening grip. The "709 Incident," in which more than three hundred lawyers and their associates were arrested, detained, or disappeared in a nationwide sweep on July 9, 2015, was emblematic of the regime's hard-line turn. But what was behind this concerted shift?

Since the collapse of the Soviet Union, there has been palpable fear among top Chinese communist leaders about the infiltration of Western political ideas and civil society. To them, the West's conspiracy of "peaceful evolution" was behind the "color revolutions" in the Balkans and the Middle East in the first half of the 2000s, the 2008 unrest in Tibet and the 2009 riots in Xinjiang, the 2011 Arab Spring, and the 2014 Hong Kong Umbrella Movement. By the time Xi took power, the threat of political dissent was compounded by the faltering global economy which threatened the public legitimacy that the CCP had established during the high-growth period. Perhaps in anticipation of rising social discontent and unrest accompanying a sluggish economy, the regime has increasingly resorted to preemptive and coercive measures. Observers of Chinese elite politics have also emphasized Xi's personal predilection for centralizing power in himself, violating the established norm of collective leadership by cultivating a personality cult and executing ruthless purges of political opponents in the name of fighting corruption.³⁰

Compared to his immediate predecessors, Xi is a particularly willful autocrat, overseeing a hard-line "disciplinary" mode of authoritarianism in two senses of the word. First, he doesn't flinch in cracking down on the broadest spectrum of dissent, branding rights activism as subversive and foreign-inspired. Second, he wants to instill a stronger sense of nationalistic self-discipline among the Chinese populace. Summed up in the idea of the "Chinese Dream," Xi exhorts the people of China to "integrate national and personal aspirations, with the twin goals of reclaiming national pride and achieving personal well-being."³¹

29 Edward Wong, "Clampdown in China Restricts 7,000 Foreign Organizations," *New York Times*, April 29, 2016.

30 Cheng Li, *Chinese Politics in the Xi Jinping Era*. Brookings Institution Press, 2016; Evan Osnos, "Born Red" *The New Yorker*, April 6, 2015.

31 USA, "Potential of the Chinese Dream." *China Daily*, March 26, 2014.

In stark contrast to the previous leadership's emphasis on international convergence, this current regime fans the exclusionary sentiments of nationalism and cultural uniqueness, denies the validity of "universal values" (such as human rights and democracy) in China, and demonizes foreign influences as politically motivated. Assisted by technology, state surveillance of people's everyday lives has been achieved on an unprecedentedly microscopic level.

In addition to state repression, workers' struggles must also adjust to the treacherous reality of what the Chinese Premier Li Keqiang has called the "new economic normal." The Chinese government has officially announced the end of the high-growth period.³² The twelfth Five Year Plan (2011-2015) recognized that the annual growth in excess of 10 percent (average over 2003-2010) was unsustainable and envisaged the annual growth rate to be around 7 percent, which was further revised down to 6.5 percent in the thirteenth Five Year Plan (2016-2020).³³ Plagued by overcapacity in steel and coal and other "zombie" state-owned industries, in 2015 the government announced the massive layoff of 5-6 million workers the following year.³⁴ Top officials in Beijing have blamed the Labor Contract Law for creating rigidity and neglecting business interests, while some local governments have frozen wage increases and reduced employers' contribution to social security accounts. The government has signaled its intention to revise the labor law to reduce protection for workers and create more labor market flexibility in the face of economic slowdown.³⁵

The challenge for the working population under the new normal is much more complicated than a sheer reduction in aggregate growth rate or a rise in precarity. If class is relational, then we can posit that the Chinese working class has to confront not just relations of exploitation at work and exclusion in the labor market, but three other kinds of relational subordination: dispossession, indebtedness, and disorganization. All three may undermine worker capacity and contribute to a potential crisis in the social reproduction of labor as labor resistance becomes both more atomized and volatile.

32 Keith Bradsher, "In China, Sobering Signs of Slower Growth," *New York Times*, March 6, 2012.

33 US-China Business Council, "China's Priorities for the Next Five Years," *China Business Review*, July 1, 2010; ABCO, "The 13th Five-Year Plan: Xi Jinping Reiterates his Vision for China," *Iber China*, 2015.

34 Benjamin Kang Lim, Matthew Miller, and David Stanway, "Exclusive: China to lay off five to six million workers, earmarks at least \$23 billion," *Reuters*, March 1, 2016.

35 Chun Han Wong, "China Looks to Loosen Job Security Law in the Face of Slowing Economic Growth," *Wall Street Journal*, November 29, 2016.

Dispossession

In the wake of the 2008 global financial crisis, as mentioned earlier, the Chinese government rolled out an historic stimulus package equivalent to 12.5 percent of China's 2008 GDP. This detonated a wave of debt-fueled growth as local governments borrowed from state banks to subsidize real estate development and fund transport and power infrastructural projects. While these measures stabilized the economy in the short run, they had perverse consequences for migrant workers who retained their links to the countryside. Local governments brazenly use the equivalent of eminent domain to seize peasant land as collateral or to resell it to service interest payments on their massive debts. Meanwhile, in 2014 the central government promulgated the "National New-type Urbanization Plan" designed to increase China's urban population (and mass consumer base) from 56 percent to 60 percent by 2020.³⁶ In praise of the plan, Premier Li Keqiang claimed that "every rural resident who becomes an urban dweller will increase consumption by more than 10,000 yuan (US\$1,587) ... there remains a massive untapped labor pool in the villages, leaving great potential for domestic demand as a result of urbanization."³⁷

As agricultural land is transformed into revenue or cleared for development, the rural support base for urban migration disappears. It becomes difficult, if not impossible, for migrants to mitigate unemployment or illness with resources drawn from their farms and rural kin networks. The scale of the land grabs, moreover, has assumed epic dimensions. Of 1,791 villages sampled in a multiyear seventeen-province survey, 43 percent have experienced confiscation and forced land sales.³⁸ One recent ethnographic study depicts the grim reality for migrant workers after losing their land. In Sichuan, one of the largest labor-sending provinces in China, they became an undesirable supply for labor brokers in the construction business. Since the brokers have to underwrite the costs of transportation and living during the workers' employment period and laborers must survive until the end of the year for wages to be paid, landless workers — which is to say, workers without resources — are deemed a bad risk. "Without land, brokers and laborers face new financial pressure. Brokers must shift recruitment to other sites where laborers hold land and are better able

36 Sara Hsu, "China's Urbanization Plans Need To Move Faster in 2017," *Forbes*, December 28, 2016.

37 Li Keqiang, "Li Keqiang expounds on urbanization," China.org.cn, May 26, 2013.

38 Landesa, "Research Report: Summary 2011 17-Province Survey's Findings," April 26, 2012 (accessed March 15, 2016).

to withstand precarious employment.”³⁹ In short, China’s landless migrant workers, now nominally urban residents in townships, find themselves in an emerging underclass position that is even more precarious than the conventional landholding migrant workers.

Indebtedness

In response to a slowing economy, Beijing has heavily promoted “mass entrepreneurship” and internet-based micro-businesses. To replace a culture of employment with a culture of entrepreneurship, Premier Li announced in his 2015 Government Work Report that “innovative entrepreneurship” is the “new economic normal” for Chinese citizens.⁴⁰ From 2014 to 2015, three and a half million new private business entities were formed, and 90 percent were micro-enterprises in information, software, entertainment, and services.⁴¹ Laid-off women workers, for instance, were encouraged to become on-demand drivers and couriers. The “sharing economy,” exemplified in Europe and the US by companies like Uber or Lyft, quickly became a sector with a workforce of ten million including around 1.2 million couriers and warehouse workers in e-business alone.⁴² Meanwhile, twenty provinces now provide loans, rent subsidies, and tax write-offs to encourage university graduates to set up micro-enterprises, technological incubators, and online businesses.⁴³ The staggering increases in both public and private debt have been tantamount to looting resources for future generations in order to secure social peace in the present. The politics of credit will become a major arena of struggle as the debt state and the debt society compete for the allocation of credits. The Chinese government’s recent national experimentation with using big data to

39 Julia Chuang, “Urbanization through Dispossession: Survival and Stratification in China’s New Townships,” *Journal of Peasant Studies*, vol. 42, no. 2 (2015), 275-94.

40 Wai Wu Chu Lu Guanqiong, “Interpreting Public Entrepreneurship and Innovation,” *China Youth Network*, March 8, 2015.

41 Rungain Think Tank of Entrepreneurship, “2014 Report on China’s Innovative Entrepreneurship,” 2015.”

42 Ryan McMorrow, “For Couriers, China’s E-Commerce Boom Can be a Tough Road,” *New York Times*, January 31, 2017.

43 He Huifeng, “Premier Li Keqiang’s innovation push proves no miracle cure for China’s economy,” *South China Morning Post*, March 9, 2017.; The State Council, “Opinions of the State Council on Several Policy Measures for Promoting Public Innovation in Public Entrepreneurship,” Chinese Government, June 16, 2015.

assign social credit rating to all citizens ominously portends the rise of credit as a means of authoritarian control.⁴⁴

***Platform Economy:
Micro-work, Misclassification, and Disorganization***

Since 2015, the platform economy, one in which market transactions are structured by the application of big data, algorithms, and cloud computing on digital platforms constructed by capital-intensive companies, has become a new engine of Chinese economic growth, especially in the service sector which, as we've seen, has already overtaken manufacturing in terms of level of employment.⁴⁵ Various terms the sharing economy or "internet +," the platform economy will grow by 40 percent annually to account for 10 percent of GDP by 2020 and 20 percent by 2025.

Dominant Chinese platform companies have emerged in rental housing, transportation, e-commerce, crowdfunding, personal, and household services. Platform capital, combining financial and information prowess, tends to be oligopolistic, whereas the workforce it employs is extremely atomized, informalized, and precarious. In 2015, of the estimated 10 million people involved in e-commerce giant Alibaba, 80 percent were self-employed. An even higher percentage of online firms refuse to offer employment contracts to their workers. As a result, more than 2 million young migrants now work in warehouses or as couriers where contracts are nonexistent and poor wages and conditions generate an annual workforce turnover rate of more than 50 percent. Likewise, the 15 million drivers working for Didi Chuxing, the Chinese company that acquired Uber's China unit in 2016, lack any contractual guarantees.

When millions of workers, using their own means of production, labor at home on fragmented tasks assigned on demand via impersonal digital screen-mediated platforms, with no legally recognizable or classifiable status in the eyes of the law or the state, organizing them as collective actors becomes an unimaginably daunting task. As workers cobble together various sources

44 Josh Chin and Gillian Wong, "China's New Tool for Social Control: a Credit-rating for Everything," *Wall Street Journal*, November 28, 2016.

45 Martin Kenney and John Zysman, "The Rise of the Platform Economy" *Issues in Science and Technology* Spring (2016), 60-70. Between 20-30 percent of people in the US and Europe work independently in the gig economy as part timers and full timers. Sarah O'Connor, "World's 'Gig Economy' Larger than Thought," *Financial Times*, October 9, 2016.

of income and resources, their interests (whether based on market status or production site) are also differentiated and fragmented. In the longer term, as in other societies, precariousness becomes normalized rather than questioned, as the younger generation of job seekers are deprived the experience of standard employment.⁴⁶

Social Reproduction as a Contested Terrain

The confluence of dispossession, indebtedness, informalization, and misclassification has blurred the boundary between production and social reproduction, and introduced new features in worker protest. Workers' core demands are increasingly focused on issues of pension, housing, and livelihood; in other words, the social reproduction of labor. As the first generation of migrant workers approach retirement age, they have become more vigilant about employers making the legally required contributions to their pension and housing funds. Rust belt state-sector workers newly laid off in Beijing's campaign to reduce industrial overcapacity demand state intervention to protect their earning power and retirement funds. For informal workers who occupy the blurred boundaries between capital and labor, employed and self-employed, demands are framed and experienced broadly as a crisis of livelihood. In 2015, for example, a wave of taxi strikes hit major cities in coastal and interior provinces in response to the competition of on-demand app-based car services. Even though taxi drivers are self-employed — they own the means of production (taxis), pay gasoline, car insurance, and maintenance, and are not employees of taxi companies — they have to pay a fixed “membership fee” every month to their company in order to participate in this semi-monopolistic industry. The competition of on-demand drivers threatens taxi drivers' “livelihood” and “survival,” terms they now used to describe the reasons for their strikes.⁴⁷

For those without the cultural and financial capital to become entrepreneurs in the platform economy, self-employment on the street has become increasingly difficult. Government encroachments on the use of the “urban commons” are depriving precarious workers a crucial resource for their subsistence economy in the Chinese cities. As Michael Goldman astutely observes of Indian cities,

46 Juliet Webster, “The Microworkers in the Gig Economy: Separate and Precarious” *New Labor Forum*, vol. 25, no. 3 (2016), 56-64.

47 Yangcheng Evening News, “Many taxi outages over taxi car software,” Yangcheng Evening News, July 5, 2016.; “More than a taxi outage event, only “black car” to blame, *Xinhua Daily Telegraph*, January 7, 2015.

public space (lakes, pavements, marketplaces, bus hubs, parks, and so on) is rapidly being converted into speculative real estate by government agencies. Mobilizing the ideology of making “global cities,” these local governments are increasingly displacing the rag pickers, drain cleaners, scrap collectors, cart vendors, porters, and tea and snack sellers to make way for global speculative capital.⁴⁸ In China, street vendors’ clashes with *chengguan*, a para-police force first set up in the late ‘90s, at times turned violent and escalated into mass protests involving local residents resentful of official brutality.⁴⁹ In 2011 in Zengcheng, a scuffle between a pregnant female street vendor and the *chengguan* turned into several days of riots by migrant informal workers who burned government offices and destroyed police cars. On a much smaller scale, violent clashes erupted in 2013 between citizens and police after the death of a watermelon vendor who was attacked by the *chengguan* in Linwu, a city in Hunan province.⁵⁰ The volatility revealed in such struggles for survival defies bureaucratization and orderly bargaining, and is reminiscent of the unanticipated consequences of a street vendor’s self-immolation in Tunisia in January 2011.

CONCLUSION: FROM MOMENTS TO MOVEMENTS

This essay offers a broad-strokes sketch of Chinese labor politics in the context of China’s gradual transition to a new normal of slow growth and disciplinary authoritarianism. For three decades, China’s deepening integration in the global capitalist economy produced a legendary boom that buoyed one-party rule but also rendered it vulnerable to global economic turmoil that eventually necessitated major adjustments in development and governance strategies. These new political-economic conditions will shape the future of class struggle in China. Throughout the reform era, rising but localized and legalistic labor unrest has been a fact of life to which the Chinese government has developed an elaborate multipronged system of bureaucratic absorption, routinized bargaining, and selective repression. These long-established capabilities have been overlooked in most assessments of the strike wave in large, foreign-invested companies since 2010. The euphoric forecast of a more powerful and independent labor

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48 Michael Goldman, “With the Declining Significance of Labor, Who is Producing our Global Cities?,” *International Labor and Working-Class History*, vol. 87 (Spring 2015), 153.

49 Sarah Swider, “Reshaping China’s Urban Citizenship: Street Vendors, Chengguan and Struggles over the Right to the City,” *Critical Sociology*, vol. 41, no. 4-5 (July 2015).

50 Andrew Jacobs, “Death of Watermelon Vendor Sets Off Outcry in China,” *New York Times*, July 20, 2013.

movement accordingly has floundered in face of the predictably adroit and manipulative responses by the corporations and the party-state. There has been real innovation in workers' mode of struggle, especially in the creation of solidarity networks across economic and geographical boundaries, but it has been spearheaded by the semi-legal labor NGOs in lesser-known strikes in industries and services not necessarily linked to global value chains. But are they sustainable? The real question is whether or not moments of radicalization can be consolidated as movements of sustained struggles.

The new economic normal in China does not bode well for enhancing the collective capacity of Chinese workers. As the sectors offering formal job contracts shrink, entrepreneurship replaces employment, and public and private debt mounts, labor struggles may develop a dual tendency. The pattern of cellular and contained strikes will continue among workers in formal employment in manufacturing and services while those in informal and precarious employment resort to acquiescence or atomized resistance (e.g., confrontation with police, disrupting public order and suicides). Statistics indicate that the economy is moving away from export industries and toward internet-platform based and debt-fueled service sectors. Exports now account for only 19 percent of China's GDP in 2016, down from 35 percent in 2007, while the tertiary economy has grown to 52 percent and private consumption has increased slightly from 35 percent of GDP in 2007 to 37 percent in 2015.⁵¹ The platform economy is expected to grow 40 percent annually to reach 10 percent of GDP by 2020, adding 100 million jobs, mostly informal, to the labor market.⁵² At the same time, Chinese household debt's share of GDP has increased from 30 percent in 2011 to 60 percent in 2017 while public debt increased from 15 percent in 2011 to 38.5 percent in 2014.⁵³

On the political front, as Xi continues to promote anti-foreign nationalism to justify his hard-line policies toward civil society, the space for labor organizing is bound to diminish. Yet, what also seems clear thus far is that state repression has not meant the total elimination of NGOs. The three arrested activists involved in labor movement NGOs were given suspended sentences and their organization continues to exist to date, even though one activist was

51 World Bank national accounts data and OECD National Accounts data files, Export of Goods and Services (% of GDP) in China and Household Final Consumption Expenditure, etc. (% of GDP) in China; Xinhua, "Share of services hits record high in China 2016 GDP," *China Daily*, January 20, 2017.

52 Lim Yan Liang, "China's Soaring Sharing Economy," Sgsme.sg, July 25, 2017.

53 Personal communication with Victor Shih.

given a twenty-one-month jail term. Perhaps thanks to the state's need for their services, local officials indicated to NGO staff that they could continue their work as long as they did not get involved with any foreign institutions, insinuating a foreign versus domestic divide as a new red line patrolled by the state toward civil society generally.⁵⁴ At the same time, some NGOs are turning to a more collaborative and survivalist strategy, becoming partners of the government's policy of subcontracting social services to community organizations. This throws a financial lifeline to impoverished NGOs and allows the state to channel NGO activities into arenas serving its interests.⁵⁵

In the Chinese case, we should never confuse authoritarianism with inflexibility. Despite its autocratic politics, the party-state has a track record of weathering many socioeconomic crises by responding to social discontents with material concessions and policy innovations in order to maintain social stability. While the state may continue to rely on the existing system of law reform, protest bargaining, and selective repression to manage labor conflicts in the industrial sector, it may be compelled once again to find new policy solutions, even a new social contract, as the service-oriented platform economy grows, the boundaries between labor and capital blur, and livelihood pressures increase for the people. After all, compared to a democracy, a one-party state has unparalleled power but also unparalleled responsibility. ✎

54 Personal communication with Anita Chan.

55 Jude Howell, "Shall We Dance? Welfarist Incorporation and the Politics of State-Labor NGO Relations," *The China Quarterly*, vol. 223 (September 2015), 702-723.

This article explains the dichotomy between the United States's unparalleled military advantage over all rival powers and its record of military defeat since the end of the Cold War as the product of three factors. First, the career imperatives of military officers combine with the profit interests of defense contractors to direct the ample budget toward the purchase of high-tech weapons unsuited for fighting counterinsurgency wars. Second, both the military itself and civilian Americans have become far less tolerant of casualties. Finally, the United States has turned toward plunder neoliberalism in the twenty-first century, undermining its ability to recruit local elites to serve as US agents.

THE US MILITARY: WITHOUT RIVAL & WITHOUT VICTORY

RICHARD LACHMANN

The United States, we are told, is the most powerful nation in world history, the sole superpower, winner of the Cold War, the “indispensable nation,” a “hyperpower” that has achieved “full spectrum dominance” over all other military forces on Earth. Yet the US failed to achieve its objectives in Iraq and Afghanistan, was defeated outright in Vietnam, and since World War II has won unambiguous victories only in the first Gulf War of 1991, a war with the strictly limited objective of expelling Iraq from Kuwait, and in various “police actions” against pathetically small and weak opponents in the Dominican Republic in 1965, Grenada in 1983, and Panama in 1989. How can we explain this dichotomy between unparalleled military advantage over all rival powers and a virtually unblemished record of military defeat since the end of the Cold War? And how has the strange mix of great military capacity and inability to use that power to attain military victories affected America’s ability to maintain geopolitical hegemony?

WHAT THE RIGHT SAYS

Champions of US global dominance have an easy and clear answer to these questions. The problem, in their view, is that Americans are unwilling to pay the financial or human cost of maintaining their empire or, when they bother to express it in more palatable terms, to uphold democracy and the rule of law

in the world. Thus Niall Ferguson, who believes that as a historian his role is to instruct Americans on how to adopt the best practices of the British empire, criticizes Americans in general for demanding “that overseas interventions show positive results within two or at most four years” and Ivy League graduates in particular because they “aspire not to govern Mesopotamia but to manage MTV; not to rule the Hejaz but to run a hedge fund.”¹ He also wants the US to spend less on social programs and more on the military.

I will address American attitudes toward casualties below, but in terms of spending there is no evidence to support Ferguson and other twenty-first-century imperialists. The US in fact has easily maintained, and since the end of the Cold War vastly expanded, its edge over the budgets of geopolitical rivals. Indeed, the US advantage in military spending and technology is unprecedented in recorded history.

As we see in Table I, the US spent more than the Soviet Union throughout the Cold War, and America’s NATO allies spent six to eight times as much as the USSR’s Warsaw Pact allies, widening the margin. In 1954, at the peak of American power and after the end of the Korean War, the US and NATO spent more than twice as much as the USSR, Warsaw Pact, and China combined. In 2013, the US and NATO spent more than three times as much as Russia and China combined. Much of the spending by the “rest of the world” is from US allies in the Middle East and Asia, which widens the margin of the US bloc over any potential enemies.

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TABLE I: MILITARY SPENDING AS A PERCENTAGE OF WORLD SPENDING²

	1954	1964	1974	1984	2010	2013
US	49	40	32	31	43	37
Other NATO	16	16	18	19	16	18
USSR/Russia	24	29	23	22	04	05
Other Warsaw Pact	02	02	03	02	—	—
China	03	05	06	06	07	11
Rest of World	06	08	18	20	30	29

1 Niall Ferguson, *Colossus: the Rise and Fall of the American Empire* (New York: Penguin, 2004), 204.

2 Stockholm International Peace Research Institute, *SIPRI Yearbook* (New York: Humanities Press, 1976-2012).

The US is easily able to afford its enormous military spending, as the US economy has grown much faster than spending on weapons and personnel. American military spending takes a declining share of GDP, as we see in Table 2.

TABLE 2: US MILITARY SPENDING AS A PERCENTAGE OF GDP³

YEAR(S)	PERCENTAGE OF GDP
1943-45 (World War II)	37-38%
1952-54 (Korean War)	13-14%
1955-59 (Eisenhower post-Korea)	10-11%
1961 (Kennedy peak spending)	9.4%
1968 (Vietnam peak spending)	9.4%
1978-79 (post-Vietnam trough)	4.7%
1986 (Reagan peak spending)	6.2%
1999-2000 (post-Reagan trough)	3.0%
2008 (G.W. Bush peak spending)	4.3%

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Federal deficits in the Reagan, George W. Bush, and (if Republican proposals are implemented) Trump eras are due much more to tax cuts than to increases in military spending. The American military has not had to restrict war plans in the post-1945 era due to budget constraints.

American military defeats, in fact, are the result of three factors. First, the Pentagon directs its ample budget toward purchases of complex high-tech weapons, which are designed to fight wars against the Soviet Union/Russia and China, rather than on cheaper and simpler weapons and training for troops in the tactics needed for the sorts of counterinsurgency wars the US fights. The Vietnamese in the 1960s and the Afghans and Iraqis in the twenty-first century figured out simple and inexpensive methods to circumvent high-tech American weaponry by utilizing old weapons (most notably mines) and developed cheap new weapons (above all, IEDs) that inflicted enough casualties on

3 Office of Management and Budget. Historical Tables — Budget of the US Government, FY 2014, Table 6.1. Where a percentage is given for multiple years the percentages are the range of spending in those years.

Americans to turn US public opinion against the wars and created havoc that made it impossible for the US to win local support by establishing security. While military analysts see Pentagon budgetary choices as the result of an organizational culture that produces commanders who prioritize keeping up with America's most formidable rivals, weapons purchases are overdetermined by military contractors who lobby for high-tech weapons because those realize the highest profit margins and by officers whose careers and retirement incomes benefit from their attachment to weapons systems that remain in development and production for decades.

Second, opposition by the American public to significant American (but not foreign) casualties, an aversion that developed as part of the growing resistance during Vietnam and after to US aggression abroad, forces the adoption of war strategies that limit interactions between American soldiers and war zone civilians, reducing the possibilities of accumulating the intelligence and local goodwill necessary for winning counterinsurgency wars. The sharp decline in the number of US war deaths the American public considers acceptable from Vietnam to the current wars in Iraq and Afghanistan have limited the number of troops that can be sent into combat in the first place and quickened the pace with which they must be withdrawn or confined to rear bases.

Third, local populations are further alienated by the US government's turn in the twenty-first century to a form of plunder neoliberalism in the countries it invades. This reduces opportunities for local elites to enrich themselves and therefore makes it almost impossible for the US to enlist reliable local allies. It also impoverishes the mass of locals, creating enough anger and desperation to power insurgencies. Together, these three factors have ensured US failure in twenty-first-century wars and undermined America's ability to maintain geopolitical hegemony.

In sum, while the US is well prepared to engage in old-fashioned head-to-head combat with Iraqis in Kuwait, Russia over Ukraine, or China on the Asian continent — a legacy of the very real military advantages it has built up during repeated programs of military modernization — these three factors combine to leave the US stunningly weak militarily in the wars it has fought since 2000 against opponents who pursue varieties of “asymmetric warfare” supported by the local population. The US has a military mismatched for the wars it chooses to fight because its military spending has been determined by the interests and desires of a permanent alliance between generals aiming to enhance their careers and military contractors aiming to enhance profits, when both careers and profits can be best built up by developing and commanding weaponry and equipment of the very highest technology. In addition, American military

strategies must be designed to meet both civilian and military demands to keep US soldiers' deaths to a minimum and to end intense combat quickly, even as its insurgent opponents are able to accept outsized casualties and fight "for as long as it takes" because they are defending their homeland against imperialist invaders. Finally, the Middle East campaigns, begun by the Bush administration, have put a new emphasis on the goals of expropriation and plunder of the local societies for the benefit of its own occupying forces — instead of any commitment to national development it may have had previously — thereby insuring that it cannot build support among the local population.

THE CONFLICTING REQUIREMENTS OF THE MILITARY-INDUSTRIAL COMPLEX AND OF WINNING WARS IN THE EARLY TWENTY-FIRST CENTURY

The US military command occupies a central place in determining when and how American wars will be fought. Once the decision to go to war has been made, or is in the process of being made, the top generals play a decisive role in decisions about how to fight it. They do not have absolute authority, but it is very difficult for civilian leadership to defy their advice. This is in part because any move to oppose the generals' recommendations opens politicians to the charge of weakness in defending America and of failing to give the troops "the tools they need."

The generals' views of how to fight wars and what weaponry they need are shaped, indeed determined, by the ways in which their careers, and those of lesser officers, are structured. They advance by commanding expensive and technically complex weapons. Success in winning appropriations for those weapons systems ensures long careers for the ever-expanding corps of generals. These career and organizational imperatives mesh perfectly with defense firms' interest in selling advanced weapons systems, which consistently yield the largest profits. Thus, advanced weapons continue to absorb the lion's share of the Pentagon budget even though those weapons are fundamentally ill-suited for the actual wars the US fights in the twenty-first century.

The Structure of the US Military

The US military enjoys a high degree of autonomy from the civilian government over both the allocation of its overall budget and strategies for deploying and using weapons and men. At the same time, the military is divided among four service branches: Air Force, Army, Marine Corps, and Navy, and each has an

interest in maintaining its own organizational autonomy, in large part because officers make their careers in a single branch and career advancement depends on having sophisticated weapons to command. Each branch maintains its own academy that trains junior officers and awards undergraduate degrees, as well as war colleges for advanced post-graduate training that helps officers advance in rank and influence. These separate educational and training institutions foster distinct “personalities” in each service branch: officers learn to prize particular weapons and develop strategies for waging war based on their control over those weapons systems.⁴ These preferences and career interests in turn drive each branch to fight to maintain its share of the overall Defense Department budget and with ensuring its share of sophisticated weapons. Thus, the Navy and Marines as well as the Air Force buy and fly planes, and the Navy, Air Force, and Army each purchase and command nuclear weapons.

The Defense Department since World War II has cultivated direct relations with its military counterparts elsewhere in the world, as has the Central Intelligence Agency (CIA). In addition, the military and CIA sustain independent relations with civilian officials of many foreign governments. The Pentagon has created “commands” for each region of the world, headed by senior generals or admirals, who negotiate directly with both military and civilian officials in the countries of those regions about policy matters that extend far beyond military cooperation. These commands endure across presidential administrations and thus provide more continuity in US strategic policies and in relations with foreign governments than does the civilian side of the US government.

Military officers increasingly receive post-graduate degrees, often in foreign affairs and public policy, at elite universities. Those academic credentials, beyond any knowledge and wisdom actually conveyed through study at places like Harvard’s Kennedy School or Princeton’s Wilson School, add to senior officers’ claims of prestige and auras of expertise in their dealings with presidents and their aides, Members of Congress, and journalists who display added deference to officers with advanced degrees even though (or perhaps especially when) those politicians and journalists attended elite schools themselves. In addition, there has been a drastic decline in the fraction of politicians and journalists, even more so than in the general population, who have served in the armed forces and thus have direct experience of any sort with military matters.

Most critically, civilian officials in the US government, including presidents, find it politically risky to deny military commanders’ requests for troops once

4 Carl Builder, *The Masks of War: American Military Styles in Strategy and Analysis* (Baltimore: Johns Hopkins University Press, 1989).

wars have been initiated. President Truman's dismissal of General Douglas MacArthur was a rare instance of a president who rejected a military strategy (in that case direct armed confrontation with China) and backed that decision by replacing the commander in the field. Truman and Congressional Democrats paid a high political price for their opposition to MacArthur, although the price was reduced by the rare unwillingness of the rest of the military high command to support MacArthur and his strategic proposals after his dismissal.

The Vietnam War was propelled forward by presidents' fear of denying generals' demands for more troops. Historians still debate why the US government launched itself into a war in Vietnam that at its peak committed 550,000 US soldiers and ultimately resulted in 58,220 US military deaths and those of perhaps 2 million Vietnamese. Porter argues that the Vietnam War was driven by a US military convinced that it enjoyed such an overwhelming strategic edge that it could roll back communism in Vietnam without having to fear a significant pushback from the Soviet Union and China.⁵ Porter contends that the Soviets, Chinese, and North Vietnamese concurred in that view and were ready to stand aside as the US crushed the southern insurgency, but that the three governments were pushed into countering the US by the autonomous decision of South Vietnamese communists (the Vietcong) to successfully fight the Americans and their puppet government. Logevall finds that Johnson and some of his advisors already in 1964-65 were highly pessimistic of the chances of winning the war, and that American allies and some in Congress and the media were willing to endorse withdrawal even if it led to communist control in all of Vietnam.⁶ Logevall sees Johnson's macho unwillingness to preside over the "first" American "defeat" as the main cause of the decision to escalate rather than withdraw.⁷

In any case, the real negotiations were between Secretary of Defense Robert McNamara and William Westmoreland (the commander of US forces in Vietnam) over the minimum number of new troops Westmoreland would

5 Gareth Porter, *Perils of Dominance: Imbalance of power and the Road to War in Vietnam* (Berkeley: University of California Press, 2005).

6 Frank Logevall, *Choosing War: The Lost Chance for Peace and the Escalation of War in Vietnam* (Berkeley: University of California Press, 1999).

7 Robert Buzzanco, *Masters of War: Military Dissent and Politics in the Vietnam Era*, (New York: Cambridge University Press, 1996) argues that the pessimism extended into the top ranks of the military. However, he shows that the generals' concerns for their careers and for the relative power of their particular military branches propelled them to demand ever more troops even in the face of setbacks they worried would undermine public support for the war and for the military itself.

accept. Johnson shaped his war strategy in 1965 and afterwards “to sustain a consensus among General Westmoreland, the Joint Chiefs of Staff, and the civilian leadership of Pentagon.”⁸ Johnson needed the generals’ consent to the end: “Johnson had won the partial bombing halt [announced in the same March 31, 1968 speech in which he declared he would no longer be a candidate for reelection] by a vote [of the Joint Chiefs of Staff] of three to two, but explained now that if he had pursued a complete cessation he would have lost, four to one.”⁹ Porter and Logevall agree that the high command of the US military was confident that the war could be won and remained so even well after Tet, which they interpreted as a fatal blow to the Vietcong.

Ultimately, it didn’t matter whether or not the generals had a viable strategy to win the war or, as it turned out, were delusional about the nature of the enemy they faced, the weakness, cowardice, and corruption of their South Vietnamese allies, and the actual capacities of US forces. President Johnson felt he could not deny their requests for troops, even when prediction after prediction of success made by the generals proved wrong. Kennedy was able to deflect demands for massive numbers of combat troops, but he made clear that he did not feel he could abandon South Vietnam or even de-escalate until he had been safely reelected, and it remains unknowable if in a second term he would have dared to take a different course from the one Johnson ended up following, or what the political consequences of such a decision would have been for him and his party. Nixon, too remained stuck in Vietnam for another four years and signed off on various harebrained schemes dreamt up by the generals to win a lost war, most notably the invasion of Cambodia. We need to remember that more than 20,000 American soldiers died after Johnson left office and was replaced by Nixon.

President Obama, despite boasting of having read histories of the Vietnam War and learned from them, agreed to a surge in Afghanistan. He also signed off on the reintroduction of “advisors” in Iraq in the hopes that a few thousand advisors could rout ISIS when over a hundred thousand troops had failed to defeat the insurgency under Bush. Perhaps, for a brief time, Obama convinced himself that the Joint Chiefs and David Petraeus had a viable strategy to win in Afghanistan, but even after he realized he had been fooled (or that the generals were fooling themselves), he dared not deny the generals.

8 Gordon Goldstein, *Lessons in Disaster: McGeorge Bundy and the Path to War in Vietnam* (New York: Holt, 2009), 188.

9 Jeff Shesol, *Mutual Contempt: Lyndon Johnson, Robert Kennedy, and the Feud That Defined a Decade* (New York: Norton, 1997), 442.

Elected civilian officials at best share with the military a role in deciding when, where, and how many American troops to commit to foreign wars. However, the details of how to fight those wars remain in the hands of the generals, and once the war begins the role of civilian officials is diminished. The one seeming exception to this enduring relationship between civilian and military leaders in the US was the Iraq War, the single occasion when civilian officials were more eager to fight a war than the generals. Nevertheless, the generals remained confident of victory despite repeated setbacks, and eventually wrested control of the war away from Bush, Cheney, Rumsfeld, and their civilian aides. However, by then strategic decisions, omissions, and blunders, along with policies that ensured the alienation of Iraqi elites and armed opposition from the mass of Iraqis, made it impossible for the US to achieve its aims in Iraq.

Donald Rumsfeld famously said, in response to the complaints of soldiers heading for Iraq that they lacked armor to protect their vehicles from bombs planted in roads, “You go to war with the army you have, not the army you might want or wish to have at a later time.” Let us now examine what sort of weaponry the US has bought with its massive expenditures.

Contracts and Careers

The US has consistently devoted a disproportionate share of its military spending to technologically innovative weapons rather than to simpler weapons useful in counterinsurgency wars. Similarly, soldiers are trained and promoted for their skill in using high-tech weapons rather than for interacting with local populations. C. Wright Mills noted that weapons contracts for private firms gave economic and military elites a shared interest in high military budgets.¹⁰ While the economic elite would prefer lower military spending to prevent tax increases (Mills wrote in the era before both the Reagan military buildup and the Bush wars were accompanied by tax cuts; at the time, the Eisenhower military was financed with taxes that topped out at 91 percent), that consideration was outweighed by the fact that military contracts, then and now, are abnormally profitable. Firms consistently gain far more in profits from military contracts than they, or their managers and shareholders, pay in taxes to finance the Pentagon budget. Thus, private firms come to have an interest in, and lobby for, military budgets weighted toward weapons procurement, and especially toward the purchase of innovative weapons, rather than personnel.

10 C. Wright Mills, *The Power Elite* (New York: Oxford University Press 1956), 212-19.

America's invention of nuclear weapons, and its improvement of German-developed missiles, sparked a "military revolution" that made possible a strategy of projecting power on a worldwide basis, premised on having those weapons always ready for use. That strategy reinforced the preference for investment in high-tech weapons and, in turn, required constant technological innovation, especially after the Soviet Union developed its own nuclear arsenal. While America's perpetual technological lead and greater resources dictated Soviet nuclear strategy, the US as the technological and geopolitical leader had strategic options. However, those options were shaped by the interests of defense contractors in winning and maintaining lucrative long-term contracts for high-cost, high-volume, high-profit weapons systems and by the career trajectories of the growing cadre of military officers. Together, officers' institutional cultures and interests and defense contractors' sway over Congress combine to shape the budgetary decisions and determine the efficacy of America's armed forces.

Toward the end of the Cold War, Carl Builder found that the Air Force, Army, and Navy each had a "personality" that had been developed over decades and which was expressed in a hierarchy of weapons preferences.¹¹ Thus, the Navy seeks to maximize its number of ships. The Air Force cares most about technology and procuring the most advanced planes, even if it has to trade quantity for quality.

Builder sees these preferences as matters of institutional culture, reinforced by officers' personal experiences of devoting long years of their careers to particular weapons systems. For example, "The ardent advocates of the new ICBM were committed to that cause because they could not be otherwise. They had devoted their professional lives to those machines. Their own personal worth and the worth of ICBMs had become intertwined in a way that could not be easily separated ... for their sense of personal worth, people will fight hard and long."¹² However, personal preferences and officers' senses of self-worth are fortified and given material bases by the ways in which military careers are structured.

Officers' careers are organized in terms of the weapons systems they command, more than in relation to the men they lead. Officers are assigned to units that man and deploy specific weapons systems. A naval officer, for example, commands submarines designed to fire nuclear missiles or aircraft carriers built to allow fighter planes to shoot down enemy air forces. A decision to invest

¹¹ Carl Builder, *The Masks of War: American Military Styles in Strategy and Analysis* (Baltimore: Johns Hopkins University Press, 1989).

¹² Builder, 41.

in minesweepers to counter the sort of low-cost and low-tech challenge most likely to be posed by actual enemies at the expense of submarines or carriers would stymie the careers of officers attempting to rise in the resultantly stagnant submarine or carrier corps.

Officers almost never receive further promotions and often have to leave the military if they transfer from one weapons system to another, hence their reluctance to take command of forces devoted to counterinsurgency, civilian administration, or low-tech weapons useful for actual combat.¹³ The Air Force promotes officers who are expert in the technology of specific weapons rather than “defense intellectuals” who understand overall strategy. The army is “a collection of tribes ... The largest are built around weapons systems.”¹⁴ Officers are not willing to leave their “tribe” and abandon command of high-tech weaponry for the more difficult and probably time-limited task of counterinsurgency since such operations, unlike weapons designed for fantasy wars with the former Soviet Union or China, are funded only during wartime and thus cannot sustain officers’ decades-long careers. As one Iraq War combat veteran put it, “The officer corps is willing to sacrifice their lives for their country, but not their careers.”¹⁵

Weapons systems also reward officers in their retirement. Mills viewed the circulation of individuals among the military, political, and economic elites as a key basis of those elites’ harmony.¹⁶ Defense firms often hire military officers after their retirement, and the promise of high corporate salaries to supplement their pensions gives officers a powerful incentive not to question the worth of expensive weapons systems, or to dispute contractors’ bills and pricing decisions. “The number of retired three-and-four star generals and admirals moving into lucrative defense industry jobs rose from less than 50 percent between 1994 and 1998 to a stratospheric 80 percent between 2004 and 2008.”¹⁷

Officers’ opportunities for career advancement, and hence each service branch’s opportunities to reward institutional loyalty, have been fortified by the remarkable expansion in the number of top-ranked officers.

13 Avant, Deborah, *Political Institutions and Military Change: Lessons from Peripheral Wars* (Ithaca: Cornell University Press, 1994), Chapter 3.

14 Cloud, David and Greg Jappe, *The Fourth Star: Four Generals and their Epic Struggles for the Future of the United States Army* (New York: Three Rivers Press 2009).

15 Thom Shanker, “Third Retired General Wants Rumsfeld Out” *New York Times*, April 10, 2006.

16 Mills, *ibid.*, Chapter 12.

17 Citizens for Responsibility and Ethics in Washington. *Strategic Maneuvers: The Revolving Door from the Pentagon to the Private Sector*. (2012).

America's military is astonishingly top heavy, with 945 generals and admirals on active duty as of March 2012. That's one flag-rank officer for every 1,500 officers and enlisted personnel. With one general for every 1,000 airmen, the Air Force is the worst offender, but the Navy and Army aren't far behind. For example, the Army has 10 active-duty divisions — and 109 major generals to command them. Between September 2001 and April 2011, the military actually added another 93 generals and admirals to its ranks (including 37 of the three- or four-star variety). The glut extends to the ranks of full colonel (or, in the Navy, captain). The Air Force has roughly 100 active-duty combat wings — and 3,712 colonels to command them. The Navy has 285 ships — and 3,335 captains to command them. Indeed, today's Navy has nearly as many admirals ... as ships.¹⁸

Since US military preeminence is based ultimately on nuclear superiority, military officers gain the greatest prestige and rise in rank most swiftly and surely by commanding nuclear weapons. Officers therefore demand that each branch of the service (Air Force, Army, and Navy) controls its own system of nuclear weapons, giving rise to the “nuclear triad” of missiles, submarines, and bombers.

Presidents have found it impossible to eliminate any part of the triad even though bombers are less powerful and more expensive than land- or submarine-based missiles (and their pilots are exposed to death or capture if shot down, which then leads the military to invest in stealth technology that both vastly raises the cost of each plane and increases the likelihood of technical failure). The vulnerability of land-based missiles means that the US and Russia and China have only minutes to decide if a rival has launched an attack that could destroy their missiles. This has led William Perry, Defense Secretary from 1994 to 1997 in the Clinton administration, among others, to argue that scrapping nuclear missiles entirely would eliminate the greatest danger of accidental nuclear war without reducing America's retaliatory capacity. Such a decision would be an assault on the army's prestige and on its nuclear officers' careers. No senior official has proposed taking this step while in office, unlike Perry, who made the proposal two decades after his retirement from government service.

Officers' desires for ever-greater technological complexity have raised the costs of weapons far faster than inflation or GDP. The costs of fighter and

¹⁸ W.J. Astore, “Sucking Up to the Military Brass: Generals Who Run Amuck, Politicians Who Could Care Less, an “Embedded” Media... And Us,” *TomDispatch* (2012).

bomber planes, for example, have escalated from \$50,000 each during World War II, when the US purchased 75,000 per annum, to \$100,000,000 for the F-15I and \$2 billion for the B-2 in 1995 when “the United States Air Force bought exactly 127 aircraft ... including helicopters and transports.” Such weapons aren’t suited to attacking terrorists of any stripe or to subduing populations in countries identified as dangerous by the US. For example, the B-2 could not be deployed abroad because “the skin of the plane cannot handle the heat or the damp or the rain.” As a result, “The Air Force issued a statement today saying that, for now, it will cancel plans to station the bombers overseas. ‘It would be difficult to operate the B-2 from a deployed location,’ the Air Force statement said.”¹⁹

Presidents seeking Senate ratification of treaties to limit the number of nuclear weapons needed to elicit support from the Joint Chiefs, through their testimony that the treaties would not weaken US security. That testimony could be bought only with promises to invest in existing or new weapons systems, promises that also were of interest to Senators with weapons plants or nuclear laboratories in their states, in other words almost all Senators. Thus, the Obama administration, in return for Senate ratification of the New Start Treaty in 2010, which makes only modest cuts to nuclear weapons, agreed to a massive modernization of US nuclear weapons and production facilities that is projected to cost \$900 billion to \$1.1 trillion over the next thirty years.²⁰ As a result of that deal, the US spent more in 2014 (adjusted for inflation) on nuclear weapons research, development, testing, and production than in any previous year, even more than in the Reagan or Bush military buildups.²¹

The weapons currently in development, and which absorb most of the military’s procurement budget, are still being designed to counter Soviet or Chinese forces rather than for the sorts of counterinsurgency wars the US actually fights. Military officers demand and firms are paid “to produce weapons that are too expensive, too fast, too indiscriminate, too big, too unmaneuverable and too powerful to use in real-life war. It makes even less sense to design weapons whose development costs are such that they can only be produced on condition that they are sold to others; particularly since lead times are now

19 Tim Weiner, “The \$2 Billion Stealth Bomber Can’t Go Out in the Rain,” *New York Times*, August 23, 1997.

20 Jon Wolfsthal, Jeffrey Lewis, and Marc Quint, “The Trillion Dollar Nuclear Triad” (Monterey: James Martin Center for Nonproliferation Studies, 2014).

21 William Broad and David Sanger, “U.S. Ramping Up Major Renewal in Nuclear Arms,” *New York Times*, September 21, 2014.

so long — ten to fifteen years — as to make it likely that some of the buyers will have become enemies.”²²

The F-35 Joint Strike Fighter, the most expensive weapon in development (in total, not unit, cost), is emblematic of the constraints on US weapons procurement that have held since the start of the Cold War and of the institutional barriers to reform. The F-35 was conceived to save money with a single design that would be used by all branches of the military. However, the Air Force, Marines, and Navy were able to demand variants of the plane that would meet their particular needs. This produced the worst of both worlds: the plane is more complex and heavier than separate planes for each branch would otherwise be since the F-35 needs to include features for each service branch in a plane that will be used by all three, and at the same time three variants will be manufactured, losing much of the hoped for cost savings of a single plane. The complexity of the plane increases the difficulty of manufacturing it without fatal defects. The F-35 prototypes have failed to meet its performance objectives and in war games simulations were easily shot down by existing Chinese and Russian fighters. Nevertheless, Lockheed Martin has convinced Congress and the Pentagon to move ahead with production even before the design flaws are resolved.

American allies, such as Australia, have paid for a portion of the design costs and are committed to buying the planes, even though the versions they will get (which are in addition to the three variants for the US military) will lack some of the most advanced features, making them even more likely to be “clubbed like baby seals” in actual combat.²³ One additional requirement of all new US weapons systems adds to their complexity, expense, and likelihood of breakdown: the necessity of rendering the soldiers who man them invulnerable to enemy efforts to kill or capture them. Thus, the F-35 employs stealth technology; tanks are more heavily armored, which makes them slower and consumers of vast quantities of fuel that, as was demonstrated in Afghanistan and Iraq, can only be delivered to the frontlines at huge expense and by exposing US troops or contractors to a high likelihood of ambush.

Weapons systems are almost never cancelled, despite technical failures, lack of use in the actual wars the US fights, or rising costs that then lead the military to buy fewer of each plane, missile, gun, or ship, thereby increasing the per-unit cost as the massive research-and-development expenses are

22 Martin Van Creveld, *The Transformation of War* (New York: Free Press, 1991), 210.

23 David Axe, “F’d: How the U.S. and Its Allies Got Stuck with the World’s Worst New Warplane,” Medium, August 13, 2013.

divided among fewer units. Despite campaigning, twice, on a platform of military restructuring, President George W. Bush succeeded in canceling only the Army's Crusader artillery system. All other Cold War weapons systems inherited from previous administrations continued in production during the Bush years.²⁴ Obama was somewhat more successful, and "killed weapons programs that have survived earlier attempts at termination, among them, the F-22 fighter jet, the VH-71 presidential helicopter, and the Army's Future Combat System."²⁵

Efforts to reduce costs by using "off-the-shelf" technology, developed for civilian purposes by private firms, have been limited so far. The Strategic Capabilities Office (SCO), founded in 2012 during the Obama administration specifically to buy or adapt commercial products for use by the military, has grown rapidly since then but still commands a budget of only \$907 million as of 2017.²⁶ SCO's efforts face resistance from defense contractors that would lose opportunities to sell their high-priced custom components and systems to cheaper civilian competition and from officers whose careers are built on their command of highly complex, service-specific weapons. In addition, military officers have pointed out that civilian information technology is easily hacked, raising a security objection to the use of off-the-shelf components and systems. Recent efforts to use commercial drones, which are orders of magnitude cheaper than custom-made military drones, have foundered on the military's belief that all its drones need to be able to operate indoors as well as outside and must contain complex target-recognition software that is beyond the capacity of existing civilian drones and which adds greatly to their cost and complexity. Similar objections stymied an earlier effort at the outset of the Clinton administration to replace military-specific production lines with ones that produce both civilian goods and military components.²⁷

Nor has the structure of the US military been reformed. "Service ascendancy," i.e., the organization of all weapons purchases and career pathways, and the planning of war strategies, in terms of the interests and desires of four autonomous military services — the Air Force, Army, Marines, and Navy — has

24 David Cloud, "Pentagon Review Calls for No Big Changes," *New York Times*, February 2, 2006.

25 Jonathan Weisman, "Democrats' Quiet Changes Pile Up," *Wall Street Journal*, November 2, 2009.

26 Sandra Erwin, 2016. "Pentagon Taking a More Serious Look at Off-the-Shelf Technology," *National Defense*, December 12, 2016.

27 "Tank Parts, Off the Shelf," *New York Times*, April 6, 1993.

endured. There is no sign that anything will change in the foreseeable future.

Defense contractors have an interest in using their political power to preserve funding for every weapons system. The US is unique in that private, for-profit corporations produce almost all of its weapons, whether cutting edge or pedestrian. As noted above, this gives the firms' managers and shareholders an interest in supporting military leaders' requests for innovative and expensive weapons that will continue in production for many years and which can be sold to allies as well. Military contractors' power to sway Congressional votes on the Pentagon budget is derived from their locations and relationships with subcontractors throughout the US. Thus, almost all Senators and Representatives have business owners and workers in their states and districts who benefit from the continuing production of weapons systems, regardless of their effectiveness or expense. Indeed, the more expensive the weapon, the more the firms and workers benefit. Defense workers are disproportionately unionized, which gives all unions and even unionized workers in non-defense industries an interest in supporting large military budgets.

Two developments since the end of the Cold War have fortified and deepened the connections between economic and military elites. First, the push, under the George H. W. Bush and Clinton administrations, to consolidate defense firms (in the hopes that a few gigantic firms would be more innovative and efficient than smaller firms, a hope that has not been borne out),²⁸ led banks to loan acquiring corporations large sums to pay for their purchases of smaller firms. This means banks have an interest in ensuring that the defense budget, and profits from weapons contracts, remain high enough to service the debt taken on by the merged defense firms. Second, tasks that once were carried out by military personnel have been transferred to for-profit firms. The duty of guarding American diplomats, and even commanding officers, as well as the job of protecting high officials in the US-supported governments in Afghanistan and Iraq, which in previous wars would have been carried out by enlisted American soldiers, was contracted out to private firms. The most notorious of these firms was Blackwater, which relied on retired US soldiers and foreign mercenaries. The work of hauling fuel and other supplies to US troops and preparing meals, doing laundry, delivering mail, and more were also contracted out to private firms, such as Halliburton (which Dick Cheney headed before he became Vice President). In 2001, the Pentagon's contracted

28 Lawrence Korb, "Merger Mania: Should the Pentagon Pay For Defense Industry Restructuring?" Brookings Institution, June 1, 1996.

workforce exceeded civilian Defense Department employees for the first time.²⁹ There were 9,200 contract employees in the Gulf War, but by 2006 there were at least 100,000 in Iraq.³⁰

Beyond the opportunities for enriching private firms, there are actual policy reasons to privatize some military functions: First, privatization reduces the number of troops needed for the armed forces. Every cook, driver, technician, or guard supplied by a private firm is one less soldier the military needs to recruit, train, and eventually support in retirement or disability. Steinmetz describes this as a military version of “post-Fordist ‘just-in-time production.’”³¹ Singer argues that these firms hold down costs by being “virtual” and hiring employees for specific contracts who then can be dismissed at the end of a war.³² In that way, these employees are like draftees who are demobilized at the end of each war, but without the political cost of having to force civilians to serve and risk their lives in war. However, we need to distinguish these firms’ support personnel from the armed guards they provide. The former are drawn from civilian life, and often are non-Americans, and their diversion from the civilian workforce has little effect on the domestic economy since most are low skilled and many were un- or underemployed before being enticed to go to Afghanistan or Iraq. On the other hand, the guards are former military men who were trained at great expense by the US government. As they are drawn out of the military and into private firms, the military’s savings are more than overwhelmed by the loss of skilled soldiers and the high cost of recruiting and training their replacements. In addition, these guards are not under direct control of the military command and therefore can end up working at cross-purposes to the US military, as when they kill local civilians.

Certainly, the George W. Bush and Clinton administrations pushed to privatize many government functions in part from their ideological commitment to neoliberalism, but it is a mistake to see the path of privatization as part of a post-Fordist or neoliberal master plan. Privatization was pushed as much by opportunistic private firms, eager to realize the high profit rates of military

29 Deborah Avant, *The Market for Force: The Consequences of Privatizing Security* (Cambridge: Cambridge University Press, 2005), 147.

30 Dina Rasor and Robert Bauman, *Betraying Our Troops: The Destructive Results of Privatizing War* (New York: Palgrave, 2007), 7.

31 George Steinmetz, “Imperialism or Colonialism? From Windhoek to Washington, by Way of Basra,” pp. 135-156 in Calhoun, Craig et al. eds. *Lessons of Empire: Imperial Histories and American Power* (New York: New Press, 2006), 154.

32 Peter Singer, *Corporate Warriors: The Rise of the Privatized Military Industry* (Ithaca: Cornell University Press, 2003).

contracts, as by government officials. Firms like Halliburton and Blackwater build political support for continued privatization through the time-honored methods that have served defense contractors so well: making contributions to political candidates and hiring former military officers and civilian officials at multiples of their public salaries. Thus, once the initial decision was made to privatize military functions, the firms created and maintained political and often corrupt alliances that ensure these services will never again be performed by civilian or military employees of the Defense Department.

There is one additional and compelling reason for using contractors rather than soldiers: contract employees killed in combat zones are not included in the counts of US war fatalities. Their fates almost always go unreported, rendering them invisible to the American public.

No American elite has an interest in changing US military strategy and the procurement budgets that maintain the reliance on high-tech weaponry. As we will see in the next section, efforts to fight wars with sustained commitments of ground troops, either conscripts or volunteers, has provoked increasing resistance. Instead, the US military has looked for technological substitutes for soldiers. Already half a century ago, in Vietnam, “Igloo White, which cost \$7 billion [placed] tens of thousands of sensors ... around the jungles of Vietnam and Laos in the hope of locating and targeting enemy supply columns on the Ho Chi Minh trail. But the Vietnamese quickly learned to move the sensors or make them send false signals.”³³ Grandiose claims for the effectiveness of smart weapons during the Gulf and Iraq wars and in the air war over Serbia were vastly exaggerated. The latest technological fix — Predator drones — “turned out to be expensive and delicate instruments.” Both the Iranians and North Koreans figured out by 2011 how to jam the drones’ GPS systems, although drones remain highly effective against technologically less-sophisticated militants in Afghanistan, Pakistan, Somalia, Yemen, and other places with weak or disintegrated states.³⁴

Drones and all other smart weapons depend on intelligence, and accurate intelligence requires American troops or spies on the ground (or intelligence from allies more reliable than the South Vietnamese, Iraqis, or Afghans proved to be). The difficulties in finding Osama bin Laden, and then the decision to use Special Forces rather than drones or Pakistanis to kill him, demonstrate the limits of technological fixes, as do the numerous cases of drones that hit

33 Andrew Cockburn, “Drones, baby, drones.” *London Review of Books*, vol. 34, no. 5, (2012).

34 Ibid.

the wrong target, or hit a target chosen on the basis of faulty intelligence. As late as 2013, almost 90 percent of those killed by drones in Afghanistan were not the intended targets, although the US classifies any “military-age male” hit as an “enemy killed in action” except in the rare cases where the identity of the dead man can be determined and there is strong evidence he was “not an unlawful enemy combatant.”³⁵ When the US is trying to win “the hearts and minds” of the civilian population of an occupied or battleground country, drone hits on innocent civilians serve to undermine that goal.

Nor have the few successful hits on actual fighters rather than civilians managed to blunt the insurgencies in Afghanistan or Iraq, as demonstrated by ISIS’s explosive success in 2014-15 and the Taliban’s spreading control. The Defense Department itself concluded that drone attacks in 2012-13 had only a “marginal” effect in killing “key” insurgents or disrupting al-Qaeda or the Taliban’s use of Afghanistan as a safe haven.³⁶ In 2017, General John Nicholson, the new American commander in Afghanistan, stated without irony in testimony to the Senate Armed Services Committee, “Of the ninety-eight US designated terrorist groups globally, twenty operate in the Afghanistan-Pakistan region. This is the highest concentration of terrorist groups anywhere in the world.”³⁷ In other words, Nicholson pointed out that the number of terrorists groups has increased the longer the US has remained in Afghanistan, and since that is the place where the US has fought its longest war, Afghanistan now has the highest concentration of terrorist groups in the world. Nevertheless, for counterinsurgency wars there remain no substitutes for fielding armies with significant numbers of troops, which is why General Nicholson advocates for an increase in American troops in Afghanistan. Unless and until the US admits defeat in Afghanistan, Nicholson’s successors will issue similarly bleak assessments and call for further reinforcements.

The focus on high-tech weaponry thus undermines US capacity to win wars in three ways. First, America’s overwhelming qualitative and quantitative edge over all other countries creates an arrogant belief, present from Vietnam to Iraq, that the US can defeat any rival. This leads military and civilian leaders to commit to wars that, if they undertook a sober analysis of each side’s actual capacities, would be avoided. Second, once the decision to fight a war is made, US troops arrive with the wrong weapons and without the extensive training

35 Ryan Devereaux, “Manhunting in the Hindu Kush: Civilian Casualties and Strategic Failures in America’s Longest War.” *The Intercept*, October 15, 2015.

36 Quoted in Devereaux.

37 “Military Operations in Afghanistan,” C-SPAN, February 9, 2017.

needed for counterinsurgency. Finally, as the prospect for victory recedes, American commanders rely on ever-greater doses of firepower, which only further antagonizes the local population.

CASUALTY AVOIDANCE AND THE NEW CULTURE OF AMERICAN LIFE

Despite high-tech weapons, most wars still require that troops be sent into battle at the risk of dying. However, the US public's tolerance for American casualties declined as opposition to the Vietnam War deepened. Despite the claims of both Bush administrations that they had overcome the "Vietnam Syndrome," the American public has become increasingly averse to casualties. In response, the US military has intensified its efforts to minimize American war deaths and to glorify both the dead and soldiers' bravery in protecting one another. Those efforts have the effect of further undermining public support for military strategies that put American lives at risk.

Americans' casualty aversion matters because the insurgencies the US fought in Vietnam, Afghanistan, and Iraq were willing to endure massive casualties over long periods of time. This is evidenced in the insurgencies' seemingly endless capacities to recruit new soldiers to replace those killed and injured. During the Vietnam War, the US command touted high enemy body counts as a harbinger of impending victory. In retrospect, the massive imbalance in casualties was a sign of the very different levels of commitment on the part of Americans waging offensive wars of choice that were at best tenuously if not totally falsely linked to US security, and Vietnamese who were fighting for what they saw as their class interests as well as for national self-determination. Similarly, Afghan and Iraqi insurgents see victory over the American invaders as the necessary condition for their ability to determine any and every aspect of their life. It is no wonder the insurgents in all three countries were willing to pay such a high price and to do so for as long as was required.

American weapons, designed at great expense to protect American soldiers, and heavy investments in helicopters to evacuate the wounded and field hospitals to quickly treat them with advanced techniques, many of which were developed by the military, have greatly reduced the death rate of wounded soldiers. Nevertheless, as of October 6, 2017, Afghanistan resulted in the death of 2,403 American troops, and Iraq, 4,526. Those numbers are far lower than the 58,220 who died in Vietnam or the 36,574 in Korea. Even though the recent war fatalities have been relatively few, they have received far more media coverage, and that coverage has been much more emotionally charged, than deaths in previous wars.

Much attention was given during the Iraq and Afghan wars to a ban, instituted by George H. W. Bush's administration during the Gulf War and continued by his son's administration, on news media access to and photographs of the coffins of dead Americans being returned to the US. This effort to hide the consequence of "wars of choice" has been contrasted to the supposed coverage of returning bodies in earlier wars.

In fact, there was very little media attention to American war fatalities during the Vietnam War. Instead, most of the coverage focused on the outcomes of battles rather than casualties. Indeed, even the weekly reports of war deaths, announced on the three networks' evening news shows — with the dramatic ratios of North Vietnamese and Vietcong deaths to those of Americans — were understood, at least until Tet, as a measure of the war's progress more than of its human costs. Public reaction was strongest in the rare weeks when US deaths exceeded those of the South Vietnamese because those reverses called into question the Johnson administration's claim that the South Vietnamese were bearing the brunt of the war.

The *New York Times's* coverage of the Vietnam War is a good measure of the stoic view of casualties that prevailed in that era. Of the 5,651 articles on the war published by the *Times* from 1965 through 1975, only 1,936 include any mention of Americans killed. Only 726 American dead were named in those articles, in a war in which 58,220 died. Biographical information was included about 16 soldiers, with photos of 14. There are only five references to the reactions of the families of the dead and only two articles mention the suffering of injured American soldiers. Two other articles discuss the funerals or burials of the dead. This restrained coverage is far different from that of the *Times* or any other media outlet during the Afghan and Iraq wars, which publish frequent lists of the names, ages, and hometowns of Americans killed, as well as numerous stories on grieving relatives, funerals, and the struggles of injured or psychologically traumatized soldiers.

Our current and anachronistic view of public concerns over soldiers and their lives during the Vietnam War era has been shaped by later developments, most notably the Vietnam Veterans Memorial, which has become the template for how Americans think about their war dead. Indeed, the Memorial has displaced Arlington Cemetery, the Tomb of the Unknown Soldier, and all other sites as the most visited memorial in the US. In so doing, it has altered the relationship between the individual and the nation. Unlike the dead citizen-soldiers of all previous American wars, whose worth and sacrifice, and that of their families, were ratified by their connection to and subsumption in a national cause, the Vietnam War dead are simply that: dead individuals whose

lives are given meaning only in the memories and suffering of their families and friends. In contrast to every previous war memorial, the Vietnam Veterans Memorial makes “no symbolic reference to the cause or country for which they died, [and instead] immediately highlights the individual. But, once it has been determined that the individual will overshadow cause and country, the task of constructing that individual becomes the primary concern.”³⁸

The Vietnam Veterans Memorial’s focus on individual suffering and familial grieving is compatible with the ways in which American prisoners of war (POWs) were perceived and politicized during the Vietnam War. POWs became a political issue during the Vietnam War as pro-war politicians in the US, above all Nixon, used them to sustain support for the war and to falsely assert that antiwar activists were unconcerned with the prisoners. George McGovern, in one of his few witticisms, mocked this by saying, “You’d think we fought the Vietnam War to get our prisoners back.” The concern with POWs had the unintended effect — unintended by the war hawks who hyped this issue — of deepening Americans’ empathy for soldiers’ suffering and that of their families, leading them to be seen as victims as well as heroes and ultimately weakening support for Vietnam and any other war that put American soldiers in harm’s way. The POW “issue” is a rare case of a right-wing strategy that boomeranged.

This line of thinking continues with the image of the yellow ribbon, which Americans first wore to express their concern for the hostages (government employees rather than soldiers) held in Iran in 1979-81. Any geopolitical meaning to the hostages’ ordeal was submerged in the drama of the fifty-two individuals held in Tehran. The yellow ribbon has since become a symbol of concern for any Americans in danger abroad. Yellow ribbons were tied to trees, attached to cars and trucks, and worn on shirts during the Gulf, Afghanistan, and Iraq wars.

The use of yellow ribbons to express concern for soldiers sent into combat by their own government suggests a surely unintended equivalence between the Iranian radicals who held the hostages in Iran and the US government that sent troops to the Gulf, Afghanistan, and Iraq. For those who display the yellow ribbons, the crucial point is that Americans are in danger: the ribbons express above all else a desire that the individual soldiers return home safely from Iraq as the hostages did from Iran. Yet if the American public’s desire is for their soldiers’ safety rather than for victory, then each casualty is seen as an unjustifiable loss.

38 Robin Wagner-Pacifici and Barry Schwartz, “The Vietnam Veterans Memorial: Commemorating a Difficult Past,” *American Journal of Sociology*, vol. 97 (1991), 400.

This heightened concern for the lives of American soldiers developed in the absence of conscription. Remarkably, the American public displays more upset at the deaths of volunteer and professional soldiers post-Vietnam than it did over the far larger number of conscript fatalities in Vietnam and earlier wars. This historical shift challenges the belief by many antiwar activists that a return to the draft is needed to foster opposition to future wars.

The military not only reflects, but also contributes to, the public's heightened sensibility toward the human worth of its soldiers. This is seen in the ever-growing investment in weaponry and medical services to save American soldiers' lives. It also is expressed in the military's concept of heroism. We can see the military's increasing focus on the worth of their soldiers' lives in the criteria for awarding the Medal of Honor, the highest award for bravery in the US military. Medals are explicitly designed to serve an inspirational role, encouraging new acts of bravery and self-sacrifice from soldiers in ongoing and future wars as well as memorializing past actions. Thus, medals are illustrative of the values the military wishes to convey, both to its soldiers and to the civilian public.

From World War I through Korea, Medals of Honor were awarded primarily for "offensive bravery," a soldier's willingness to risk or lose his life in the effort to defeat and kill enemy forces. Examples of offensive heroism include charging the enemy during battle, rallying one's fellow troops to fight harder, and killing large numbers of enemy soldiers alone. A minority of the citations from those wars was for defensive heroism, instances when a soldier risks or loses his life to bring wounded comrades or the bodies of dead fellow soldiers to safety. The most common example of defensive heroism was that of soldiers who threw themselves onto a hand grenade or other exploding devices in order to absorb the blow and save fellow soldiers. Some of the citations noted both offensive and defensive actions.

Vietnam marked a clear turning point. Beginning in 1967, a majority of the citations were for defensive heroism, and by 1969, two-thirds were for risking one's life protecting fellow soldiers rather than killing the enemy. Twelve of the sixteen Medals given since Vietnam — during the wars in Somalia, Afghanistan, and Iraq — were for defensive heroism.

TABLE 3: CRITERIA FOR MEDAL OF HONOR³⁹

	GENERAL BRAVERY	OFFENSIVE HEROISM	DEFENSIVE HEROISM	BOTH
CIVIL WAR	1227	150	148	–
WORLD WAR I	–	86	31	–
WORLD WAR II	–	314	101	13
KOREA	–	94	36	2
VIETNAM	–	83	133	32
SOMALIA	–	–	2	–
“WAR ON TERROR”	–	1	10	3

The military’s narrative of defensive heroism, enshrined since Vietnam, has undermined the potential for the US government to use the widening social distance between volunteer soldiers and the civilian population to fight wars in ways that risk the lives of large numbers of American soldiers. In its efforts to extract a heroic narrative from Vietnam, the military enshrined defensive heroism in a way that elevates the protection of American soldiers’ lives as the supreme marker of military conduct and honor. The Vietnam and subsequent Medal of Honor citations remind soldiers that they should take extraordinary risks to protect the lives of fellow American soldiers.

The Medals, along with other forms of commemoration — above all the Vietnam Veterans Memorial — convey to civilians as well as soldiers a narrative of war that gives primacy to US soldiers’ deaths and presents the history of American wars primarily in terms of efforts to save fellow soldiers’ lives rather than strategic objectives. To the extent that policymakers accept this narrative, or are bound by the preferences of soldiers and civilians who accept that narrative, this standard is applied to US foreign policy and war planning, requiring civilian and military leaders to minimize casualties, no matter how that narrows the ways in which the US can intervene militarily around the world or effects the prospects of success.

Casualty avoidance is not just a reflection of public opinion, but is now embedded within the military ethos as reflected in the criteria for selecting recipients of the Medal of Honor, purchasing weapons, and formulating war plans. The military’s success or failure at avoiding casualties, more than its

39 Richard Lachmann and Abby Stivers, “The Culture of Sacrifice in Conscript and Volunteer Militaries: The U.S. Medal of Honor from the Civil War to Iraq, 1861-2014,” *American Journal of Cultural Sociology*, vol. 4, no. 3, (2016), Table 2.

ability to realize strategic objectives, now shapes the ways in which news media report American wars. As a result, the military has no choice but to adopt “risk transfer warfare,” strategies that minimize American casualties, even at the cost of increasing the deaths of civilian noncombatants in the countries that the US attacks, and thereby furthering angering the local populations.

NEOLIBERALISM, PLUNDER, AND RESISTANCE

The US invasions of Afghanistan and Iraq initially produced relatively low casualties and not much resistance. In both countries armed opposition to the US occupation developed even though the killing and destruction ended once the old governments had been deposed, and even though in both cases the US pledged to leave when a new government of its liking had been established.

Perhaps nationalism now is such a powerful force that no peoples will tolerate invasion and occupation by foreign forces, but if that was the case, why didn't the Iraqis and Afghans wait for the Americans to leave, as the US initially promised to do, and likely would have if the local populations had acquiesced in the governments the US imposed? Why did Afghans and Iraqis risk their lives to challenge troops who had an overwhelming advantage in firepower?

The Bush administration first answered those questions by claiming that ideologically addled dead-enders from the old Baathist and Taliban regimes animated the resistance in both countries. At other times, Bush officials argued that the resistance in both countries was supported and directed by foreign powers: mainly Iran in Iraq and Pakistan in Afghanistan. The problem with either explanation is that remnants of the old regimes and foreign assistance for insurgencies materialized only well after (months after in Iraq and years after in Afghanistan) the Baathist and Taliban governments had fallen. Resistance in both countries began with local opposition to the American occupation.

The Bush administration, as well as journalistic and (retired) military commentators, later offered a second explanation for the insurgency: the US botched its initial occupation. Defense Secretary Rumsfeld's desire to demonstrate that the US military had been (or was in the process of being) transformed by its investment in high-tech weaponry and information technology led him to demand that the invasion be carried out with a much smaller force than his generals requested. Rumsfeld at first seemed to have won that bet with the rapid collapse of Saddam Hussein's military, but that meant US forces were inadequate for the job of occupying the country. Rumsfeld himself denied that he had miscalculated, and instead famously said, “stuff happens” and “freedom's untidy” as Iraqis looted government ministries and other facilities not

destroyed by US bombing.

The Bush administration eventually responded to the disorder in Iraq with the 2007 “surge,” the decision to temporarily send 20,000 more troops to Baghdad and Anbar Province and to lengthen the deployment of the troops already there, thereby at least implicitly accepting the view that the US invasion force had been too small. Violence subsequently diminished in Iraq, although it is impossible to determine if, or the extent to which, that was due to the surge, to US payoffs to Sunni tribal leaders previously in opposition to the occupation (the so-called Sunni Awakening), to Muqtada al-Sadr’s unilateral ceasefire in the face of an expanded US troop presence and decreased sectarian attacks from Sunnis, or because Shia militias had by then succeeded in their ethnic cleansing of Baghdad. Regardless, the surge was a political coup for the Bush administration, enabling it to convince most mainstream US journalists, members of Congress — including then-Senator Barack Obama who “said the surge had ‘succeeded beyond our wildest dreams,’”⁴⁰ — and through them, a majority of the American public, that the invasion and occupation of Iraq were a success. This allowed Republicans, including the then-retired architects of the Iraq War, to fob responsibility for the ultimate collapse of order on the Obama administration.

Successful invaders are successful because they bring enough force to conquer foreign lands, but they only succeed in maintaining control in the long term by enlisting local support. In each country it invades, the US depends on local elites to assume most of the administrative work and eventually to constitute an indigenous armed force to take over the tasks it originally assumed. Ultimately such arrangements between invaders and locals are far more essential to continued control than the conquering power’s willingness and ability to maintain large numbers of troops or administrators abroad. Thus, rather than asserting that “a peculiarity of American imperialism — perhaps its principal shortcoming — is its excessively short time horizon,”⁴¹ we need to understand why the administrators and soldiers the US sent to Iraq, and to Afghanistan and Vietnam, were so ineffective from the start at building and maintaining local allies who could be counted upon to do America’s bidding while successfully suppressing their non-elite compatriots.

In Iraq and Afghanistan, as in Vietnam, the local elites proved to be massively corrupt and their armies unwilling or unable to suppress insurgencies.

40 Greg Muttitt, *Fuel on the Fire: Oil and Politics in Occupied Iraq*. New York: New Press, 2012), 243.

41 Ferguson, 13.

Such weaknesses are inevitable: after all, who would ally with a foreign conqueror unless they saw it as a path to enrich themselves? And since almost no one is willing to die to preserve foreign domination, indigenous puppet armies are destined to be cowardly, and to constantly weigh the likelihood that their foreign protectors will depart and leave them to the mercies of nationalists who will spare the local quislings only if they, in fact, secretly collaborated with the insurgency.

President Trump's immigration policies will make it harder to recruit local allies on any terms.⁴² Since the US has such a poor record of winning wars, local collaborators need to plan on leaving their country when the war is lost. Trump's "Muslim ban" originally included Iraq, which meant that local collaborators were blocked from coming to the US. While Afghanistan was not one of the seven banned countries, the US embassy in Kabul stopped taking applications because the number of Special Immigration Visas reserved for such collaborators had been exhausted. This can't be blamed on Trump alone. Congress allocated only 1,500 visas over four years for this program even though 10,000 Afghans are thought to be eligible.⁴³

Thus, the fate of the US occupations in Iraq, Afghanistan, and Vietnam, like those of the British in India, in the thirteen American colonies, and anywhere else in their empire, or the Dutch, French, and Spanish in their colonies, depended on the occupiers' abilities to offer sufficient incentives to local elites. Those incentives need to be rich enough and appear enduring enough to overcome collaborators' fears of retaliation by the compatriots they betrayed.

The US faces greater difficulties in recruiting and retaining collaborators in Iraq and Afghanistan in the twenty-first century than it or its imperial predecessors did in earlier centuries because of increased American corruption due to privatization and the Bush administration's commitment to instituting a sort of neoliberalism (a commitment continued under Obama) which robs local elites of opportunities for enrichment that were available to their Cold War counterparts in Vietnam and elsewhere.

The neocons who advocated, years before 9/11, a US invasion of Iraq to

42 This point was made in a letter to President Trump signed by 130 former generals and State and Defense Department officials from both Democratic and Republican administrations. The letter phrased opposition to Trump's ban in terms of America's image in the Muslim world and that "the Iraqis who risked their lives to work with the US ... will be left in harm's way." "Letter From Foreign Policy Experts on Travel Ban," *New York Times*, March 11, 2017.

43 Fahim Abed and Rod Nordland, "Afghans Who Worked for U.S. Are Told Not to Apply for Visas, Advocates Say," *New York Times*, March 11, 2017.

overthrow Saddam Hussein, and who hoped for a series of wars that would replace the governments in Iran and Syria, proposed a frankly colonial project. Their neoliberal plan for the Middle East would not be just an effort to privatize state firms (a process that elsewhere in the world has enriched local as well as American elites), cut social benefits, and ensure the free flow of financial capital. Rather, they saw the series of invasions as a way to enrich Americans, who would gain control of massive Iraqi and Iranian oil reserves along with other assets.

As Robert Brenner wrote in the first issue of this journal, neoliberalism in both the core and periphery enables “mechanisms of politically constituted rip-off.”⁴⁴ The redistribution of Iraqi wealth advocated by the neocons, and which the Americans attempted to implement in decrees by the Coalition Provisional Authority, was not designed for, nor did it lead to, economic growth. Rather, it was a zero-sum redistribution from Iraqis to Americans. As a result the Americans could count on less elite or mass Iraqi support than US occupiers in earlier wars not guided by the neocons’ aspirations. Correspondingly, the US needed to rely almost exclusively on military force, a force that was less effective, and available in smaller numbers and for a shorter period of time, than in previous wars.

Private firms, especially when they are largely immune to reviews of their contracts and bills by government auditors, as was the case in both Iraq and Afghanistan, have more scope to siphon off monies from both military services and development programs than do corrupt government employees. Most critically, private firms are able to import employees and goods and in that way bypass the local politicians, landowners, and businessmen with whom corrupt American officials in Vietnam had to deal. Thus, privatization removes the paths through which the US government in Vietnam, Korea, and elsewhere in the twentieth century offered stable and enduring opportunities for local collaborators to enrich themselves. In the absence of such paths, local elites will do better for themselves by allying with insurgents, or at least standing back and allowing insurgents to push the US out of Iraq and Afghanistan, rather than allying with the occupiers.

Local elites may support, acquiesce in, or even lead insurgencies, but they are too few to provide the fighters needed to push an occupying army to withdrawal or outright defeat. Thus, we need to ask why ordinary Iraqis and Afghans were willing to risk their lives confronting the most powerful military force in the world rather than bide their time and wait for the Americans to

44 “Introducing Catalyst,” *Catalyst*, vol. I, no. I (2017), II.

leave. While the unwillingness of elites to police the mass of people is part of the answer, US-imposed neoliberalism provided the spark of desperation and urgency that fueled the insurgency.

Michael Schwartz provides the most comprehensive analysis of US political and economic policy in Iraq.⁴⁵ In addition to the oft-discussed decision by Paul Bremer to dissolve the Iraqi army, leaving thousands of well-trained and armed soldiers unemployed and with a grievance against the US, Schwartz shows that Bremer and his staff moved to forbid the reopening of government-owned firms in all sectors of the Iraqi economy. In other words, the CPA determined that Iraqis would work for and buy goods and services from private, mainly foreign-owned enterprises, or not at all. The impetus for those decisions was partly ideological — a commitment to eliminating the example of state-owned firms that survived if not thrived through years of embargoes and wars, bringing Margaret Thatcher's TINA (there is no alternative) message to one of the few remaining bastions of state-owned enterprises in the post-Soviet era.

Expectations of practical economic benefits for the US, however, were even more important than making ideological points. As state-owned firms were closed, opportunities were created for foreign, mainly US, firms to provide, at first with US government subsidies, the goods and services Iraqis once produced for themselves. As US firms built, or imported and installed, electrical generators, sewage treatment plants, hospitals, schools, and more, Iraq became dependent on American workers and firms to run those plants. Iraqis who had worked in those sectors had become expert at repairing and jury-rigging old facilities that employed Soviet, French, and other older technologies purchased before the embargo that followed the 1991 Gulf War. As those machines were replaced with new American ones, these Iraqis became obsolete and unemployable. Hence the desperation to end the occupation before the technological and ownership transfers could be effected, or at least to create a level of disorder that would prevent American contractors from installing US facilities.

Schwartz shows how neoliberalism interacted with the corruption of US contractors to both spark the insurgency and ensure that the reconstruction projects paid for with US government funds (or with Iraqi funds that had been frozen in US accounts since Saddam Hussein's invasion of Kuwait in 1990) were wasted. American officials in Iraq tolerated shoddy and incomplete work while paying US firms up-front before the work was inspected or bills could

45 Michael Schwartz, *War Without End: The Iraq War in Context*. (Chicago: Haymarket, 2008).

be audited. In the majority of cases where the projects were never finished or were poorly constructed, the resulting work was unrepairable by Iraqis who had no knowledge of or training in US technology. In any case, the American firms never instructed Iraqis how to operate what had been installed since the firms planned to profit far into the future through contracts to service the plants and did not want to be undercut by skilled Iraqis. This, rather than the supposed naivety of State Department officials emphasized by Peter Van Buren, himself a career foreign service officer, explains the anger that the American occupation aroused in Iraqis.⁴⁶

The US government's turn to a plunder neoliberalism in its dealings with all but the most powerful and autonomous countries in the world undercuts the efforts of counterinsurgency warfare to win support from local populations. What the US did in Iraq was different from the type of neoliberalism it fostered in much of the rest of the world, most notably Russia, where state-owned firms were sold to local capitalists (if often with American partners). In Iraq, locals were largely frozen out as the Bush administration sought to create an Iraqi economy dominated entirely by US firms. The plan was for American oil firms to extract energy, with the profits from those firms used to pay other US firms to build and manage infrastructure and import American consumer products. Iraqi capitalists and workers would be entirely frozen out of the major sectors of that new Iraqi economy. This form of neoliberalism would have eliminated most opportunities for the US to offer paths to wealth for elites and destroyed the jobs and small businesses that ordinary people depend upon for their livelihoods.

When neoliberalism is imposed at arm's length through trade deals, debt restructuring agreements, or the seemingly implacable workings of markets, it is nearly impossible for affected populations to take revenge on the bankers, business executives, and government officials who orchestrate those policies. However, when the US moves to eliminate enemy governments and quickly restructure economies, as it has done most recently in Iraq and Afghanistan, then American troops are present to become targets of insurgents. When neoliberal policies are combined with plunder and corruption on the part of US contractors and the misfocused investments in weapons and training analyzed above, the price of American occupations in dollars and in the lives of US soldiers becomes unsustainable. So far, the US has not attempted to impose plunder neoliberalism except in Afghanistan and Iraq, both projects of Bush

⁴⁶ Peter Van Buren, *We Meant Well: How I Helped Lose the Battle for the Hearts and Minds of the Iraqi People* (New York: Metropolitan Books, 2011).

the Younger's administration. It remains to be seen if the US will attempt to reproduce this project elsewhere or if it will alter its goals in future wars, or indeed if there will be further invasions. After all, almost thirty years passed from the final communist victory in Vietnam in 1975 to the invasion of Iraq in 2003. How long will it be before the US attempts an invasion or counterinsurgency war again?

WHAT CAN AMERICAN MILITARY POWER STILL ACCOMPLISH?

After World War II, the US was able to (1) undermine the Soviet Union and then China as well, (2) select the governments of countries it dominated, or at least remove governments it did not like, (3) defeat all major Third World national revolutions, and (4) assign countries to positions in a global economy designed and directed by the US. Since the collapse of the Soviet Union, the US also has been able to ensure almost the entire world submits to a neoliberal order that prevents governments from nationalizing firms or blocking the flow of financial capital.

Yet, in most of the world, US power was hegemonic more than coercive. The US's offer to serve as policeman of the world has been accepted by a majority of the world since 1945, and by almost the entire world after 1991. Many countries look to the US military's command of the commons (the world's airspace and seas as well as outer space), to ensure global order and to protect them from nearby regional powers that, in the absence of American military dominance, could dominate or invade their neighbors. Thus, after decades of fighting to free itself from US domination, communist Vietnam eagerly signed up for the Trans-Pacific Partnership and is considering allowing the US to base warships at Cam Ranh Bay to deflect Chinese power. Meanwhile, every Eastern European country begged for admission to NATO and the EU, just as Western European governments positioned themselves after World War II within a geopolitical and economic structure designed and controlled by the US in return for protection from the USSR. American aid through the Marshall Plan came after the recipient governments already had cast their lot with the US.

American power also has been welcomed by capitalists around the world, whose property and commercial freedoms have been protected by the US. Any costs the US imposed on its allies have, at least for capitalists, been outweighed by the value of its military protection services for the integrity of countries' borders and for capitalists' property rights and market access.

In the face of continuing US power, are the defeats in Afghanistan and

Iraq anomalies or harbingers? I have analyzed why the US military is particularly ill-suited to wars against insurgencies, so in that sense those wars are anomalous. If other powers see those wars as categorically different they would conclude that the US still could easily defeat them and refrain from provocative actions. So far, with the exception of Russia's invasion of Crimea, established governments have not seen those defeats as signs that they can attack weaker neighbors, although Russia, China, and Iran have been more aggressive in seeking to dominate nearby countries.

Invasions and wars against resulting insurgencies could become less anomalous if neocons, or others who believe that US financial and geopolitical health can be augmented only by embarking on new neocolonial ventures, control US foreign policy. That would resume a cycle of defeats that further undermines Americans' willingness to endure war casualties and that would provide new demonstrations of American military weakness, encouraging other countries to become more assertive themselves.

Such defeats will matter if US economic decline, or a decisive move to privilege American capitalists at the expense of their counterparts elsewhere in the world (by neocolonial invasions or other means), leads more governments to try to assert interests at odds with US geopolitical and economic designs for the world. Such challenges, as opposed to countering massive cross-border invasions, are precisely the ones the US demonstrated in Iraq and Afghanistan that it can't overcome with its military. Small countries would then look to regional powers rather than to the US for protection. Indeed, they might look to lesser powers for protection from the US itself. At that point, its inability to invade and reshape other countries would mean the US would have to rely on bluster and bluffs or use the weaponry to which it has devoted most of its resources to launch a catastrophic war. ✎

In our previous *Catalyst* article, “Collateral Damage,” we focused on demonstrating that flexible production facilitates both innovation and worker structural power in order to argue that the decline of former production centers like Detroit is the consequence of decisions by management to undercut worker power. Unfortunately, this focus created the opportunity for readers to misinterpret our portrayal of flexible production as at best ignoring exploitation, and at worst as a panacea for class conflict. Mike Parker leverages this misunderstanding into a critical article, “Management-by-Stress.” Here we take the opportunity to respond to his thoughtful critiques and clarify our argument. Specifically, we see flexible production as a system that simultaneously maximizes worker exploitation, while gifting the workers with the power needed to ameliorate that exploitation.

THE DIALECTICS OF CLASS CONFLICT IN THE AUTO INDUSTRY

JOSHUA MURRAY & MICHAEL SCHWARTZ

In “Management-by-Stress,” Mike Parker frames his critique of our article, “Collateral Damage” as a debate over the oppressive character of the flexible production systems imported to the US by Toyota and other imports. Unfortunately for those who enjoy heated debates, we are not going to challenge Parker’s major point — that flexible production is horribly exploitative of workers. Instead, we want to harness the impressive evidence of oppression he presents to buttress a key component of our analysis: that the exploitative essence of flexible production is also the key to successful worker resistance.

Parker’s assertion — that we see flexible production as inherently humane — points to a weakness in our text that we seek to correct here. In our original article, we were too concerned with demonstrating — in the first instance — that flexible production was good for capitalists because it facilitated improvements in product quality while simultaneously extracting constantly increased productivity from the workers. Then — in the second instance — we were too concerned with demonstrating that flexible production was eventually a weapon available to workers that provided them with the structural leverage needed to force management to grant substantial wage increases and meaningful improvements in working conditions. Our view of flexible production is thus dialectic: it is a production system that simultaneously maximizes worker exploitation while gifting workers with the power needed to ameliorate that exploitation. That is, it contains within it the seeds of its own limitation. The dialectics of this

argument run the risk of sounding like cheerleading for flexible production; and our lack of precision led to Parker misunderstanding our argument as asserting that flexible production virtually eliminates class conflict. Parker’s critique is thus particularly constructive, since it highlights our failure to successfully present a key aspect of our argument, and gives us the opportunity to clarify it.

WHERE WE DISAGREE WITH PARKER

Before we fully engage with his critique, however, we want to start by listing the key components of our argument, clarify that Parker does not challenge the core of our analysis, and pinpoint the areas where he does disagree. First, a short recapitulation of our argument’s main points:

1. The flexible production systems utilized by Japanese and some European automakers facilitate continuous innovation in product and process, allowing the coordination of ongoing product improvement with constantly increasing worker productivity. This leads to a rising surplus.
2. US automakers are unable to match the rate of product innovation and production cost reduction achieved by the Japanese and Europeans who use flexible production. As a result, the Big Three offer inferior products at much higher prices. This is the root cause of the loss of nearly half the US market since 1970.
3. Flexible production also confers structural leverage on workers, because heavy concentrations of workers make organizing much easier, the absence of stockpiles makes all work stoppages immediately disruptive, and sole sourcing combined with no stockpiles means that small disruptions upstream soon shut down most of the production downstream. This leverage can — when activated — be utilized to extract wage and working condition concessions from management.
4. Before World War II, the US auto industry used a production system known as “hand-to-mouth” production, an early and very efficient (for its time) version of flexible production.¹ Japanese flexible production, now known as Toyotism, was built by copying and further developing this system.

¹ The flexible production systems utilized by Japanese and some European automakers facilitate continuous innovation in product and process, allowing the coordination of ongoing

5. After the great Flint sit-down strike in 1937, the US auto industry began implementing changes aimed at undermining the worker's power inherent in the flexible system. The pace of these changes gained momentum after World War II; by the mid-1950s, the US auto industry had fully dismantled flexible production. The new system featured dispersed production, huge stockpiles at plants and workstations, and multiple sourcing.
6. The restructuring of the flexible system created long production runs, slowed product innovation, and ossified production methods that slowed the increases in worker productivity. To compensate, the Big Three targeted their dispersal of production to lower-wage areas — initially migrating to the Jim Crow south and later leaving the country; this allowed them to achieve labor cost reductions previously obtained through increased productivity. Eventually, the threat of such migration would be used to extract givebacks from the unionized workers in the Detroit region.
7. At the same time that they accelerated the dismantling of the Detroit production culture, the Big Three repeatedly attempted to re-implement flexible production. But the sunk costs in widely dispersed duplicate feeder plants were enormous; and fully re-implementing flexibility would require shuttering plants and scrapping mountains of machinery at a cost of billions of dollars. They therefore implemented half-measures that attempted to implement tightly coupled production within individual plants without reproducing the dense production districts essential for product and process innovation. These efforts were doomed to failure.

We conclude that management's successful strategy of reducing workers' leverage by dismantling flexible production, though profitable for the Big Three in the short run, had disastrous consequences for automobile workers and the Detroit region in the long run. Workers would have been better off had flexible production been preserved for two reasons: (1) the importance of geographic concentration to the system assures that jobs would have stayed in local communities like Detroit and Flint; and (2) the structure of flexible production would provide workers the leverage necessary to extract an ever-increasing share of the surplus, resulting in improved standards of living for the working class.

Parker accepts the validity of virtually our entire argument, taking exception

product improvement with constantly increasing worker productivity. This leads to a rising surplus.

only to claim number seven above: that the US auto industry failed to re-implement flexible production. In Parker's view, flexibility was in fact restored in the Big Three's auto plants; but there was no improvement of conditions as the Big Three continued to lose market share, plants continued to close, and worker and Detroit immiseration continued unabated. This, in Parker's view, disproves our conclusion that the working class would have been better off had flexible production been preserved in the Big Three.

But in the midst of making this argument, Parker also concedes our point about worker leverage:

Murray and Schwartz are right that, all else being equal, just-in-time can give workers tremendous leverage, because it can leave production and management more vulnerable to interruption.²

If this is true — and we agree with his endorsement of our logic — and if flexibility was in fact re-implemented as Parker claims, why didn't the workers use their leverage to reverse the immiseration of Detroit? Parker offers no explicit answer to this question, but he implies that the leverage was simply not sufficient to overcome the overwhelming power of management:

In real life the supervisor has the power to define any job in the department, then reassign workers to that job, and discipline any worker who does not do it properly. Individual workers and most small groups of workers have little ability to use just-in-time to their advantage faced with ability of management to respond with severe discipline, including firing. Just-in-time can only be used by workers against management if there is a strong union willing to back them up so that for example any employer discipline of a few workers will be met by more workers joining in.³

So, his challenge to our seventh point leads to an unstated challenge to point three — or rather, to a challenge to part of that claim. While he agrees that flexibility confers greater leverage on workers, his experience and observation of auto's last thirty years convinces him that we are wrong in claiming flexibility-based worker leverage alone is powerful enough to extract major concessions from management. This leads him to his final and most damning

2 Mike Parker, "Management-by-Stress," *Catalyst*, vol. 1, no 2 (2017), 187.

3 Ibid.

claim: our conclusion that the suffering of the working class in places like Flint and Detroit is the result of dismantling flexible production must rest on the belief that improvements in wages and working conditions are inherent to the system. His view that flexibility was re-implemented, while the working class saw a continuing fall in living standards, is proof that flexible production is exploitative and not ameliorating.

This clarification of Parker's criticism allows us to offer an orderly rebuttal. First, we want to contest his claim that flexibility was re-implemented. We believe that this view confuses the adoption of management methods associated with flexible production in a few or many plants, with the implementation of the elaborate inter-plant relationships that are its foundation. Second, we want to correct our understated description of the exploitative nature of flexible production by amplifying our understanding of its dynamics. And, finally, we want to correct the lack of attention in our original text to the distinction between the (few) direct benefits the system confers on workers, and the (numerous) indirect benefits that accrue when workers activate the leverage that the system confers upon them.

WHAT IS FLEXIBLE PRODUCTION?

Flexible production has a number of structural features that make it distinct from mass production. In our previous article, we fully compared the two systems, and gestured at these above distinctions.⁴ Here we will focus on key points relevant to our disagreement with Parker.

- Flexible production is geographically concentrated, with components suppliers clustered around assembly plants, an arrangement that allows for constant coordination;
- The components and parts for many different makes and models are produced in a single plant or at one workstation (single-sourcing), a critical element in both diverse products and increasing productivity;
- Producing different models on the same assembly line requires the use of multipurpose machines, which necessitates workers and teams with changing work assignments;

4 Joshua Murray and Michael Schwartz, "Collateral Damage," *Catalyst*, vol. 1, no 1 (2017), 133-35.

- Most of the companies supplying components and parts have a long-term exclusive relationship with the automaker, an arrangement that is essential for continuous innovation;
- Components and parts are delivered on a just-in-time basis, a system that requires geographic concentration and long-term sole supplier relationships to be fully implemented.

These five features (geographic clustering, parts flexibility, machine flexibility, long-term sole suppliers, and just-in-time delivery) are the key structural features that define the differences between flexible production and the mass production system that was prevalent in the US auto industry when the imports arrived. Innovation, productivity, management styles, and the class relations that observers have associated with flexible production are *consequences* of the system, but there is great variety in how these features are expressed, and all the varieties of — for example, management style — can be found in non-flexible structures.

This is the key misunderstanding that leads Parker to his assertion that the Big Three reinstated flexible production after the imports arrived. Parker reports (accurately) that the US auto assemblers instituted changes in their supervisory system and plant-floor practices that mimicked the within-plant managerial techniques of Toyota and other flexible producers. These methods were, however, applied without the broader structure of flexibility in place. In our article we discuss in detail how these half-measures could not produce the labor-saving process changes that flexibility promises, and therefore become corrupted into the speedup (i.e., intensification of labor without remuneration) long associated with assembly line production.

Take, for example, Parker's central empirical argument. He reports that the UAW rank and file in the '70s, '80, and '90s called the Toyota system "management-by-stress" because a "defining feature" of the system, as implemented in the US auto factories, involved speeding-up production and then focusing management's attention on the workstations that failed to keep up with the new pace.⁵ The disruption could then be remedied in two ways: (1) by reconfiguring the production method or developing a new set of tools that made the workstation less susceptible to failure despite the accelerated rate; and/or (2) by attempting to coerce intensified labor (without disruption) from the

5 Mike Parker, "Management-by-Stress," *Catalyst* vol. 1, no 2 (2017), 192.

workers at the station. In fully flexible systems, failures at a single workstation are very disruptive, since the downstream stations and even whole plants would be idled by the tight coupling and lack of stockpiles. This made even subtle forms of resistance by workers at these chokepoint stations difficult to overcome through intensive supervision and threatened termination.

The saving grace of fully realized flexible systems is their spatial concentration and close ties with various suppliers and the willingness of management to respond to complaints about excessive stress, allowing for a collaborative effort to resolve the bottleneck, for example, with a modification of the supplier-delivered component so that its installation at the workstation is more easily executed. Thus, conflict over the intensification of production can at least sometimes be resolved in the worker's favor, not because the system is more humane, but because its weakness — the tight coupling that allows workers to be very disruptive — is also its strength: such coupling allows for innovation that alleviates the intensification process.

But the half-measures that the US industry implemented did not create the innovative dynamic that flowed from close collaboration among suppliers, process engineers, and line workers, and it therefore limited management's ability to resolve the bottlenecks caused by increasing the speed of production. This left them with a choice of abandoning the increased speed or utilizing intensive supervision at the bottleneck stations. And this explains the repressive supervision that Parker observed and experienced.

We agree with Parker that what evolved out of mimicking elements of flexible production on the shop floor was a management system whose resistance requires a new level of union struggle. But we disagree that this has even a family resemblance to the flexible production structure that the imports practiced and which the US industry abandoned after World War II. Parker's mistake is assuming that adopting shop-floor practices that are featured in flexible production means that the rest of the system is also in place.

HOW EXPLOITATIVE IS FLEXIBLE PRODUCTION?

We now turn to Parker's claim that our analysis rests on an unspoken but necessary assumption that flexible production is inherently more humane than other forms of capitalist manufacturing, and that its implementation eventually ends (or permanently represses) class struggle. This claim, we believe, comes from the lack of precision in our argument, leading him to misunderstand our portrayal of its adoption in both the United States and Japan. This misunderstanding leads him to paraphrase our argument as asserting that "both Toyota

and Ford *initially adopted* the system under the threat of strike and disruption by its workers” (our emphasis).⁶ This rendering of our argument gets the causal sequence backward. Based on the historical evidence in Detroit and Japan, we did not conclude that strikes and disruptions *led to* the adoption of flexible production; but rather that the highly exploitative nature of flexible production *led to* strikes and disruption — and that these instances of working-class resistance produced significant improvements in wages and working conditions.

Parker comes to his conclusion because we focused too much on how disruption by workers — for example, the 400 percent turnover at Ford in 1914 and a massive strike at Toyota in 1953 — forced the adoption of an “effort bargain” between workers and management, in which management delivered high wages, conditional permanent employment, and other benefits in exchange for workers refraining from disruptive protest and participating in cooperative relationships on the shop floor.⁷ Parker concludes that such effort bargains, including various versions of permanent employment and cooperative relationships, are an inevitable feature of the shop-floor relationships — and therefore the management style — in flexible production, and the gateways to installing flexible production. What our account does not make clear is that the massive disruptions by workers were responsive to the oppressiveness of the already-installed flexible production system, and therefore did not animate its installation.

Take Ford — the first venue for flexible production in the auto industry — as an example. Flexible production had already been developed and implemented by Ford during the decade before 1914 on a trial-and-error basis that both developed and demonstrated its manifold virtues, including unprecedented profits. During this development period, the workers at Ford were among the poorest paid and most brutally exploited in the industry. 1914 arrived along with an epidemic of mass absenteeism and turnover at Ford. While this might have been tolerable in the less efficient, more modular, production system still being used at other manufacturers, it definitively disrupted Ford’s tightly coupled flexible system. The company resolved the crisis by granting the five dollar day along with a number of other concessions that became known as

6 Mike Parker, “Management-by-Stress,” *Catalyst* vol. 1, no 2 (2017), pp. 175.

7 See our article, Joshua Murray and Michael Schwartz, “Moral Economy, Structural Leverage, and Organizational Efficacy: Class Formation and the Great Flint Sit-Down Strike, Detroit 1936-7,” *Critical Historical Studies* vol. 2, no. 2 (2015), 219-259, for a fuller discussion of the effort bargain, which is an often implicit (and sometimes explicit) negotiation over the rules and conditions of employment, which is understood by labor and management, even in circumstances without formal union contracts and/or government-regulated labor conditions.

“enlightened capitalism.”⁸ The relatively generous effort bargain at Ford was not a feature of flexibility, but a consequence stemming from the way that the tightly coupled flexible production system made “even unorganized and unfocused mass action ... massively disruptive.”⁹

The story was the same in Japan. Toyota implemented flexible production in the late 1940s (after a visit by Eiji Toyoda to Ford’s River Rouge complex), and soon developed the most productive and profitable production system in Japan, replete with the hallmark “management-by-stress” that Parker points out is identified with Toyotism. But the high wages, lifetime employment, and other perks associated with Toyotism were not (yet) part of the system, and the workers therefore suffered the same wrenching oppression and poverty wages that workers in Detroit had suffered thirty years earlier. The middle-class wage, lifetime employment, and improved working conditions arrived only after a massive strike in 1953 that threatened to bankrupt the company. Though the strike was defeated, the Toyoda family learned from this experience — as Henry Ford had learned thirty years earlier — that as long as they utilized flexible production, they faced the danger of yet another viability-threatening disruption. And, like Henry Ford, they delivered the package of concessions that are now identified with Toyotism, and thus negotiated an effort bargain that would forestall the repeated activation of the workers’ structural leverage.

From this amplified discussion of these critical moments, we can now answer Parker’s question: “Why did the Japanese [and Ford many years earlier] adopt flexible production, despite the leverage to disrupt production and resulting power to extract concession that it supposedly gives its workers?” They adopted it because flexible production is incredibly efficient and produces massive surplus value through increased productivity and innovation. And, at first, they augmented these unprecedented profits by lowballing their workers with poverty wages and brutal working conditions. What Ford and Toyota did not realize as they reaped these two-pronged profits is that eventually workers would — in one way or another — seize the levers of power created by flexibility. And, by the time workers activated that power, the sunk costs — as well as the reliance on a business plan based on constant innovation — meant that it was less expensive for management to concede a large package of benefits than to dismantle the system.

Parker thought that we were arguing that flexibility flowed out of disruption

8 For a full discussion of the class struggle that produced the five dollar day, see Murray and Schwartz (2015).

9 Ibid.

instead of vice-versa, and we thank him for calling out this ambiguity. It has given us a chance to make this critical element in automotive history — and this central feature of flexible production — clear: the high wages and good working conditions often associated with flexibility are not inherent or inevitable. What is inherent is the structural leverage flexibility confers upon workers; ameliorating their oppression and enacting a reasonable effort bargain requires that they forcefully confront management with their ability to generate a level of disruption that threatens the system’s viability.

DID THE BIG THREE RE-IMPLEMENT FLEXIBLE PRODUCTION?

Much of Parker’s argument rests on his empirical claim that the Big Three could and did implement flexible production:

It is not clear why Murray and Schwartz assert that US automakers resisted bringing in the Japanese-Toyota Production System. In fact, US producers worked very hard to try to implement it and adapt it to the US context. They did not, however, have an easy path, especially because they did not have the enterprise pro-company unions that their Japanese counterparts had to help them.¹⁰

This quote contains a puzzling misreading of our text, and — based on that confusion — provides an incorrect answer to the larger question about the failure to re-implement flexible production.

What puzzles us is his assertion that we are not “clear” about the failure to restore flexibility, since we devoted an entire section of the article, entitled “Path Dependence & the Inability to Reinstigate Flexible Production,” to this question. We introduced that section with this comment: “Why couldn’t hindsight, hard earned in the crises of the 1970s, animate a reverse transformation? US automakers actually did try to reintegrate flexible principles into their production systems.”¹¹

Following this introduction, we detailed our analysis of that failure, replete with examples that illustrate the half-hearted experiments that sought to impose factory-level tight coupling without investing the huge amounts of capital needed to re-erect the surrounding structures that make flexibility

10 Mike Parker, “Management-by-Stress,” *Catalyst*, vol. 1, no 2 (2017), 179.

11 Joshua Murray and Michael Schwartz, “Collateral Damage,” *Catalyst*, vol. 1, no 1 (2017), 142.

into an innovative system. We will not repeat that argument here, but rather focus on Parker's presentation of useful evidence about workers' resistance to the installation of the in-plant management methods often associated with flexible production.

The Big Three automakers, in attempting to return to flexible production, *did* adopt some of the more exploitative management techniques of the Toyota system, even as they failed to restructure production in a way that allowed the flexible system to flourish. Parker observes that the US automakers adopted these management practices and interprets that as a successful return to flexible production.

Take, for example, one of the half-measures attempted by GM, in which the company sought to institute tightly coupled production in two Flint, Michigan, component plants while instituting just-in-time inventory into and out of the plants. As the intensification of production increased, GM did not respond to workers' growing discontent by modifying the production system to eliminate the stress points — a solution that would almost certainly have required the sort of tight relationships with other plants that GM had decided to forego. Nor did they offer the workers wage increases or improved benefit packages to compensate for the intensified workload — a common response to threatened or actual disruption in flexible systems that were registering the productivity gains that come from fully flexible system. Instead, GM utilized their traditional method of handling growing discontent: they increased the intensity of the supervision in hopes of forcing workers to accept the speedup — a method that worked very well with the loose coupling system, because resistance at stressed workstations was only disruptive if it was sustained for long periods or spread to a large proportion of the system. But repressive supervision in these tightly coupled plants yielded predictable rebellion and the sort of disruption that GM had not experienced since the dismantling of flexible production. As Parker put it:

The 1998 strike at two GM Flint, Michigan, plants ... forced more than twenty-five GM assembly plants to stop production for lack of parts and a hundred parts plants for lack of anywhere to store output. GM had to pay unemployment penalties for the nearly two hundred thousand workers it had to lay off. The union used the arrangement of just-in-time supply between plants successfully to force management concessions.¹²

12 Mike Parker, "Management-by-Stress," *Catalyst*, vol. 1, no 2 (2017), 187.

Parker's example is a perfect illustration of our analysis. The partial implementation of flexibility was not precipitated by worker disruption; instead, it preceded and triggered disruption. Moreover, Parker himself concedes that the features of flexibility were the mechanisms that allowed for the magnitude of the disruption.

But when he argues that flexible production was fully restored, Parker does not seem to understand the significance of GM's response to this exercise of leverage by workers. Rather than continuing with flexible production and risking further disruption necessitating concession, GM enacted changes (such as restoring stockpiles) designed to mute the disruption caused. But this meant abandoning just-in-time inventory and other elements of flexibility, putting an end to the experiment.

This partial implementation of flexibility, like the many others initiated by the Big Three in the last forty years, allowed GM to inexpensively abandon the experiment, but it also meant that they retained the inefficient system which would guarantee another crisis — and reliance on the short-term remedy of reducing the cost of labor through migration to lower-wage areas and union givebacks. The failure to absorb the initial costs of fully re-implementing flexible production assured that the Big Three would lurch from crisis to crisis as their market share and corporate viability continued to erode.

MANAGEMENT-BY-STRESS AND THE ACTIVATION OF STRUCTURAL LEVERAGE

To briefly recap: flexible production is *not* primarily — or even mainly — a system of in-plant management techniques. It is a geographically centralized production structure with intricately networked relationships among the component plants, with just-in-time delivery and sole-sourcing between and within facilities, and with workstations featuring multipurpose machinery operated by multiskilled work groups. The direct benefit for management in this system resides in its ability to generate and absorb continuous improvement in product design, and thus allow the company to improve the product without increases in cost; to discover and implement process innovation that decreases the necessary labor time, and therefore decreases cost of production without any decline in product quality; and to integrate labor intensification into the work process, and thus increase labor productivity without compensation. All these features contribute to a dynamic of an increasing surplus delivered to the corporate bottom line.

From this thumbnail description we can see that there is no direct benefit

to workers from the labor regime associated with flexible production. In fact, as with every other labor regime under capitalism, management seeks to implement the (system-wide) changes in such a way as to maximize the rate of exploitation. On the shop floor this results in a supervisorial regime that seeks to extract maximum increases in productivity from process improvements (that is, developing and implementing “labor saving” innovations) and from labor intensification (that is, utilizing changes in production method to impose speedup).

But the system does deliver a useful weapon to the workers: a dramatically enhanced ability for even a small corner of a large factory to disrupt production — sometimes in the entire complex. All other realized and potential benefits obtained by workers flow from this structural leverage. But these benefits only accrue to workers if and when they activate that leverage. This does not occur automatically and certainly not immediately, but it is nevertheless surprisingly common; common because workers learn from direct experience in the factory that the system invites this exercise of power, even if management tries all manner of strategies to conceal its presence. This coincidence of flexibility with dramatically enhanced worker leverage explains the correlation between flexible production and higher wages, ample benefits, and improved working conditions, which so many observers have noted and analyzed.¹³

Parker’s mistake is confusing the consequences of workers’ struggle — the many concessions won by workers when they utilize their leverage — with the dynamics of flexible production. But we want to underscore the part of Parker’s argument with which we agree: flexible production is inherently oppressive and exploitative of workers. That is a key component of our overall argument: it is the oppressiveness of the system that triggers workers to resort to disruptive protest. It is nevertheless important to emphasize that this equation of oppression leading to protest is inherent in every capitalist production structure; what distinguishes flexible production is that workers have far more (disruptive) power and are therefore more likely to create threats that force management into the kind of choice we mentioned above: either grant sufficient concessions to forestall further and potentially continuous disruption — i.e., negotiate a new effort bargain; or dismantle flexible production in order to weaken workers’ power.

Parker points to this dilemma in discussing the leverage deriving from the absence of inventory stockpiles that are the hallmark of just-in-time production:

¹³ Even the main critic of flexible production’s oppressiveness that Parker cites — Christian Berggren — recognizes this relationship. See Christian Berggren, *Alternatives to Lean Production: Work Organization in the Swedish Auto Industry*. (Ithaca, NY: ILR Press, 1992), 46.

[Disruptive] power is potentially available to small groups of workers within a plant that has eliminated [the stockpile] buffers between departments and between stations. So from management's point of view, just-in-time urgently requires the employer to strip workers of this power.¹⁴

What Parker does not see is that the forms of repressive management practiced by the Big Three could not suppress disruption as long as the system remained tightly coupled. They therefore had to either grant the workers' demands for relief from (or remuneration for) the stress of the speedup, or dismantle the just-in-time aspect of the system. The decision-making of auto industry management when faced with this dilemma has determined the contrasting trajectories of the Japanese and US auto industries over the last half-century.

To understand the centrality of this dilemma and management's answer to it, we need to briefly reprise several key moments in auto manufacturing history. Consider first, the moments we have already discussed — in Detroit in 1914 and Toyoda City in 1953 — when Henry Ford and Eiji Toyoda chose to preserve flexible production. In 1914, Ford faced the consequences of structural leverage in the form of crippling absenteeism and turnover, and responded by implementing the effort bargain that became known as “enlightened capitalism” — such as the five dollar day, benefits that included a form of lifetime employment, and a package of working-condition concessions — allowing him to buy labor peace while preserving the essential features of flexible production. In 1953, when Toyoda faced the consequences of structural leverage in the form of a crippling strike, he implemented a similar effort bargain.

Parker rightfully points out that working conditions under these effort bargains were still oppressive and slanted towards management's goals of maximizing profit. The threat of workers' structural leverage is not a magic pill that transforms management into a friend of labor. It simply forces management to make concessions in order to de-incentivize direct action by workers. Capitalists retain their goal of maximizing their share of the surplus value, and they therefore seek to negotiate (implicitly or explicitly) the minimum concessions needed to stop workers from resorting to disruption.

Moreover, the pressures of capitalism and the innovative dynamics of flexible production assure that the struggle is not ended by the creation of any effort bargain, no matter how explicit and comprehensive it is. In a continually evolving system, management is offered — and inevitably attempts to

14 Mike Parker, “Management-by-Stress,” *Catalyst* vol. 1, no 2 (2017), 187.

implement — opportunities to increase exploitation that deprive workers of remuneration and tolerable working conditions. Workers must therefore be collectively vigilant and attentive to maintaining and activating their power to resist each new attack.

The effort bargains established by Ford in 1914 and Toyota in 1953 convinced workers to deactivate their structural leverage because the concessions granted provided sufficient benefits to mollify those workers at that time. Labor peace was thereafter maintained by framing the exploitation of the flexible production system — as well as oppressive changes in the system — as part of a fair agreement. Though these benefits were well publicized by the corporations as features of employment at Ford and Toyota — and at other auto plants soon after — in neither case were they formalized in contracts and officially approved by the workers. They nevertheless lasted for decades even as product and process innovation created frequent changes (including intensification) in the work process. These changes generated varying levels of discontent and even moments of substantial disruption, which were then managed in various ways ranging from vicious repression to wage increases and new benefits.

Toyota management has managed this ongoing struggle for decades without ever exceeding the threshold of discontent that would animate a full mobilization of workers' leverage. But the trajectory was quite different for the US industry. Ford's effort bargain (soon adopted by GM, Chrysler, and the rest of the Detroit production culture) successfully evolved without major disruption for fifteen years, until 1929. At that moment, management of the Big Three set in motion the path-dependent changes that would many decades later mature into the answer to Parker's search for the explanation for the divergent paths taken by Japanese and American producers over the second half of the twentieth century and beyond.¹⁵

The American effort bargain failed for two main reasons: (1) it stopped successfully framing the exploitation of the flexible system as a fair agreement between workers and management, and (2) workers discovered that using their structural leverage just about guaranteed victory. The effort bargain lost its moral foundation when the Big Three broke their agreement with the workers at the onset of the Great Depression. As we document elsewhere,¹⁶ when US automakers slashed wages and engaged in massive layoffs in order to

15 Mike Parker, "Management-by-Stress," *Catalyst* vol. 1, no 2 (2017), 175-176.

16 Joshua Murray and Michael Schwartz, "Moral Economy, Structural Leverage, and Organizational Efficacy: Class Formation and the Great Flint Sit-Down Strike, Detroit 1936-7," *Critical Historical Studies* vol. 2, no. 2 (2015).

sustain profitability through the Great Depression, then failed to rehire laid-off workers or return wages to their previous levels after profitability had surpassed pre-Depression levels in 1936, workers gathered that management could not be trusted to abide by any agreement, making the effort bargain null and void and the exploitation inherent in the flexible production system immoral. This culminated in the Flint sit-down strike, which saw a few hundred workers defeat the largest and most powerful corporation in America. This taught American workers that they could win by using structural leverage, and they continued to demonstrate that ability by unionizing the entire auto industry by 1940. Although US automakers tried to buy off workers again by giving in to wage and benefit increases, the cat was out of the bag. US autoworkers did not trust management to be moral and abide by any agreement, but at the same time, they realized that through the constant use of structural leverage, they could force management to continue abiding by any concessions workers won. At this point US automakers again had to act to stop workers' use of structural leverage, but the old effort bargain would not suffice. They would either have to cede some control over the production process to labor or they would have to dismantle the flexible production system. They chose the latter.

Would the Japanese have made the decision to dismantle flexible production had their various violations of the effort bargain resulted in the formal organization of their workers? It is impossible to know for sure. Our hunch is that the answer largely depends on the extent to which US automakers were aware of the specific virtues of flexible production at the time of dismantling it. It is clear that during the era of flexible production the Big Three knew that the way they produced cars was very profitable. It is not clear that they knew why. It is very possible that US automakers were not explicitly aware of the importance (to innovation and productivity) of mother plants, geographic clustering of suppliers, multipurpose machinery, or just-in-time delivery. The US flexible production system had evolved organically and through trial and error. Eiji Toyoda, on the other hand, intentionally modeled the Toyota system after Ford's flexible production, and was cognizant of its virtues. If it is the case that the Big Three management didn't really know what they were losing when they dismantled flexible production in order to strip labor of its power, then it is possible that the Japanese (fully aware of the virtues of the system) would have been willing to compromise, even in the face of a fully organized labor movement that demanded a degree of worker control over the production process. We may yet see an empirical test of this hypothesis.

But it is also conceivable that the Big Three management — who rapidly applied their labor-debilitating solution as soon as World War II

ended — understood that they were sacrificing their innovative capacity in hopes of establishing a system that could generate equal or greater profits through slowing (and eventually reversing) the increase in wages (mainly through industrial migration), and by collectively abandoning competition through product improvement. They may have thought — along with many economic “experts” — that their (at least domestic) monopoly was permanent and that no “better product at lower price” could invade their market.¹⁷

In either case, this choice made by Big Three top management after World War II becomes a poster child for the power of captains of industry over the material fate of major cities and even national economies. And, in this case and many others, capitalist managers can be relied on to make the immediate class struggle — that is the contest with their workers over the division of the surplus — their primary concern, even when the short-term profits garnered from this orientation guarantee long-term disaster, even for the company itself.

This leads us to what we consider the most important takeaway from our analysis, which Parker missed entirely when he asserted that our position implies that the implementation of flexible production eliminates the basis for shop-floor class struggle. Our argument illustrates that class conflict is not only the key to workers’ obtaining a share of the immense surplus that capitalist production — and especially flexible production — creates. It is also the key to preventing capitalists from sacrificing the viability of local and national economies on the altar of unfettered capitalist power and short-term profitability. The irony here, is that flexible production, rather than eliminating the basis for shop-floor class struggle, provides the workers with their most powerful weapon (structural leverage) in that struggle. ☞

17 This viewpoint was held by the core of the economic mainstream (e.g., John Kenneth Galbraith, *The Affluent Society* [New York, Harcourt Brace, 1958]) and the most critical Marxists (e.g., Baran and Sweezy, *Monopoly Capital* [New York, Monthly Review, 1966]).

Conventional wisdom holds that conservative elites have been the chief architects of mass incarceration. Two recent books by Elizabeth Hinton and Naomi Murakawa challenge this view. They argue that existing work has minimized the culpability of liberals inside and outside the Democratic Party, even at the peak of its progressivism. The authors are right to criticize these liberals, but errors lead them to mischaracterize liberal policy failures, and to explain these failures by reference to the ideas inside liberals' heads. At root, America's problem was not that liberals responded to an imagined crime wave by overdeveloping its punitive apparatus, but that they did not respond to the real rise in violence by expanding the welfare state.

DID LIBERALS GIVE US MASS INCARCERATION?

ADANER USMANI

NAOMI MURAKAWA

*The First Civil Right: How Liberals Built
Prison America* (New York, NY: Oxford
University Press, 2014).

ELIZABETH HINTON

*From the War on Poverty to the War on
Crime: The Making of Mass Incarceration
in America.* (Cambridge, MA: Harvard
University Press, 2016).

The United States imprisons more people per capita than any comparable society, past or present. It is alone among advanced countries in putting its citizens to death, in commonly sentencing prisoners to life without the possibility of parole, in its use of solitary and quasi-solitary confinement, and in annually killing hundreds of its citizens in police encounters. In light of the fact that the US is also the richest society in world history, these are staggering facts.

Conventionally, mass incarceration is explained by reference to the right-wing turn in American politics – to a revanchist, Nixon- and then Reagan-led revolution in criminal justice. Leading accounts, notably Michelle Alexander’s *The New Jim Crow*, argue that this punitive turn re-established a system of social control over African Americans that had been challenged by the Great Migration and the civil rights movement.¹ In Alexander’s account, a white and mainly Southern elite overturned black gains by means of mass incarceration

1 Michelle Alexander, *The New Jim Crow: Mass Incarceration in the Age of Colorblindness* (New York, NY: The New Press, 2012).

and punitive policing. Others, noting that rich blacks have mostly escaped this punitive turn, have argued that the objects of social control are not African Americans, in general, but the poor, in particular.²

Whatever the differences between them, in these arguments the culprits behind the punitive turn are conservative elites. Two recent books by Naomi Murakawa and Elizabeth Hinton challenge that view. Both Murakawa and Hinton agree with much of the story told by Alexander and similar accounts, but they argue that existing research has minimized the culpability of the Democratic Party and its allies. In both Hinton's and Murakawa's view, the origins of mass incarceration are bipartisan.

To establish this argument, Hinton and Murakawa are mostly concerned with American liberalism when it was at the peak of its progressivism. That is to say, their books do not focus on the centrist coterie that took the reins of the Democratic Party in the late 1980s. The political drift in these years is well understood. Rather, when Hinton and Murakawa indict liberals for laying the foundations of America's carceral state, they mean the leadership and allies of the Democratic Party in an earlier period: Presidents John Kennedy, Lyndon Johnson, and Jimmy Carter; party leaders like Senator Edward Kennedy and an early-career Senator Joe Biden; key figures like Ramsey Clark and the members of the Katzenbach and Kerner Commissions; and liberal intellectuals like Lloyd Ohlin, Richard Cloward, Daniel Patrick Moynihan, and Gunnar Myrdal. These were the liberals who, according to Hinton and Murakawa, laid the foundations of the carceral state.

This is a striking claim. And to those who seek deeper explanations for the fecklessness of today's Democrats, it would appear a timely and important one. Yet, in the final analysis, both books fall short. Both authors repeat key failings of other critical work on mass incarceration: they deny that a real rise in crime fed into the politics of punishment; they find racism in every discussion of black criminality; they date the punitive turn to policies whose impact on incarceration is unproven; and they evaluate these policies by the standards of an implicit prison abolitionism. They are absolutely right that liberal politicians were a failure, even in the late 1960s. However, Hinton and Murakawa mischaracterize the nature of liberals' failure, and locate the causes of this failure inside the heads of key figures of the era rather than in the balance of social forces. Hence, they fail to provide an adequate means to understand, and thereby overturn, the carceral state.

2 For example, see Loïc Wacquant, *Punishing the Poor: The Neoliberal Government of Social Insecurity* (Durham, NC: Duke University Press Books, 2009).

THE ARGUMENT

Both books recount the history of criminal justice policy in the postwar United States. Murakawa reviews policy over a longer time period (from Truman in 1948 to Clinton in 1994) than does Hinton (from Johnson in the late 1960s to Nixon in the late 1970s), but both spend substantial energy on the Great Society period of the late 1960s. For the argument that both Murakawa and Hinton make, this is instructive. Late 1960s liberalism had been enormously transformed by the civil rights movement. If, despite the civilizing pressures of mass mobilization, liberals could do no better than arrest and imprison African Americans, it would be hard to avoid their conclusion that the rot runs deep.

Hinton and Murakawa's fundamental contention is that, even in American liberalism's social-democratic moment, liberals passed identifiably punitive legislation. Under Johnson's leadership, Democrats sponsored the Safe Streets Act of 1968, which allocated federal funds to criminal justice and law enforcement modernization. This yielded more police, more prosecutors, more judges, and more prisons.³ Later, under Carter, they made surveillance and law enforcement central pillars of their policy of urban revitalization.⁴ Murakawa, similarly, argues that Democrats played into punitiveness at every turn — by seeking to expand the police and criminal justice apparatus, and later by spearheading efforts to reduce the unpredictability of sentencing outcomes. However benighted their aims, by enlisting the state's punitive arms, their plans “entrenched anti-black carceral development.”⁵

For Hinton, liberals' faith in punitiveness had another baleful policy consequence. Even when liberals enacted non-punitive policies, they gave a prominent role to punitive actors, particularly the police. The Johnson administration placed law enforcement authorities within a number of War on Poverty programs. Among other things, police operated after-school programs, organized athletic leagues, ran teen centers, led field trips, and delivered food and toys.⁶ This tendency resurfaced under Carter, too, who gave punitive institutions enhanced powers in public housing.⁷ Her claim here is no different from

3 Elizabeth Hinton, *From the War on Poverty to the War on Crime: The Making of Mass Incarceration in America* (Cambridge, MA: Harvard University Press, 2016), 2.

4 *Ibid.*, 280.

5 Naomi Murakawa, *The First Civil Right: How Liberals Built Prison America* (New York, NY: Oxford University Press, 2014), 112.

6 Hinton, *From the War on Poverty to the War on Crime*, Chapter 3.

7 *Ibid.*, 288.

Murakawa's: the inevitable consequence of enlisting the state's repressive arm was to deepen punitive control of the ghetto.

Why did liberals support these punitive measures? What justified the expansion of the carceral state and punitive policing? Again, Hinton and Murakawa offer similar answers. First, liberals maintained that crime was rising in the 1960s and 1970s (and later, in the 1980s and 1990s, that it was perilously high). In Hinton's view, this crime wave was spurious. What was actually happening, she suggests, was that previously unreported crime was being noted in official statistics for the first time, and perhaps even being overreported by the relevant agencies because their funding depended on reporting ever-higher levels of criminal activity.⁸ Indeed, Hinton claims that crime was actually in decline when Johnson passed the Safe Streets Act in 1968.⁹ Likewise, Murakawa argues that liberals were wrong to put any stock in official crime rates. These, she argues, measure only "social control" and not "misconduct."¹⁰

Second, in addition to concocting a crime wave, liberals wrongly believed that it was concentrated in black neighborhoods. According to Hinton, this view was simply an artifact of the kind of crime that government officials chose to worry about. African Americans received excessive and undue police attention,¹¹ which led to race-based disparities in reporting,¹² and which might even have produced the very crime that it purported to stop.¹³ Murakawa agrees that this view had no evidentiary basis.¹⁴ Yet, because liberals believed it, the misleading image of the black delinquent reappeared, time and time again, in their speeches, policy platforms, and legislation. Thus, liberals, whatever their intentions, were guilty in this period of circulating false ideas about rising crime and black criminality. They may not have race-baited and fear-mongered like the open revanchists to their right, but the architecture of liberal and conservative arguments was the same: fear for your lives, and fear black men most of all. Belief in these two fictions anchored liberal policy.

Why did liberals invent a crisis of rising, black crime? And why, even at the

8 Ibid, 6-7.

9 Ibid, 6.

10 Murakawa, *The First Civil Right*, 19. At one point she seems to acknowledge that crime did rise in the 1960s (ibid, 72). But this view does not fit with her skepticism of crime measurement, so I ignore it here.

11 Hinton, *From the War on Poverty to the War on Crime*, 85.

12 Ibid, 85 and 223-224.

13 Ibid, 225.

14 Murakawa, *The First Civil Right*, 13-14.

peak of liberal progressivism, in the late 1960s, did they attack this invented crisis with policies that were largely, or at least inevitably, punitive? For both Hinton and Murakawa, the answer lies inside liberalism itself. Liberals never shed the quintessentially American belief that African Americans were inclined toward criminal behavior.¹⁵ Though they appealed to “statistical discourse about black criminality” rather than faux biology, they maintained “that crime and violence were a hereditary problem among citizens of African descent.”¹⁶ If the race-blind state could not solve the African American question, liberal ideology implied that the problem lay with African Americans and not the race-blind state.¹⁷ And if the ghetto was beyond reform, it could only be contained. Thus, for both Hinton and Murakawa, at root the problem was ideological. Nothing good could come from liberalism.

THE PROBLEMS

Hinton and Murakawa’s arguments amend the conventional story in one significant sense: they widen the circle of culprits behind America’s punitive turn to include liberals and the Democratic Party of the pre-neoliberal era. Reviewers have rightly applauded this move.¹⁸ Hinton and Murakawa pinpoint a weakness in conventional wisdom. It has always been too glib to lay the blame on a clique of conservative elites. Yet, as I argue below, we can grant Hinton and Murakawa this criticism of the standard view without accepting their own accounts of the carceral state’s origins.

What Liberals Believed

To start, the anchoring claim of their shared argument — that liberals concocted the crime wave of the late 1960s and 1970s — is problematic. Hinton argues that official indicators were biased by shifting definitions and a new incentive structure, but in support of this claim — which is critical for her argument — Hinton surprisingly fails to provide any empirical evidence.¹⁹ She is right that

15 Ibid, 19; Murakawa, *The First Civil Right*, 13-15.

16 Hinton, *From the War on Poverty to the War on Crime*, 19.

17 Murakawa, *The First Civil Right*, 3-4 and 151.

18 See, for example, Imani Perry, “From the War on Poverty to the War on Crime,” by Elizabeth Hinton,” *New York Times*, May 27, 2016, and Willie Osterweil, “How White Liberals Used Civil Rights to Create More Prisons,” *The Nation*, January 6, 2015.

19 She cites the skepticism of two participants in the House Judiciary subcommittee hearings considering the Safe Streets Act (see Hinton, *From the War on Poverty to the War on*

these indices can be misleading, but over-time trends in the FBI's Uniform Crime Rate are not very different from trends derived from other sources. The homicide rate, for example, can be reliably measured by mortality statistics. According to these data, the rate almost doubled between the early 1960s and early 1970s, where it remained until it began to fall in the early-to-mid 1990s.²⁰ This is roughly the pattern suggested by the FBI's violent crime index, which rises in the 1960s and 1970s, reaches historic highs in the 1980s and early 1990s, and falls after.²¹

Second, Hinton argues that claims about rising crime in African American communities were fictitious. She is right that this fact is not proved by arrest or imprisonment patterns,²² but surveys of victims of violent crimes yield black-to-white offender ratios that are about the same as (sometimes slightly higher, sometimes slightly lower than) black-to-white arrest ratios.²³ The drug war may be different: as Michelle Alexander and others have noted, blacks and whites use drugs at roughly the same rates, but blacks are much more likely to be arrested than whites.²⁴ Yet only a small minority of those in prison are there for drug offenses, and an even smaller minority for low-level drug offenses (about 1 percent of all prisoners).²⁵ The consensus view is that most of the racial disparity in incarceration rates reflects real disparities in offending rather than racial discrimination.²⁶

For both Hinton and Murakawa, liberals proved their racism by fretting

Crime, 347), but this is not sufficient. She gives us no reason to believe them.

20 Franklin Zimring, *The Great American Crime Decline* (New York, NY: Oxford University Press, 2006), 5.

21 See Figure 1 at <http://www.factcheck.org/2016/07/dueling-claims-on-crime-trend/>.

22 Hinton, *From the War on Poverty to the War on Crime*, 19.

23 See Michael J. Hindelang, "Race and Involvement in Common Law Personal Crimes," *American Sociological Review* 43, no. 1 (1978), 93-109, and Allen J. Beck and Alfred Blumstein, "Racial Disproportionality in U.S. State Prisons: Accounting for the Effects of Racial and Ethnic Differences in Criminal Involvement, Arrests, Sentencing, and Time Served," *Journal of Quantitative Criminology*, (June 19, 2017), 1-31.

24 Note that white supremacy is not the only plausible explanation for disparities in drug arrests. Policing public drug markets in poor neighborhoods is often an indirect way to police violence. See David M. Kennedy, *Don't Shoot: One Man, A Street Fellowship, and the End of Violence in Inner-City America* (New York: Bloomsbury, 2011), and John Pfaff, *Locked In: The True Causes of Mass Incarceration — and How to Achieve Real Reform* (Basic Books, 2017).

25 See Eric L. Sevigny and Jonathan P. Caulkins, "Kingpins or Mules: An Analysis of Drug Offenders Incarcerated in Federal and State Prisons," *Criminology & Public Policy* 3, no. 3 (July 1, 2004), 401-34, and Pfaff, *Locked In*.

26 See Michael Tonry, *Malign Neglect: Race, Crime, and Punishment in America* (New York: Oxford University Press, 1995), Chapter 2, and Beck and Blumstein, "Racial Disproportionality in U.S. State Prisons."

about black crime. Yet not all who worry about black crime do so because they are racists. It is possible to take heed of racial disparities in violent behavior while also rejecting the view that there are inherent differences between blacks and whites. As some liberals understood, African Americans are not overrepresented in violent crime because they are naturally predisposed to violence, but rather because they have been persistently overrepresented in hollowed-out urban ghettos, and the lowest, most deprived reaches of the American class structure. Crime is an index of oppression.

Still, even if we acknowledge that crime rose and was concentrated in poor, black communities, one might still wonder why liberals chose to make it a public issue. The idea that politicians goaded the public into worrying about crime is a frequent refrain of critical scholarship.²⁷ However, new work on the politics of crime and punishment challenges this view. According to this recent scholarship, the crime wave did not just register in official statistics; it profoundly affected ordinary individuals. In his excellent book on the punitive turn in Washington, D.C., James Forman Jr. portrays a black and mainly working-class public that was appalled by the rise in violent and drug crime in their neighborhoods.²⁸ Residents demanded redress from newly enfranchised black elected officials. Neither this public nor its representatives clamored for straightforwardly punitive solutions, but people needed no prodding to worry about crime: its impact on everyday life was palpable. Michael Fortner recounts a similar history in New York City, where, he argues, the support of “a silent black majority” enabled the passage of the Rockefeller Drug Laws.²⁹ This evidence is local, but other work by Peter Enns and Lisa Miller presents general (and in Miller’s case, cross-national) evidence for the view that politicians worry about crime when the public does. Enns shows that public punitiveness predates congressional hearings on crime,³⁰ while Miller argues that the public salience of crime co-varies with real rates of violence.³¹

27 See, for example, Katherine Beckett, *Making Crime Pay: Law and Order in Contemporary American Politics* (New York: Oxford University Press, 2000), or Vesla M. Weaver, “Frontlash: Race and the Development of Punitive Crime Policy,” *Studies in American Political Development* 21, no. 2 (2007), 230-265.

28 James Forman Jr., *Locking Up Our Own: The Story of Race, Crime, and Justice in the Nation’s Capital* (New York: Farrar Straus & Giroux, 2017).

29 Michael Javen Fortner, *Black Silent Majority: The Rockefeller Drug Laws and the Politics of Punishment* (Cambridge, MA: Harvard University Press, 2015).

30 Peter K. Enns, *Incarceration Nation: How the United States Became the Most Punitive Democracy in the World* (New York, NY: Cambridge University Press, 2016).

31 Lisa L. Miller, *The Myth of Mob Rule: Violent Crime and Democratic Politics* (New York, NY: Oxford University Press, 2016).

What Liberals Did

If we accept these three points — crime did rise, it was concentrated in black communities, and liberals paid attention to it because the public did — what is left of Hinton and Murakawa’s argument? Liberals did not, in other words, misdiagnose the 1960s; these were real problems. But perhaps Hinton and Murakawa are still right to indict their policy response. Both argue that liberals saw little option but to upgrade the state’s punitive arm. Even if their aims were not revanchist, they were shackled by their racism. When push came to shove, liberals could not imagine another path.

But this is an uncharitable summary of how liberals hoped to respond. When confronted with crime and unrest in urban ghettos, leading liberal intellectuals and policymakers foregrounded structural inequality. Language about the root causes of crime and delinquency pervaded the period. The exemplary case was the Kerner Commission, which was convened to study the riots of the late 1960s. The commission’s final report demanded a massive expansion of federal spending on employment, education, welfare, and housing. And while it was remarkable, the document was not exceptional. The Johnson administration had two years earlier constituted the Commission on Law Enforcement and Administration of Justice (called the Katzenbach Commission), whose recommendations led to the Safe Streets Act of 1968. The Katzenbach Commission opened the final chapter of its report by asserting plainly that “the foundation of a national strategy against crime is an unremitting national effort for social justice.”³² Only a few pages later, it called “social programs ... America’s best hope of preventing crime and delinquency.”³³ Social-democratic common sense was mainstream.

In fact, neither Hinton nor Murakawa make the argument that the Kerner Commission was unrepresentative. Rather, they assimilate the commission’s report to their argument about liberal crime policy: that it gave unwitting sanction to the punitive turn. Admittedly, Murakawa mentions it only cursorily, in her chapter on Johnson’s efforts to modernize the criminal justice system. But the brevity of her treatment is telling. Recall that in Murakawa’s view, liberals only worried about racism on prudential and not principled grounds.³⁴ Yet the commission’s report is garlanded by a quote from Johnson demanding that

32 Nicholas Deb Katzenbach, “Challenge of Crime in a Free Society” (Washington, DC, 1967), 280.

33 Ibid, 283.

34 Murakawa, *The First Civil Right*, 15.

liberals attack American racism not “because we are frightened by conflict, but because we are fired by conscience.”³⁵ She argues that liberals believed the race-blind state would solve racism,³⁶ but the document’s remarkable analysis of racial oppression makes the radical argument better than Murakawa does.³⁷ Civil rights legislation benefited only a minority of African Americans, the commission noted. Legal and political equality had failed to undo durable inequalities in employment, wealth, education, and housing. As the commission observed in its report, “there have been important gains. But the masses of Negroes have been virtually untouched by those gains.”³⁸

Hinton writes about Kerner at greater length. She acknowledges that the commission was “interested ... in attacking the socioeconomic roots of urban unrest.”³⁹ But in her view because the commission was fixated on the false problem of black criminality, and because it saw a role for police in combating this criminality, the report helped cement punitive policy. As she summarizes, “beneath its liberal rhetoric, in the final analysis, the Kerner Commission supported a massive War on Crime.”⁴⁰ But this claim is dubious. Consider the report’s final recommendations, presented in a chapter titled “Recommendations for National Action.” This chapter had only four subsections, none of which focused on police or prisons. The first demanded that the federal government generate two million new jobs and grant new funds to offices tasked with combating employment discrimination. The second demanded that it fight educational segregation while also greatly increasing funding for ghetto education. The third demanded that it expand the safety net to support all those who live below a decent level of income. And the fourth demanded that it build millions of homes inside and outside the ghetto.⁴¹ Far from ignoring racial inequality, key liberal ideologues and policymakers in the late 1960s intended to attack it. Of course, both Hinton and Murakawa are *right* that liberals’ social-democratic agenda floundered. But we have to understand what kind of

35 Otto Kerner, “Report of the National Advisory Commission on Civil Disorders” (Washington, DC, 1968).

36 Murakawa, *The First Civil Right*, 151.

37 Kerner, “Report of the National Advisory Commission on Civil Disorders,” Chapters 5-9.

38 This is from the testimony of the economist Vivian Henderson, which is quoted approvingly in the Commission’s report (Kerner, “Report of the National Advisory Commission on Civil Disorders,” 110).

39 Hinton, *From the War on Poverty to the War on Crime*, 125.

40 Hinton, *From the War on Poverty to the War on Crime*, 130.

41 Kerner, “Report of the National Advisory Commission on Civil Disorders,” Chapter 17.

failure this was: not a failure of imagination or intent, but of deed. Liberals did not fail to envisage a social-democratic solution. They failed to implement it.

Granted, Hinton and Murakawa's main line of criticism is not that liberals ignored social-democratic solutions, but that they implemented punitive ones. But neither author can identify what was excessively punitive about liberal policy because they are alarmed by *any* use of police or prisons. This posture condenses two arguments that are worth treating in turn: first, a claim about the origins of America's carceral state; and second, a judgement about how states ought to discipline and punish.

First, Hinton and Murakawa draw a straight line from the modernization efforts of the 1960s to the carceral state. They often write as if liberal legislation led directly to mass imprisonment and punitive policing, but there are at least two reasons to doubt this view. First, the banner indicator of America's punitive turn — the number of prisoners per capita — actually *declined* while Kennedy and Johnson were in office. It began to tick upward only in the latter half of the 1970s, several years after Johnson had left the White House. Hinton argues that the Safe Streets Act of 1968 “result[ed] in a significant expansion of America's carceral state,”⁴² but the incarceration rate was stable for five years after it passed.⁴³ Second, most of the policy decisions that comprise the punitive turn were made not by a handful of actors in Washington, D.C., but by police, prosecutors, judges, and politicians across the United States at the state and county levels. State and local governments hold around 85 percent of America's prisoners, employ 86 percent of its police officers, and account for around 87 percent of its punitive spending.⁴⁴ Federal legislative activity makes for a manageable history, but most of the story was written at lower levels of government.⁴⁵

42 Hinton, *From the War on Poverty to the War on Crime*, 2.

43 When Johnson left office at the beginning of 1969, the incarceration rate was around 98 (i.e., 98 prisoners per 100,000 people). When Kennedy entered office in early 1961, it was around 124. And five years after Johnson left office, in 1973, it was around 101. Calculations are based on data from the Bureau of Justice Statistics' Historical Statistics on Prisoners in State and Federal Institutions, Yearend 1925-1986.

44 Data on prisoners comes from the BJS National Prisoners Statistics, which reports 214,774 prisoners in federal custody, and 1,289,376 in state custody. Data on police are for 2008. I combine information from the Census of State and Local Law Enforcement Agencies (CSLLEA), which reports that in 2008 these agencies employed 765,246 officers, and a BJS document reporting that federal agencies employed 120,000 police officers. Data on spending are from www.usafacts.org, which reported that in 2014 the Federal Government spent \$32 billion on courts, corrections, and officers, while state and local governments spent \$221 billion.

45 Of course, federal actors may have spurred state and local legislators to act, either by

Given this fact, what does it mean to argue that Democrats in the 1960s *caused* the punitive turn? If liberals in Washington did not build prisons and employ police directly, perhaps they set America on a trajectory from which it could not escape? Hinton and Murakawa do seem to believe that no other future was possible once federal-led modernization was underway. Yet had Democrats pursued the recommendations of the Kerner Commission, modernization may have been no more than a footnote in history. Even if America had funded, standardized, and professionalized its criminal justice agencies, had it launched an assault on the root causes of crime, it would certainly not have become the world's leading warden. After all, other advanced capitalist countries maintain professional police forces and prisons, but their role is greatly circumscribed by a welfare state. Many countries have modernized without militarizing.

Perhaps Hinton and Murakawa are not indicting modernization *tout court*, but specific legislation. But when either identifies those policies that seeded the carceral state, they are indiscriminate. Hinton includes Kennedy's anti-delinquency programs in the early 1960s (which provided remedial education, job training, and social service programs),⁴⁶ police involvement in social programs,⁴⁷ increased funding to police under Johnson,⁴⁸ and even the installation of magnetic card readers and security cameras in public housing under Carter.⁴⁹ Murakawa counts liberal efforts to combat lynching in the South,⁵⁰ fund law enforcement,⁵¹ and standardize sentencing practices across jurisdictions and defendants.⁵² Neither Hinton nor Murakawa defend the claims that causal arguments imply: either that with these policies in place, the punitive turn was unavoidable; or the weaker thesis that without these policies, there could have been no punitive turn. The real argument that links these disparate pieces of legislation is Hinton and Murakawa's earlier one: liberal advocacy in all cases gave credence to spurious claims about rising crime and black criminality. But I have already shown that these problems were not liberal inventions.

setting an example or directly incentivizing them. However, neither Hinton nor Murakawa offer evidence that these were the primary reasons that state and local legislators made punitive decisions. See John Pfaff, *Locked In*, Chapter 4 for evidence that the federal government did not matter all that much.

46 Hinton, *From the War on Poverty to the War on Crime*, 39.

47 Ibid, 93 and 113.

48 Ibid, 113.

49 Ibid, 292.

50 Murakawa, *The First Civil Right*, Chapter 2.

51 Ibid, Chapter 3.

52 Ibid, Chapters 2 and 3.

If this is not sensible history, is it at least effective propaganda? One gathers that Hinton and Murakawa are appalled by the very idea that governments should have the power to arrest, sentence, or imprison criminals. This position has always had some currency in critical circles, and the present moment is no exception.⁵³ The largest socialist organization in the United States recently passed a resolution committing its members to prison and police abolition. In her conclusion Hinton offers the outlines of this kind of a policy agenda: “Residents in communities should be responsible for keeping their own communities safe.”⁵⁴ Crime control should be returned to the people.

The popularity of this argument is a welcome sign that a new generation is taking note of the barbaric way that America metes out punishment. Yet the abolitionist agenda has two serious weaknesses. It is dramatically out of step with public opinion about police and prisons, which makes it a weak platform for advocacy. Second, it is utopian, which makes it unhelpful policy advice. No advanced capitalist country has ever abolished its police force or its prisons; there is no chance that the US government will be the first.

Despite the crime decline, the US remains an extraordinarily violent place. It is still, and by far, the most violent society in the developed world.⁵⁵ Almost 13,500 people were murdered in 2015, of which more than half were African American.⁵⁶ By homicide rate, black men live in Guatemala.⁵⁷ Patrols by untrained residents will never manage crime of this severity. Neither Hinton nor Murakawa gives the problem sufficient thought, but the fault is not theirs alone: lack of attention to crime is a critical commonplace. If conservatives ignore mass incarceration, and fret only about crime, critics of the punitive turn have so far mostly inverted this posture. Present-day anger at punitive policing and excessive incarceration is justified, of course. But we should not forget that a black person in America is roughly twenty-five times more likely to be killed by a civilian than by a police officer.⁵⁸

53 See, for example, Angela Y. Davis, *Are Prisons Obsolete?* (New York: Seven Stories Press, 2003).

54 Hinton, *From the War on Poverty to the War on Crime*, 339.

55 See Franklin E. Zimring and Gordon Hawkins, *Crime Is Not the Problem: Lethal Violence in America* (New York, NY: Oxford University Press, 1999), Chapter 4.

56 There were 13,455 murder victims in the US in 2015; 7,039 of these were black. FBI Uniform Crime Reporting Program, 2015.

57 According to the Violence Policy Center (2015), the homicide rate for black males is 32.78 per 100,000. In 2012, the homicide rate in Guatemala was 33.54 (UN Office on Drugs and Crime).

58 Data are from 2015, a year in which the FBI counted 7,039 black murder victims, and the

Why Liberals Failed

The failure of Great Society liberalism was not rooted in its attempt to modernize the state's punitive agencies. In the late 1960s, efforts to this end were probably unavoidable. The Katzenbach Commission noted severe problems: rampant corruption, man-power shortages, lagging credentials, enormous caseloads in the court system, and excessive use of pretrial detention.⁵⁹ In a world in which these problems were left to fester, the lives of ghetto residents may well have been *more* and not less oppressive. Perhaps the only thing worse than being policed by well-paid professionals is being policed by poorly paid amateurs.

Instead, the failure of liberals was to never deliver on the social-democratic promises they made in the late 1960s. The Johnson administration launched the War on Poverty, but, as the Kerner Commission recognized, these programs were no match for deindustrialization, white flight, and the ensuing collapse of the municipal tax base.⁶⁰ To meet the challenges of the moment, the government ought to have committed massive amounts of resources to employment, housing, education, health care, and welfare. Yet these were not forthcoming. Why?

One answer is that liberals diverted revenues to police, prisons, and the court system. Even Hinton sometimes argues that punitive programs “crowded out” anti-poverty programs.⁶¹ But how? Arresting, sentencing, and imprisoning criminal offenders is far cheaper than social democracy. Even today, in the meager American welfare state, the money spent on punitive institutions is far exceeded by the money spent on social programs. Over the last three decades, state and local governments have spent only about 4 percent of their total outlay on police, and only 3 percent on prisons. At the federal level, these numbers were vanishingly small (roughly 0.5 percent and 0.2 percent, respectively). In 2014, for every one dollar spent on police, prisons, and the court system, the government (at all levels) spent more than twelve dollars on social programs.⁶²

Washington Post counted 259 black people among their list of people killed by the police.

59 Nicholas Deb Katzenbach, “Challenge of Crime in a Free Society,” (Washington, DC, 1967), v-xi.

60 For this history, see William Julius Wilson, *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy* (Chicago, IL: University of Chicago Press, 1987).

61 Hinton, *From the War on Poverty to the War on Crime*, 14.

62 Under social programs, I count health care, income security programs, job training, education, and housing. Under punitive spending, I count spending on corrections, the courts, and law enforcement. Data on spending for all levels of government after 1980 come from USA Facts. Data on spending for the Federal government before 1980 come from <https://>

At the federal level in the 1960s, the contrast was even starker. For every dollar the Johnson administration spent on corrections, law enforcement, or the courts, it spent anywhere between sixty and eighty dollars on social programs. Had all the money earmarked for punitive programs been redirected to social programs, the change would probably have gone unnoticed (around a 1.5 percent increase over existing levels of social spending).⁶³ How did this compare to what was required? As one benchmark, consider the demands of the left wing of the civil rights movement, which were articulated in A. Philip Randolph's Freedom Budget. That budget envisioned about \$185 billion of new spending spread over ten years, or about \$18.5 billion annually.⁶⁴ In 1966, when the budget was written, the Johnson administration was spending about half a billion dollars on prisons, courts, and law enforcement. Reallocating *all* of this money would have taken the government only 3 percent of the way to the Freedom Budget's goals.⁶⁵ In short, prisons and police did not absorb revenues that would otherwise have brought social democracy to the US. Johnson's failure was not that he allocated existing revenues to punitive institutions, but that he failed to raise revenue to expand the welfare state.

Why did liberals fail to raise *new* funds? Here we come to the heart of the matter. In a capitalist society, revenue is in the hands of the rich. Politicians are hesitant to tax elites, since taxation threatens investment, and any threat to investment is a threat to politicians' fortunes. Where they have done so, it is generally because disruptive mass movements of ordinary people have forced their hand. The movements of the 1930s and the 1960s dragged social-democratic demands into the American mainstream, and won several important concessions. But by the end of the 1960s, neither the political nor economic signs were propitious. The civil rights movement had crested a few years earlier. Its left-wing elements were trying, but failing, to craft a strategy to take the struggle to the Northern ghettos and black working class. The labor movement was large but ossified. Meanwhile, the profit rate had fallen from its peak, and imperialist adventures in Vietnam had drained the state's exchequer. Investment was slowing. In this inhospitable soil, social democracy could not take root.

www.whitehouse.gov/omb/budget/Historicals (Table 3.2).

63 To calculate this, I add non-punitive spending to punitive spending, and compare this total to non-punitive spending alone.

64 A. Philip Randolph and Bayard Rustin, "A Freedom Budget for All Americans: A Summary," (New York, NY: A. Philip Randolph Institute, 1966), 14.

65 The Johnson administration spent \$564 million on corrections, the courts, and law enforcement, which is 3.04 percent of \$18.5 billion.

The Johnson administration did not do as the Kerner Commission decreed, so the US managed its violence on the cheap. State and local governments responded to public alarm with the punitive instruments at their disposal. As they continue to do to this day.

THE WAY FORWARD

For all the talk of Hinton and Murakawa's revisionism, their work has more in common with critical convention than not. As in the standard view, crime did not matter, only racists fret about it, and politicians lead the public where they want it to go. The cast of co-conspirators is larger, but the lesson is the same: elites devised mass incarceration to control the poor; our task is to smash it.

A better political agenda starts with a better history. As cities collapsed under the weight of the Great Migration, white flight, and deindustrialization, crime did rise, particularly among African Americans. Politicians worried about crime because both the white *and* black public did. Liberals in the 1960s recognized the imperative of attacking the root causes of the rise in violence, but they wielded power in a political and economic context which foreclosed costly solutions. Hinton and Murakawa have written histories that explain bad policy by reference to the bad ideas in policymakers' heads. Yet American elites gave us mass incarceration not because they were racists, but because they could not be forced to concede social democracy.

Today, violence persists because, despite abundant wealth, schools are still broken, jobs are still scarce, and social programs still meager. In this world, the government must tackle the conditions that incubate violence. Reform of America's punitive institutions is necessary. We must demand humane prison conditions, shorter sentences, an end to collateral sanctions, greatly expanded scope for parole, and more. However, at root America's problem is not that its punitive arm is overdeveloped, but that it has substituted for the underdevelopment of its welfare state. We should not eschew the legacy of 1960s liberals, but aim to win what they promised but could not deliver. ☞

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