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# Is Capitalism Still Viable?

Michael Harrington

**ABSTRACT.** This essay is an attempt to show that American capitalism is not viable in the long run, in the twenty-first century. Three points are elucidated in this discussion: (1) capitalism is a system of private socialization; as such, it tends to conflict with the private mode of allocation and to create crisis. It is, moreover, out of date, for it cannot, for example, cope with new phenomenon of inflation and unemployment. (2) Private executives do not empirically make the wisest decisions. (3) In fact, most businessmen do not want the government out of the economy; on the contrary, they want the government in the economy, on their side.

Is capitalism still viable? Let me begin answering this question by telling you that, as a democratic socialist, I regard capitalism as one of the greatest accomplishments of the human spirit, as obviously the most productive wealth-generating economy that has ever been, as the system that introduced to the world the principles of democracy, and as something to be profoundly respected. The past of capitalism I revere, I support, as against feudalism or any other form of society on the face of the earth at the time it emerged – it was a gigantic stride forward. I am not talking about capitalism then – I am talking about capitalism now.

Secondly, by way of introduction, do I think that capitalism is viable in the short term, the next twenty years? Absolutely. I disagree very much with some of the people around Ronald Reagan, like Irving Kristol, who say that if Ronald Reagan fails then capitalism will fail.

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Would that it were so simple. Ronald Reagan is going to fail, but I am afraid that capitalism will not go down with him, any more than capitalism is going to go down with his similar enthusiast in Great Britain, Margaret Thatcher, who is anticipating his failure. Therefore, in the short run, the next twenty years, will capitalism be viable? Of course. I have enormous respect for the resiliency, the creativity, the capacity for adaptation of the capitalist system because I am a socialist.

But finally, in the long run, for reasons that I will indicate presently, I do not think that capitalism is viable. By the long run I mean the twenty-first century, the first half of the twenty-first century. That is what I am arguing: capitalism now; not capitalism collapsing tomorrow morning at nine o'clock, but capitalism going through a demise even now, as I will indicate, and dying sometime in the next century – not necessarily to be followed by a good social system.

One last word of introductory warning: I do not cheer the death of capitalism necessarily, because I am perfectly aware that it could be followed by a system much worse than capitalism, to which it is no alternative. I will consider this point when I summarize.

Let me now develop my objective in three different ways. First, I want to give the broad reason why I think capitalism is not viable within the terms that I have indicated. Secondly, I want to take up some specific cases and be very empirical, very non-ideological, because in the framework of the definition offered by Russell Kirk I am not an ideologist. (In my own framework I certainly am – and so is everyone else, in my opinion.) And finally I want to talk a bit about future trends. I want to develop these

three main points, then: basic underlying concepts, concrete cases, and future trends.

### A. Concepts

The capitalist system is a magnificent system of private socialization. Its virtues come from the fact that at every point it is socialized: it has created world commerce, it has applied science to technology, it has created larger and larger units, it has enormously increased the productivity of human beings. But it socializes within a framework of private decision-making and allocations, and eventually its very social characteristics come into conflict, over a long historical period, with that private mode of allocation. And that private mode of allocation will go – for good or for bad I cannot guarantee, nobody can – but it will go, because the very powers which capitalism develops, capitalism is incapable of controlling.

Example: capitalist technology has unintended consequences, particularly in late capitalism, unintended consequences that are sometimes greater than its intended consequences. Case in point: the Love Canal. Case in point: the cost imposed on the people of the United States by the automobile industry in terms of pollution, which has shortened the lives of citizens of this country, corroded the paint of homes, done all kinds of economic damage. And more and more this capitalist system, in its late and most productive phase, is creating more external diseconomies, more social costs than it is creating social goods.

Capitalists will not – even sophisticated corporate capitalists who are not robber barons – will not voluntarily, individually or corporately, deal with the cost that they impose upon the society because they view them as costs. If an automaker responsibly and morally creates an automobile that is less of a polluting automobile than his competitors, the competitors will drive him out of business. Therefore, in this system the only way you get responsibility is by legislating it, because there is built into that competitive system, insofar as it is competitive (which is less and less), a kind of irresponsibility.

Second, capitalism continues to have a tendency towards crisis. Right now, the economists tell us that we must tolerate as a normal condition of full employment seven million unemployed, who are disproportionately black, brown, female, and young. Capitalism restructures; it is restructuring now. As it restructures the automobile industry, who will pay – the executives, the rich who have benefited from the automobile industry, or the workers in Mahwah, New Jersey, who woke up one morning and learned in the newspaper that four thousand jobs in the community had been wiped out? Who will pay – the people who own U.S. Steel or the people in Youngstown, Ohio? Capitalism is indeed a system of great rationality and power which imposes costs on *others*, because it is a system of *private* socialization.

Thirdly, capitalism right now is in a new phase in which nobody in this society – not Jimmy Carter and not Ronald Reagan – has the foggiest idea of what to do, because one of the most fundamental relationships of the last fifty years no longer applies. That relationship was that unemployment and inflation go in contrary directions: that you can fight unemployment with inflation or you can fight inflation with unemployment. But you cannot do that at a time when you have simultaneously soaring inflation and chronic high unemployment. This system, the American system, and every Western capitalist system, is now in a period of low growth, of declining real income for individuals; and real income for families is not declining only because so many women are in the economy. We are in a structural crisis, not a cyclical crisis; and that structural crisis, I would argue, derives from the very characteristics of a system which socializes irresponsibly.

### B. Concrete cases

(I don't want to be ideological.) We are told by capitalism that private decision-makers make the wisest social allocation of resources in board rooms where they seek to respond to markets, right? Now, let us prescind from the fact that there is practically no competition in major

industries in the United States today, that markets are disappearing rather rapidly. Let us look at some interesting board room cases.

Did the automobile industry in the United States make the optimum decision by creating the most wasteful automobile fleet in the world? Was it intelligent of us to destroy mass transit as part of that process? Was it intelligent of us to destroy the railroads as part of that process? Was it an accident that the transportation and energy priorities of the society were the anti-social transportation and energy priorities of the automobile industry? I think not.

The steel industry is another interesting case in point. Here I take some data from the Office of Technology Assessment study of the steel industry this summer. The Office of Technology Assessment is an arm of the Congress and hardly a radical source. The steel industry has enormous pollution problems – the workers in Youngstown are fighting to work in plants which will give them premature deaths from cancer – and the steel industry excuses that on grounds that environmentalists have imposed such costs on them that that is why they are non-competitive; ignoring the fact that the Office of Technology Assessment documents the fact that the Japanese steel makers who are now much more productive than the American steel makers, were paying, during the time that they overtook American steel, anti-pollution costs sixty-five percent higher than here. Would you trust the steel industry (empirically, not ideologically)? Has the steel industry made wise decisions? Was it a wise decision for the steel industry to use a good part of its profits not to modernize the steel plants and become competitive with the Japanese, but to buy up the chemical industry? That is what they did.

The railroads – would you trust, in making allocation decisions, the management of Penn Central, which destroyed the railroads in this country?

So I am saying, if you look *empirically* at what is happening in this country over the past thirty years or so, I see no empirical basis supporting the assumption that private corporate profit-maximizing decision-makers make the best decisions. On the contrary, in some of the absolute key essential industries of the United

States our problem precisely comes from the fact that private people maximizing profit were making decisions which were anti-social; which, for example, made this country vulnerable to OPEC. We are not geologically vulnerable to OPEC. We *made* ourselves vulnerable to OPEC. Colonel Gaddafi did not require us to destroy the railroads. The automobile industry, the oil industry – they encouraged us to do that, not OPEC.

### C. Future trends

About a year and a half ago or so I was involved as a commentator in Milton Friedman's paean to capitalism on – whatever it was called – and I said to Friedman at one point, "Dr. Friedman, there is no serious big businessman in the United States who agrees with you. They don't want the government *out* of the economy; they want the government *in* the economy, on their side." And Friedman said to me, "You are absolutely right, Mr. Harrington, the businessmen are almost as bad as you intellectuals". Well, do you know what that is? That is a declaration of bankruptcy. That is an admission that those lovely free-market supply-and-demand curves in the textbooks have nothing to do with the reality of a state-capitalist-planned corporate-dominated-government capitalism in the late twentieth century. We do not live in anything remotely resembling the capitalism of Adam Smith.

Margaret Thatcher went into office to follow Milton Friedman. One of her chief aides is a man by the name of Sir Keith Joseph, who spent most of his life saying, "The government should not bail out failing corporations". I will give you one guess what job Sir Keith Joseph has in the Thatcher cabinet. Yes, it is bailing out corporations. Margaret Thatcher has *increased* government spending in Britain; and Ronald Reagan, who is honest, sincere, and wrong, is going to leave office with more government intervention into the American economy than before. He is quite likely going to leave office with wage and price controls in effect, not because he is a hypocrite, not because he is dishonest, but because his fantasy economics will not work.

Secondly, we are now in a welfare-dependent phase of capitalism, where capitalism seeks to get its risk capital from the government. That is to say, what is going to be the major Reagan program in terms of our contemporary capitalism? It will be a gigantic series of tax expenditures paid out to the corporations that gave us the auto crisis, the steel crisis, and the rail crisis. What are we going to do with the cattle rustlers? We are going to hire them to close the barn door, on the government payroll. You talk about welfare. You have got peanuts of welfare for 'welfare mothers' – about eleven billion dollars in AFDC. There are two tax exemptions for capital gains which mainly benefit the rich which are about twice as much as we give to the welfare mothers in the United States. We have much more welfare for corporations, and we are going to have a lot more. Reagan will cut some poor people off the government dole, and he will put a lot more rich people on. And that is the phenomenon that one sees, in my opinion – it is part of the decadence of capitalism – you see it all over the capitalist world. Capitalism is becoming *planned* capitalism.

Richard Nixon took office in 1968 as a conservative Republican. He ran the largest peacetime deficit in the history of the United States, he introduced wage and price controls, he proposed a guaranteed annual income, to name just a few of the things he did. Was it just because he was a liar, or is there some more profound trend at work? I believe it was a more profound trend. But the point I want to make is that the fact that capitalism is being forced to plan, that the capitalist remedies for survival are increasingly anti-capitalist, is not an unalloyed triumph, from my point of view, because one could have a planned economy that is an authoritarian, top-down, anti-freedom planned economy.

The Soviet Union (which is in no way a model of anything I am for; I am a democratic socialist, not a Stalinist; I identify with people like Willie Brandt, the man whom the people of Berlin elected as their major when they were fighting for their freedoms *against* the Russians) – the Soviet Union is an indication that there can be a bureaucratically planned top-down economy. And could we move toward it in the United

States under peculiar American circumstances, a kind of a nice authoritarianism, a nice alliance between government and business to run the society, a society which would probably still call itself capitalist but which every day would be less and less capitalist? Yes, that is possible. The future is indeterminate but, let me stress, it will not be capitalist.

Finally, let me summarize my point of view in this way. I think Americans normally have the wrong debate. We normally debate whether there is going to be collectivization. Collectivization is coming because it is already here. We are more and more making basic economic decisions politically – we are not making them through markets. And Reagan is not going to make them through markets, any more than Nixon or Ford or Carter or Kennedy or anybody for the past twenty-five or thirty years has made them through markets, because the invisible hand of Adam Smith cannot run a complex highly socialized modern society. The question is not *whether* there is going to be the politicalization of economic decisions. The question is not *whether* there is going to be a collectivization. The question is what kind.

Is that collectivization going to be bureaucratic, authoritarian, and top-down? That is where *capitalism* is going. Or is it possible for there to be a collectivization from the bottom up, with the participation of the people? I, as a socialist, am not interested in nationalization. I am not interested in economic programs as ends. I am interested in only one thing as a socialist: human freedom under the conditions of the twenty-first century. And under the conditions of the twenty-first century there is going to be collectivization. Capitalism will go, but not necessarily for the good.

The issue of the twenty-first century, and of the late twentieth century is, can that collective tendency be made democratic and humane and libertarian and responsible? Can it be made compatible with freedom? And I would argue that the bureaucratizers, the collectivizers, the anti-freedom tendencies of modern society, are the corporate capitalist tendencies of late capitalism; and that the alternative of freedom is represented by the democratic socialist movement for which I speak.