EDITORIAL PERSPECTIVES

ON THE SELF-INTEREST OF THE CAPITALIST RULING CLASS

As anti-austerian movements continue to grow around the world, the extreme and unprecedented polarization of income and wealth comes ever more clearly into focus. Not normally given to "factoids," I would nevertheless like to offer just one. For the United States alone, we have this, concerning the Walton family: the six heirs to the Walmart empire have a combined wealth of $90 billion, equivalent to the wealth of the *entire bottom 30% of the U. S. population.*[1]

This can be, and often is, seen as a massive affront to simple justice. Indeed, Joseph Stiglitz, in the essay cited, characterizes the response to inequality on the part of the left as being one of moral indignation, the "stuff of pious sentiment." In place of this sentimentality, he offers some Machiavelli-like advice to the Prince: "Put sentiment aside. There are good reasons why plutocrats should care about inequality anyway — even if they're thinking only about themselves." If they knew what they were about, the argument goes, the rich would seek to mitigate the extremes of inequality and reverse the polarization trend — in their own self-interest. An examination of this reasoning provides an opportunity to think about the distinguishing characteristics of a Marxist understanding of inequality and its role in the reproduction of a capitalist society.

First, let me summarize Stiglitz' argument. There are four "problems" — reasons why extreme inequality harms the interests of the wealthy. These are: consumption; rent-seeking; fairness; mistrust.

1 Taken from "The 1 Percent's Problem," an essay by Joseph Stiglitz in *Vanity Fair*, June 2, 2012. This essay is adapted from his *The Price of Inequality*, published by W. W. Norton in the USA and Allen Lane in the UK.

The *consumption* issue is standard Keynes: businesses need to not only produce goods at a profit; they need to sell them. The consumption coefficient (the share of income devoted to consumption) is higher for the poor than it is for the rich. Transferring income from the poor to the rich thus lowers the overall effective demand for goods. This can be offset for periods of time by technology-driven bubbles, or housing bubbles, or government spending; the first two are unreliable, as we know, and the last is under constant attack by the very social sectors that would benefit from its demand-increasing effect.

Rent-seeking is any effort to redistribute income on the basis of a specific monopoly, whether natural, legal or political in origin. It is zero-sum: transfer of wealth rather than creation of wealth. Energy directed toward rent-seeking is diverted away from productive activity, which is the ultimate source of the entire pie, including the slice going to the wealthy. Rent-seeking, in turn, increases when inequality is greater. It is a bit uncertain whether Stiglitz sees rent-seeking as the cause or the consequence of inequality, but his general point is clear: maldistribution of wealth results in less wealth to be distributed, and this impacts upon the wealthy just as much as it does on society in general.

The *fairness* problem refers to the effect of perceived unfairness on morale, productivity, and commitment. When the degree of inequality reaches a point at which people feel they no longer have a stake in the society, the resulting decline in motivation will, again, result in reduced productivity, product, and growth rate. "A large number of Americans are not living up to their potential; we're wasting our most valuable asset, our talent."

Finally, *mistrust*, which also increases with inequality, undermines the efficient functioning of the economy. Everything can't be codified in contracts; "throughout history, the economies that have flourished are those where a handshake is a deal." (Playing with a famous phrase from Adam Smith, we might say: there is an invisible heart lying behind the invisible hand.) Inequality destroys trust, and therefore, as with perceptions of fairness, results in less efficiency and less income at all levels of a given distribution.

Stiglitz concludes:

> So, the advice I'd give to the 1 percent today is: Harden your hearts. When invited to consider proposals to reduce inequality — by raising taxes and investing in education, public works, health care, and science — put any latent notions of altruism aside and reduce the idea to one of unadulterated self-interest. Don't embrace it because it helps other people. Just do it for yourself.

Now suppose we harden our *theory* a bit, and look at the four arguments from the standpoint of capitalist society and its requirements.

1. Consumption. There is a famous old (probably apocryphal) mid-20th-century story about the auto workers union leader, Walter Reuther. While on a tour of a General Motors plant, Reuther was shown a bank of newly installed automated machines, and was taunted by the GM executives: "Let's see you organize those." Reuther's reply: "Let's see you sell them cars." Here the point about demand is being made from the workers' side, but it can be turned around. Each individual capitalist firm wants workers' incomes *in general* to be high, as the ultimate source of the demand that enables it to realize profits. Each individual firm, however, wants the wages of *its own* workers to be as low as possible. In fact, the drive to lower wages, absolutely and relatively, is not a choice for the individual capital; it is an external requirement imposed by the ever-present struggle of competition and survival. By necessity, capitals act in a way that undermines their own collective interest; this is not a matter of faulty perception, but of being locked into a system that has this immanent quality of self-contradiction (using "contradiction" here in the sense of "real contradiction," not that of error in formal logic). "Capital only exists as many capitals" (Marx). This is at the heart of what Marxist theory intends by the law of value: capitalist society, to assure its own existence and continuance ("reproduction"), must secure the valorization of social relations — their appearance as relations among things, independent of human will — on the basis of atomistic, private market interactions.

When Stiglitz urges capitalists to think grandly of the interests of society as a whole, and therefore of their own long-term interests, he is asking them to act against their true nature. Can they do this? Perhaps yes, for a time, especially under the impact of massive pressures from below and deep crises threatening the social order. It is a bit like chimpanzees walking upright; they can do it, occasionally, but their own anatomy will ultimately prevail against this behavior.

2. Rent-seeking. What emerges in Stiglitz' discussion is that he sees the income of modern society as consisting of two main types: labor income (wages and salaries); and rent. All non-labor income, then, is the result of particular monopolies — of land, of patents or other legal contrivances, of inside ("asymmetric") information. The financial industry is "the rent-seeking sector par excellence," but this is to the extent that it engages in "predatory lending practices" rather than serving as a facilitator of production. Predation, information monopoly, corruption ("rent-seeking defines many of the ways by which our current political process helps the rich at the expense of everyone else") — in short, any practices that infringe upon the *normal functioning of markets* — are the source of non-labor income and, consequently, inequality.

Do rents in this sense exist, and are they exacerbated by increasing inequality? Undoubtedly. Missing here, however, is any sense of a major term lying between wages, at one side, and rents, at the other — and that is *systemic surplus extraction*, the general source of *profit* in capitalist societies. The power to extract surplus from the producing class is a central object of investigation within Marxist political economy. In capitalist conditions, it takes place even in the absence of non-economic coercion based on physical or geographic restraint, armed force, *and* externally imposed accidental superiorities of power — the sources of Stiglitz' rent and rent-seeking. The point is not that physical coercion, monopolies of information, legal and ideological authority, special structures of exploitation based on racial and gender oppression, etc., do not exist; of course they do. It is rather that the *core* surplus extraction process must be identified at a high level of abstraction at which all of these additional elements are held aside. Surplus extraction under capitalism is highly complex, but at its heart is the proletarian condition of the subaltern producing class: lack of ownership and consequent compulsion to sell, daily and continually, one's ability to work. Lying behind the polarization of income and wealth — Stiglitz' concern — is the valorization and precarization of labor.[2]

The problem for the proposal to reduce inequality, as a way to limit rent-seeking and improve productivity, is that this reduction would also entail a shift in the balance of class power, in favor of workers, and an assault on the major category of non-labor income, systemic profit, which is largely ignored by Stiglitz. Marxists can certainly recommend that shift! It is, however, doubtful whether representatives of the propertied wealthy could be persuaded to join in this recommendation. They will argue that this shift would lower the growth rate and generate cyclical instability — and, *under capitalist conditions*, they are correct! They also represent current and potential rent seekers, who are not likely to give a hoot about the deleterious impact of rent-seeking on productivity and efficiency.

In sum, we need to be wary of two errors in reasoning: that what is good for society as a whole is good for the exploitative layer ensconced at the top of society, and that what is good for the top layer as a whole is perceived and acted upon as such by its individual components.

3, 4. Fairness and mistrust. (Combining these two arguments into one discussion.) Yes, again, inequality causes erosion of crucial qualities of social life — a shared sense of fairness and trust, and consequently a necessary degree of motivation and commitment — and this erosion manifests in inefficiencies and losses of potential output and growth. These losses, in turn, ultimately impact on income going to the wealthy as much as on income

2 "Precarization" is a coinage, from the Spanish, "precarización," which I recommend, despite its awkwardness in English.

overall. But, once more, remember that increasing inequality is central to the goal of maintaining and increasing systemic profit. The negative impact of this on the quality of working-class existence is not an unfortunate by-product; it is the very means whereby the overall balance of social power in favor of the capitalist class is maintained. A pervasive sense of mistrust and unfairness, in workplaces, communities and politics, has a corrosive impact on the economy, as Stiglitz perceptively details. It also, however, contributes to the fragmentation of working-class consciousness and action, and so helps maintain capitalist domination. The idea that the propertied wealthy could be persuaded, in their own self-interest, to accept an attack against this domination, on the basis of improvement in efficiency based on trust and perceptions of fairness, simply ignores the antagonistic foundation on which propertied wealth rests. One could also point out that the costs to society of the conflictual system of property and power, as measured in many ways but including losses due to cynicism and litigiousness, may well increase with the advent of modern information technology — Marx's "development of the forces of production." It is one thing, however, to say that the social costs of capitalism increase with technical progress, and quite another to try to convince the wealthy to take steps that undermine their core power, in order to offset those increasing costs.

Stiglitz sees his advice to the 1% as hardheaded and realistic, and the left's moral condemnation of inequality as "sentimental." As social science, however, Stiglitz' argument fails to explain. *Why* do the 1% need his lectures? Why have they not long ago seen the folly of their greedy ways and realized that they would be much better off if they brought about a more egalitarian society? Are they irrational? If the 1% should know better, as he claims, the question remains: why don't they?

Perhaps the ultimate Marxist answer to Stiglitz' proposal is to suggest a distinction: between the interests of the capitalist ruling class as such, and the interests of individuals composing that class. Marx and Engels always made this distinction, as in their famous observation, in the *Manifesto*, that an entire section of the bourgeoisie might come over to the side of the proletariat in a revolutionary period. Stiglitz' world, of course, consists entirely of individuals and does not include classes, and so this distinction cannot be drawn. But that needn't stop us from looking upon the wealthy not just as actors in a system — representatives of a class interest that goes beyond their personal motivations and desires — but also as individuals. By all means appeal to them on the basis of personal interest, sense of fairness, common sense, high principle, or whatever. But should we expect rational argument to prevail, against *class* interest? That, it seems to me, and not the thinking of the left, would be the most egregious example of "pious sentiment" interfering with clear thinking.

IN THIS ISSUE

Turning TINA ("There Is No Alternative") on its head, University of Utah economist Minqi Li ("The 21st Century: Is There An Alternative (to Socialism)?", tackles the ideological challenges to socialism head on. Using a strongly global perspective, and addressing the ecological dimensions of the social crisis increasingly imposed by capitalism on a world scale, Li examines possible scenarios for human development, and concludes that widely discussed deficiencies of socialism — the incentive and information problems in particular — pale in comparison to the prospect of continued unchallenged capitalist predation and polarization. He also does not shrink from entering the debate on the historical record of socialist performance in the 20th century; when seen broadly, and in the necessary context of inherited underdevelopment and hostile external environments, that record speaks to the enormous potential of socialist social organization, and justifies the reversal of Maggie Thatcher's famous slogan.

S&S has always encouraged serious scholarship in political economy, including reexamination of Marx's positions and their application to present-day issues; this practice, in fact, is a major element in the distinction between Marxist and other political orientations on the left. Maria N. Ivanova ("The Dollar as World Money") mines Marx's monetary theory for insights into the current capitalist world-system, in which the U. S. dollar continues to function in the role of "world money." Challenges to this role, in particular its inherent connection to rising indebtedness and the changing balance of powers among various world capitalist centers, point to possible forms of financial and political crisis, but do not, in Ivanova's view, suggest that the core position of the dollar in the international system will be eliminated any time soon.

Tension between "economic" and "political" interpretations of the concept of class in the Marxist literature has often been noted. Salar Mohandesi, in his "Class Consciousness or Class Composition?", addresses this tension, not as a logical error or weakness but as the basis for synthesis. His study draws usefully upon the Italian "workerist" tradition (Tronti, Bologna), as well as more recent studies. It shows that models emphasizing consciousness and those based on more structural determinations may actually come to converge (to a degree that might seem surprising), as their adherents have grappled with the effects of economic transformations and the rise of new social subjects in advanced capitalist countries.

Finally, we are pleased to publish an empirical study: Jiping Zuo's "Women's Liberation and Gender Obligation Equality in Urban China: Work/Family Experiences of Married Individuals in the 1950s." Based on intensive interviews with 80 individuals, male and female, with varied experiences of family life and work in China, in the years immediately following the Revolution, this study offers a fascinating glimpse into the pressures and contradictions, victories and defeats, experienced by urban workers in China, with particular attention to gender roles, as the new society took shape in that period. One conclusion is that the very concepts "women's liberation" and "gender equality" cannot be treated as context-free abstractions. Their meanings in post-Revolutionary urban China is inextricably tied to the particularities of Chinese culture, the role of the state, and the economic development tasks faced by that society; evaluations based on impositions of meanings exported from the capitalist "West" will almost certainly fall short.

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