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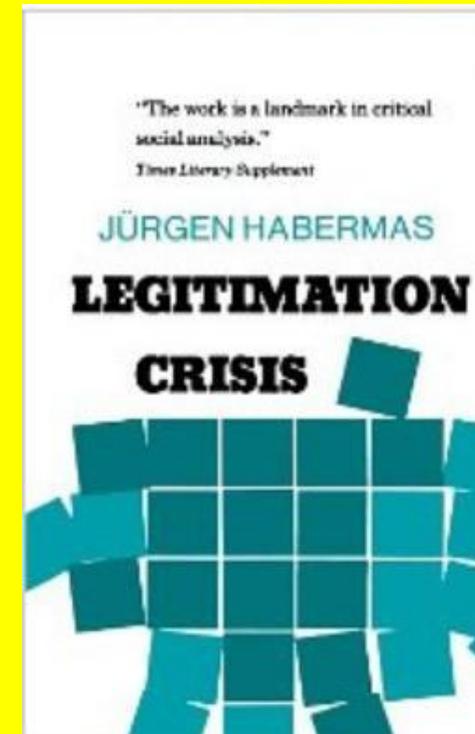
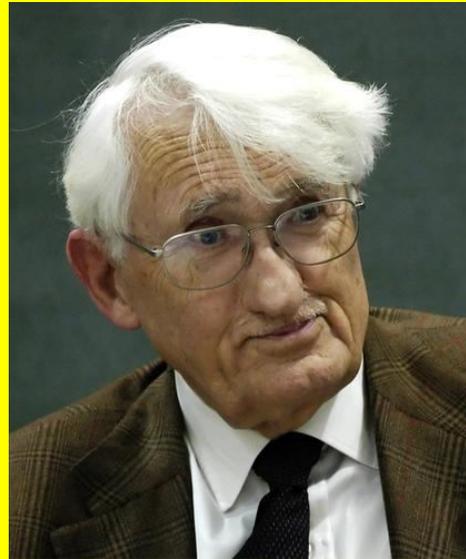
*Ladies and
Gentlemen, please
welcome—coming all
the way from
Chicago—
David Schweickart!*

[\(Click here for 1min Welcome
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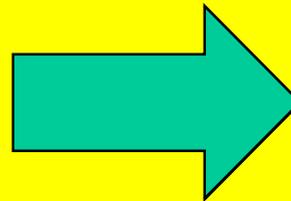
**Capitalism in
Legitimation Crisis:
Its Acceptance is Vanishing.
Is there an *Alternative?***

**David Schweickart
Loyola University Chicago
Oktober 11, 2011**

Jürgen Habermas (*1929)



**“Legitimations-
probleme im
Spätkapitalismus”
(1973)**



**“Legitimation
Crisis” (1975)**

First-Generation Frankfurt School: Key Questions

- **Why had Communism degenerated into rigid, dogmatic, ruthless Stalinism?**
- **Why had the working class *not* emerged victorious--as Marx had predicted?**
- **Is technology truly liberating or is it creating a "one-dimensional man" incapable of revolt**

Marx is Right

- **There is a direction to history, and that there are various stages of development.**
- **Technological development and class struggle are key factors in explaining the transformation of social systems**

Marx is Wrong

- **That moralities and worldviews are simply reflections of underlying, more basic, economic conditions**
- **That a severe economic crisis will more or less automatically generate revolutionary class consciousness among the working class**
 - **For a socio-economic system to be radically transformed, a "systems crisis" must become an "identity crisis."**

Habermas

- **Less pessimistic than first-generation critical theorists**
 - *"There is no administrative production of meaning."*
- **“Advanced capitalism” different from “liberal capitalism”**
 - *The state has come to assume responsibility for the economy.*

Crisis Tendencies in Advanced Capitalism

1. **Economic Crisis:** runaway inflation and/or serious recession
2. **Rationality Crisis:** because of conflicting demands, government unable to resolve the crisis
3. **Legitimation Crisis:** citizens call into question the legitimacy of the existing order
4. **Motivation Crisis:** motivational patterns crucial to the functioning of the system break down.

Example of this process: The collapse of the Soviet Union

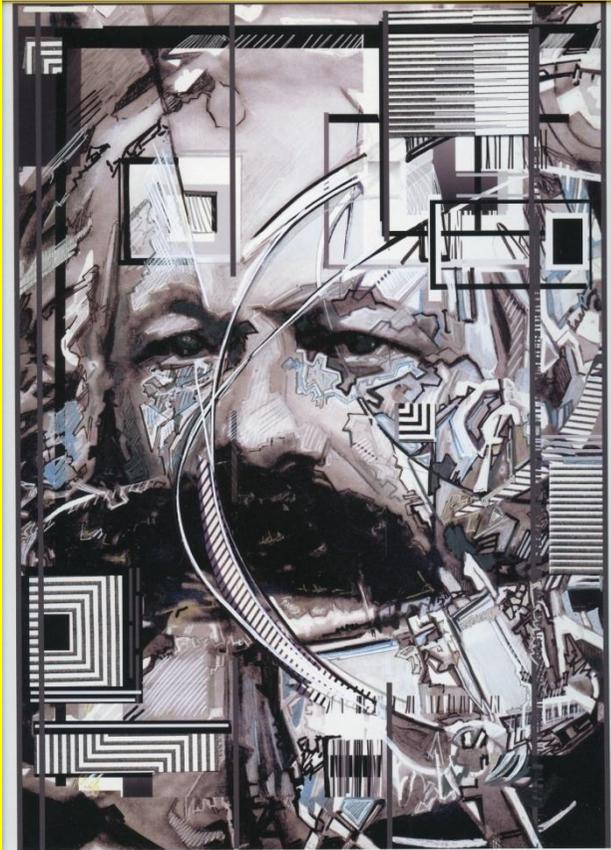
- 1. Economic Crisis:** Gap to the West widened.
- 2. Rationality Crisis:** State attempted reforms – but to no avail.
- 3. Legitimation Crisis:** Russians stopped believing in the system.
- 4. Motivation Crisis:** “They pretend to pay us. We pretend to work.”

The Current Crisis (Standard Story)

- **Housing bubble→**
- **Subprime mortgage lending→**
- **Mortgage-backed securities→**
- **Loan defaults→Freezing of MBS markets→**
- **Banks now unable to make loans→**
- **Businesses can't borrow, have to lay off workers→**
- **Consumer demand drops, consumer confidence plummets→**
- **Recession--or worse**

Current Crisis: Deeper Analysis:

a) Marx

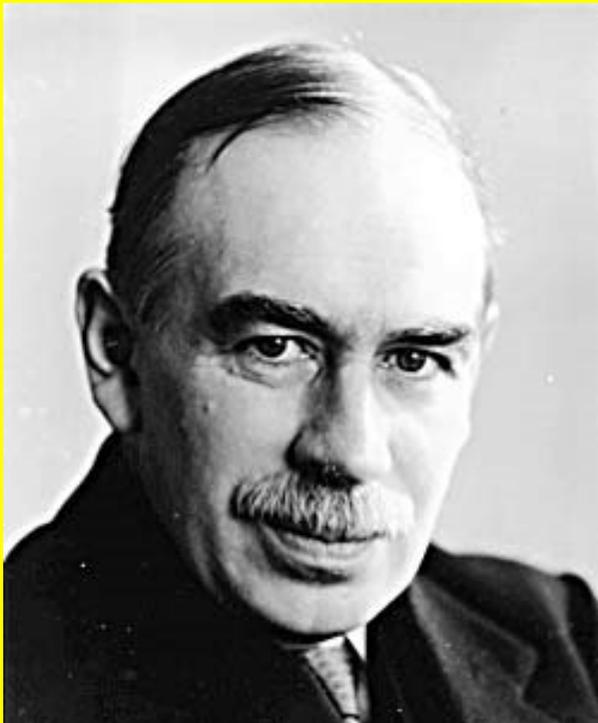


Basic contradiction:

- Wages are a cost of production and so are kept down,
- but capitalists need to sell their products, so wages must be relatively high

Current Crisis: Deeper Analysis:

b) Keynes

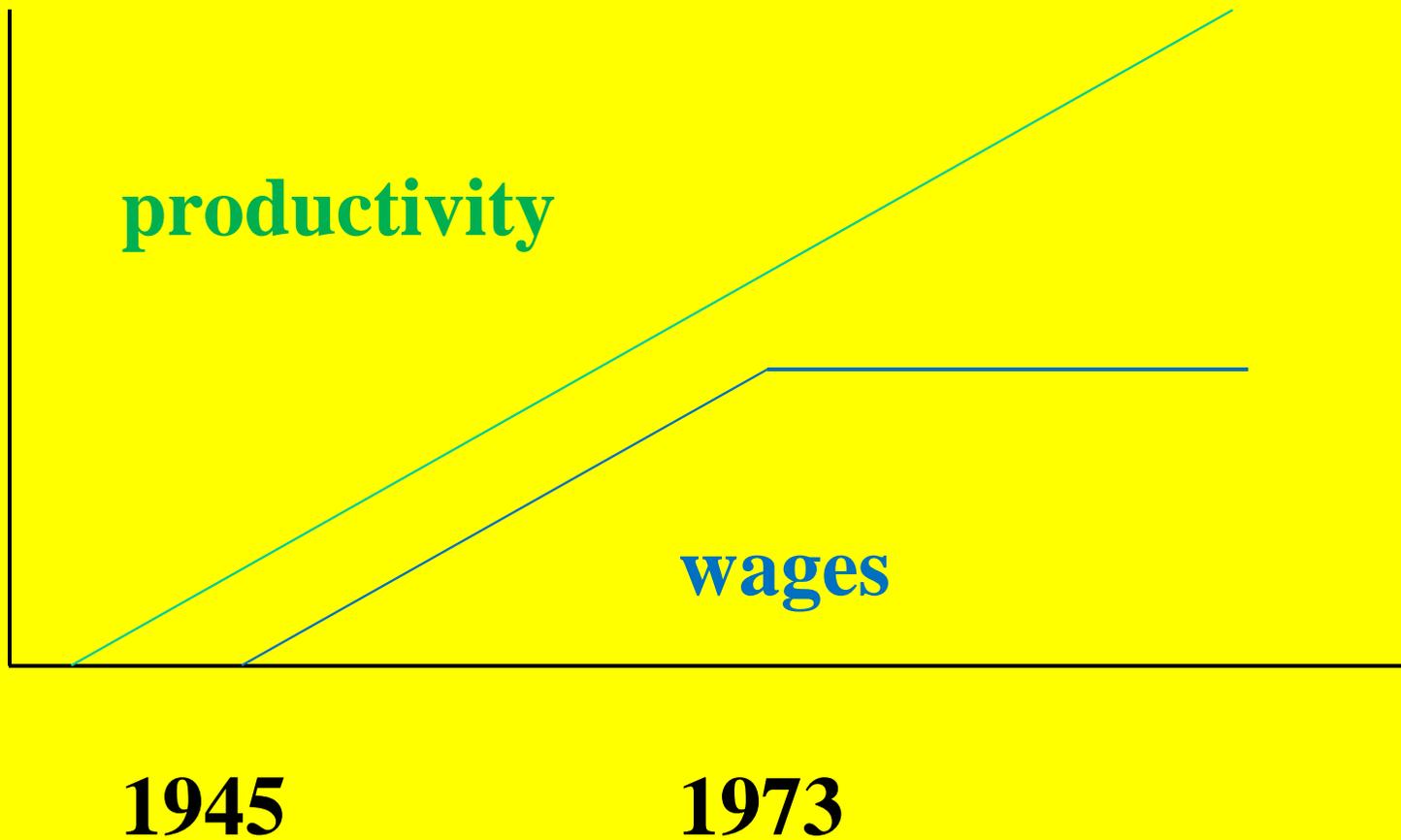


- **Capitalists must reinvest a large portion of their profits so as to keep up effective demand**
- **If capitalists don't invest sufficiently, the economy slumps, workers are laid off, demand drops further, companies go bankrupt, etc.**
- **Therefore, the government must intervene**

Keynesian Remedies for Recessions

- **Monetary policy**
 - **Cut interest rates**
 - **Provide structurally-sound banks with liquidity**
- **Fiscal policy**
 - **Tax cuts**
 - **Large-scale government employment and purchases, to be paid for by running a budget deficit**

Trouble in Paradise



A Richistan Expense Account (One Household)

- **Yachts: \$20 million**
- **Air-charters/private jets: \$3 million**
- **House staff: \$2.2 million**
- **Personal beauty/salon/spa: \$200,000
(including \$80,000 for massages)**

Reason for the Crisis: The Essential Answer

- **Capitalists gave huge *loans* to the workers, instead of raising their wages.**
- **Capitalists gave huge *credits* to the government instead of paying taxes.**
- **A logical truth: What can't go on, won't.**

Keynesian Measures Won't Work

- **Did not end the Great Depression**
- **“It took the giant public works project known as World War II to bring the Great Depression to an End” (Paul Krugman)**
- **But there isn't going to be a World War III**
 - **Good news for us as humans**
 - **Blocks another Keynesian way out**

The established mechanisms of growth . . . are faced with two important material limitations: on the one hand, the supply of finite resources-- the area of cultivatable and inhabitable land, fresh water, . . . and non-regenerating raw materials. . . ; on the other hand, the capacities of irreplaceable ecological systems to absorb pollutants, such as radioactive byproducts, or *carbon dioxide*. . . . The increased consumption of energy must result, in the long run, in *a global rise in temperature*

Two Theses

- **The current tools available to the government are insufficient to bring us out of the current economic crisis.**
- **Even if we should return the economy to vigorous growth, we will still be confronted with another, potentially more devastating, ecological crisis.**

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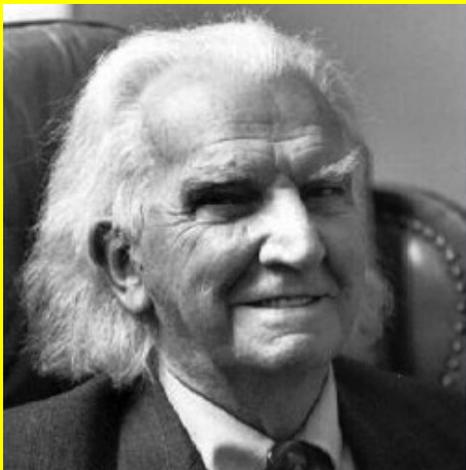
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**Only a madman or an
economist thinks exponential
growth can go on forever in a
finite world.**



--Kenneth Boulding

Crisis Tendencies in Advanced Capitalism

- **Economic Crisis:** runaway inflation and/or serious recession
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- **Motivation Crisis:** motivational patterns important for the functioning of the system breaks down.

Motivation Crisis

- **The motivational patterns essential for the functioning of advanced capitalism are being systematically eroded**
- **The emergence of functionally equivalent motivations are precluded by the developmental logic of contemporary morality.**

Motivational Problems

- **Disappearance of the authoritarian father**
- **Education no longer guarantees commensurate employment**
- **Jobs no longer provide stable, productive identity**

What Are the Young to Do?

They should (as Habermas reminds at the end of “Legitimation Crisis”) not "retreat to a Marxistically embellished orthodoxy," for we must have "theoretical clarity about what we do *not* know." The young are called upon instead to "expose the stress limits of advanced capitalism to conspicuous tests, . . . and to take up the struggle *against* "the stabilization of a nature-like social system over the heads of its citizens," a system that would give up on a concept Habermas refuses to relinquish: "old European human dignity"

What Are the Alternatives?

- a) **A return to "Golden Age" social democracy?**
 - **Out of reach—due to globalization**
- b) **Fascism, friendly or otherwise?? ☹**
 - **Inacceptable, and not successful either**
- c) **Managed stagnation—the “new normal”?** 
 - **High unemployment and poverty persisting for years. Most likely scenario**
- d) **A new form of democratic socialism! 😊**

Who now can use the words of socialism with a straight face? As a member of the baby boomer generation, I can remember when the idea of revolution, of brave men pushing history forward, had a certain glamour. Now it is a sick joke. . . . The truth is that the heart has gone out of the opposition to capitalism.

--Paul Krugman, *The Return of Depression
Economics and the Crisis of 2008*

Capitalism is secure, not only because of its successes--which have been very real--but because no one has a plausible alternative. This situation will not last forever. Surely there will be other ideologies, other dreams, *and they will emerge sooner rather than later* if the current economic crisis persists and deepens.

--Paul Krugman, *The Return of Depression
Economics and the Crisis of 2008*

A Fundamental Truth

A full-employment, democratic economy is possible that

- is immune to financial speculation and the havoc such speculation can wreak**
- does not need to grow to remain healthy.**

Major Defects of Capitalism

- Economic Instability
- Environmental Degradation
- Staggering inequality
- Rising unemployment, which is structural in nature, and hence not temporary
- Intensification of labor—for those who have jobs
- Growing poverty in the midst of unprecedented material wealth
- Degeneration of democracy into naked oligarchy

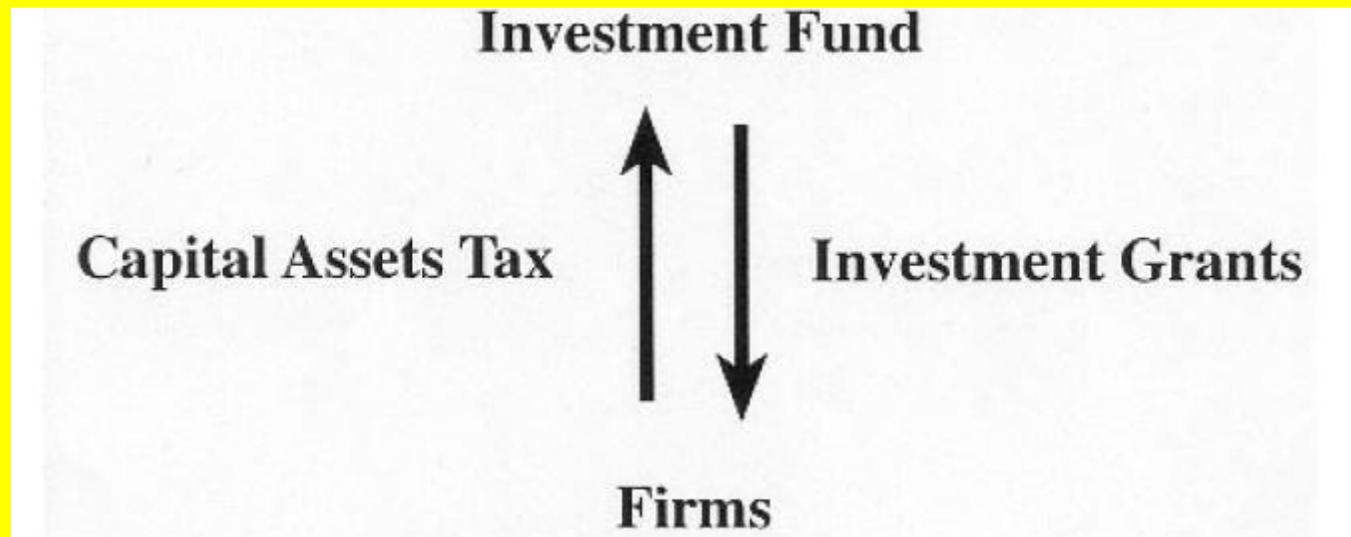
What We Know

- **Competitive markets are essential to the functioning of a complex, developed economy.**
 - Negative lesson of the socialist experiments
- **Democratic regulation of investment flows is essential to rational, sustainable development.**
 - Negative lesson of the neoliberal experiments
- **Productive enterprises can be run democratically with little or no loss of efficiency, often with a gain in efficiency and almost always with a gain in employment security.**

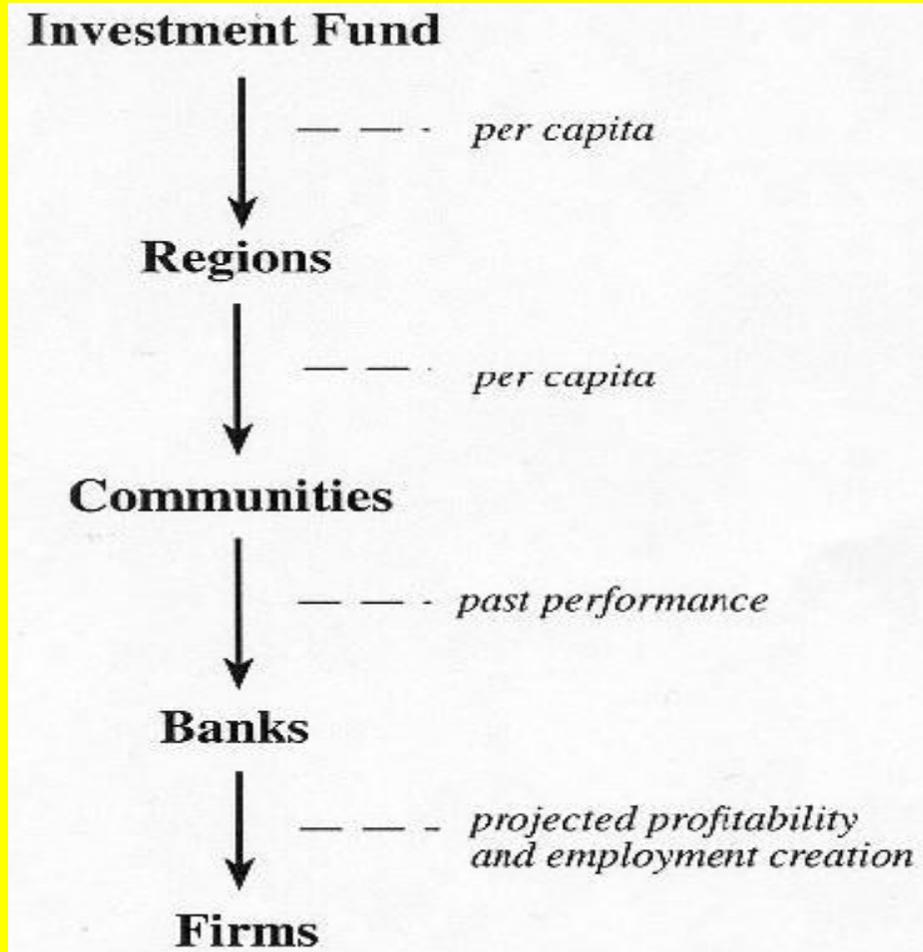
Economic Democracy: Basic Institutions

- ***Competitive Markets* for goods and services**
- ***Workplace Democracy*: most enterprises run democratically by workers, whose incomes are no longer wages, but shares (not necessarily equal) of profits**
- ***Democratic Control of Investment*: financial markets are replaced by a public investment banking system**

Flows to and from the Investment Fund



Investment Allocation Criteria



Economic Democracy: Supplementary Institutions

- **The Government as Employer-of-Last Resort.**
- **Private or Cooperative Savings and Loan Associations**
- **A Capitalist Sector of Entrepreneurial Firms and Small Businesses**

Causes of Crises

- Economic
 - Financial Speculation
 - Deficient Effective Demand
- Ecological
 - Individual firms structured to grow
 - Dependence on "investor confidence"

Economic Democracy

- Concerning Economic Crises
 - no private financial markets
 - wages are not a cost of production in a democratic firm--so *all* productivity gains are captured by the firm's workforce.
- Concerning Ecological Crises
 - Successful democratic firms have little incentive to grow
 - Economy not hostage to “investor confidence”

We shall use the new-found bounty of nature quite differently than the way the rich use it today, and will map out for ourselves a plan of life quite otherwise than theirs. . . . What work there still remains to be done will be as widely shared as possible--three hour shifts, or a fifteen-hour week. . . . There will also be great changes in our morals. . . . I see us free to return to some of the most sure and certain principles of religion and traditional virtue--that avarice is a vice, that the extraction of usury is a misdemeanor, and the love of money is detestable, that those walk most truly in the paths of virtue and sane wisdom who take least thought for the morrow. . . . We shall honor those who can teach us how to pluck the hour and the day virtuously and well, the delightful people who are capable of taking direct enjoyment in things.

--John Maynard Keynes, "Economic Possibilities for Our Grandchildren" (1930)

The need for another revolution should be obvious to all those who are not willfully blind. It is not, I fear, probable. But without doubt it is possible.

--Brian Barry, *Why Social Justice Matters* (2005)

One thing can be stated with certainty: the continuation of the status quo is an ecological impossibility. The uncertainty lies with the consequences of this fact. It is quite in the cards that the response will be the further retrenchment of plutocracy within countries and an ever more naked attempt by the United States, aided and abetted by a “coalition of the willing,” to displace the costs onto poorer countries. Whether it succeeds or fails, the results will be catastrophic. But I shall argue that there are some grounds for hope, which include growing discontent within rich countries with politics as usual.

--Brian Barry, *Why Social Justice Matters* (2005)



**The time has come, the
Walrus said. Perhaps things
will get worse, then better.**

**Perhaps there's a small god up in heaven
readying herself for us. Another world is
not only possible, she's on her way.
Maybe many of us won't be here to greet
her, but on a quiet day, if I listen very
carefully, I can hear her breathing**

--Arundhati Roy, *War Talk* (2003)

Requiem

**The crucified planet Earth,
Should it find a voice
And a sense of irony,
Might now well say
Of our abuse of it,
“Forgive them Father,
They know not what they do.”**

**The irony would be
That we know what
We are doing.**

**When the last living thing
Has died on account of us,
How poetical it would be
If Earth would say,
In a voice floating up
Perhaps
From the floor
Of the Grand Canyon.
“It is done.”
People did not like it here.**

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**Philosophers have interpreted the
world in various ways.**

The point, however, is to change it.

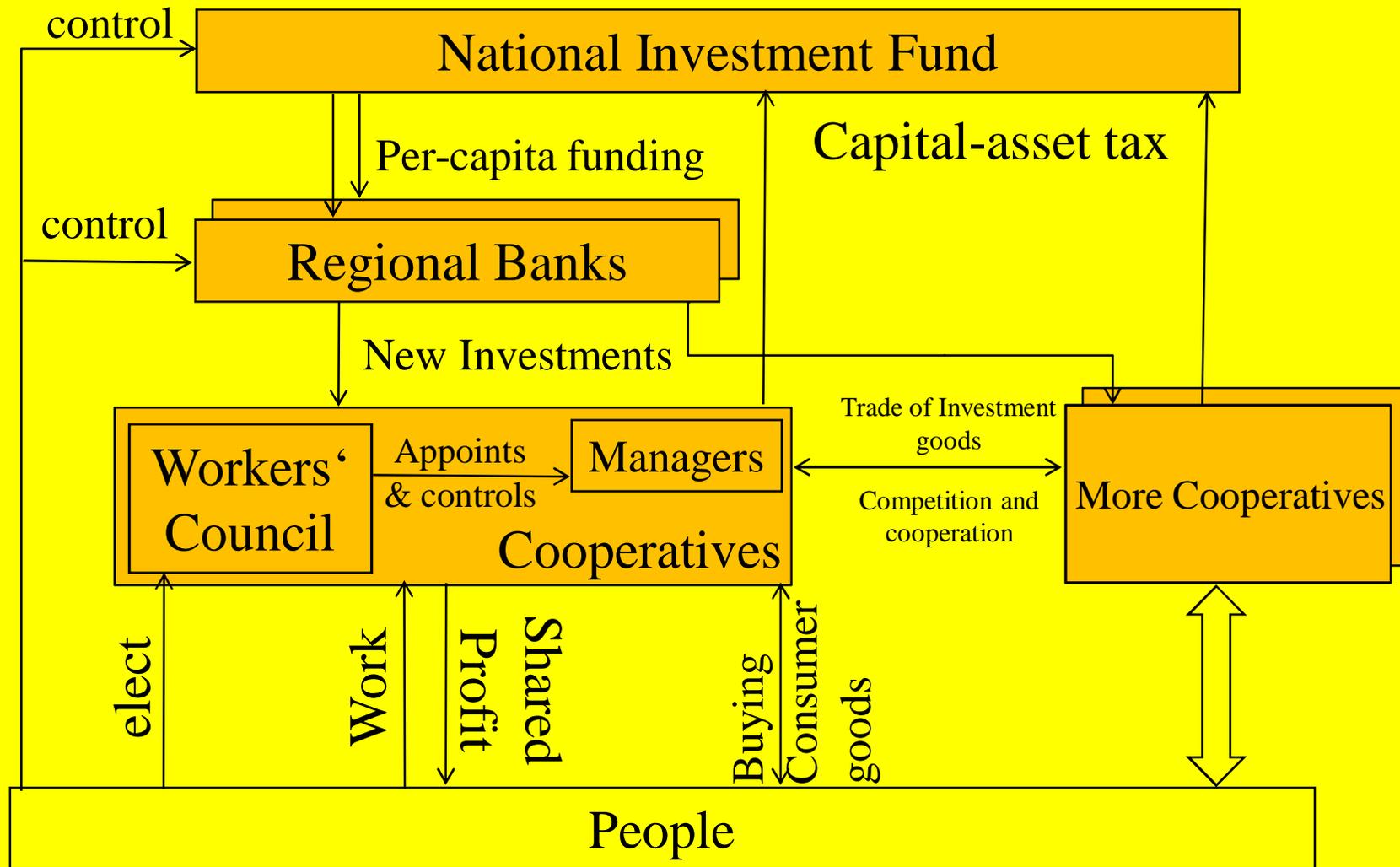
*Die Philosophen haben die Welt nur
verschieden interpretiert; es kömmt
drauf an, sie zu verändern.*

--Karl Marx

Thank you for your attention

Below: Backup Slides

Economic Democracy



- *Democracy at all layers...*

Democracy by help of politics *and* the market

- **Workplace Democracy:**
 - unemployment is expected to disappear
 - People can chose the jobs they prefer
 - Workers select their bosses
- **Consumer Market Democracy:**
 - Enterprises need to listen to the needs of consumers
 - Consumers have roughly equal purchasing power
- **Democratic investments by help of the National Investments Fund**

Socialist Protectionism (1/3)

- **Against unhealthy competition:**

Not all forms of competition are healthy. Wage competition is not. This is race-to-the-bottom competition. In particular, we do not want our enterprises competing with those enterprises in poor countries whose competitive advantage derives from the fact that their workers earn substantially less than ours do. For this reason we should adopt a policy of "socialist protectionism."

Socialist Protectionism (2/3)

- **The protectionist part:**

We will charge a tariff on goods imported from poor countries to bring the selling price of the goods up to what they would be if labor costs in the exporting countries were comparable to our own. We are thus protecting our workers from "unhealthy" competition.

Socialist Protectionism (3/3)

- **The socialist part:**

We rebate the tariff back to the country of origin. This money may go to the government if we deem it progressive enough, or to labor unions or NGOs working to upgrade working conditions there. In effect, our consumers are paying higher prices for their imported goods than the price the free market would set, and this difference is going to the poor country. That is to say, we believe in fair trade, not free trade.

--David Schweickart 2009, from a Letter to Obama

http://www.tikkun.org/article.php/may_jun_09_schweickart