

## ***Book Review***

**Neil Wilcock and Corina Scholz.** *Hartmut Elsenhans and a Critique of Capitalism. Conversations on Theory and Policy Implications.* London, U.K.: Palgrave Macmillan, UK. 2016. xii+184 pages. €84.99 (Hard Bound).

After the Second World War, the world was practically divided into two competing economic systems, capitalism and socialism. This ideological competition extended to the socio-political realm, and became the basis of the cold wars from the late 1940s to early 1990s. The events in Russia in the early to mid-20th century presented socialism as a real contender, if not a complete alternative to capitalism. With its increasing influence in many countries, not just in Russia's neighbourhood but also in the continents far across, socialism emerged as the dominant thought, leading to what became to be referred to as the socialist bloc. But then came the collapse of the USSR in early 1990s and the whole socialist thought came to be questioned. In socialist China, introduction of reforms with a capitalist bent further questioned the practicability and success of socialism, while reforms in the Indian economic system encouraged the proponents of capitalism to declare victory. Adoption of capitalist ideals by purely or quasi-socialist countries stamped the superiority of capitalism.

The spread of capitalist ideals in countries across the world saw a renewed interest in re-visiting the system's nature, origins, strengths, weaknesses and adaptability, resulting in a number of publications giving a new insight into capitalism. Writings of Hartmut Elsenhans—self-professed capitalist whose writings are difficult to be endorsed by capitalists or even the non-capitalists—are a good example in this regard. Elsenhans presents a complex understanding of the capitalist theory having perspectives of history, sociology and political economy. He presents a discourse that cannot be understood without a clear comprehension of both neoclassical and Marxist economics. This makes for an interesting mix but his writings have never been easy to understand, partly because of the complexity of ideas and also due to the way they are expressed. Thanks are due to Neil Wilcock and Corina Scholz for this book that helps us understand Elsenhans's rather intriguing understanding of capitalism.

Based on a series of interviews with Elsenhans, the book brings to us his thoughts on wide-ranging theories and their policy implications. These include his explanation of rent, marginality, under-development, globalisation, under-consumption, nongovernmental organisations, European Union and Eurozone, social movements, and last but not the least his thoughts on capitalism. A chapter each is dedicated to the above-mentioned themes in the book. And then there is this last chapter that encompasses all that is left in the preceding chapters and talks about environment, tax evasion and even spirituality.

The current book consolidates what Elsenhans talks about in his copious writings over the years. These writings include books authored or co-authored by Elsenhans as well as his contributions in edited volumes. Some of the English titles are, “*The Transformation of Politicised Religion: From Zealots into Leaders*” (2015), “*Bureaucratic, Societal, and Ethical Transformation of the Former East Germany*” (2004), “*Globalisation Between A Convoy Model and An Underconsumptionist Threat*” (2006), “*Saving Capitalism from the Capitalists: World Capitalism and Global History*”.<sup>1</sup> (2003), “*Development and Underdevelopment: The History, Economics, and Politics of North-South Relations*” (1991), and “*Governing Development Across Cultures: Challenges and Dilemmas of an Emerging Sub-Discipline in Political Science*” (2006).

Elsenhans’s views are complex and understanding them can be overwhelming for the reader. The book is in no way meant for bedtime reading, but is surely one for those who are interested in economic theory and the debate on capitalism. Having the advantage of working across many countries in Europe, Asia and Africa, including France, Germany, Pakistan, India, Bangladesh, Senegal and Algeria, Elsenhans’s writing have a global perspective and go beyond subscribing to the routine Western explanation of world issues.

Going through the views presented in this book, via the interviews conducted by Wilcock and Scholz, it would not be wrong to assume that Elsenhans wants to achieve socialist ideals through capitalism. He theorises the left-right debate with a totally new, and definitely controversial, perspective by linking capitalism to labour empowerment. To him labour empowerment is the capacity to have negotiating power over the employers. For this to happen, Elsenhans argues for an economy having abundant employment opportunities so to create a scarcity of labour. This scarcity in a capitalist system would empower labour by offering options if the existing employer does not fulfil the demanded remuneration. For this to happen, Elsenhans argues, there is a need for mass consumption. For a capitalist system to flourish it does not only need markets to support income and profits but also high levels of consumption. He links this mass consumption with labour empowerment and believes that it supports the functioning of the free market.

To Elsenhans, empowerment of labour is a pre-requisite for capitalism, something which the capitalists would not like to do, and are more likely to indulge in rent-seeking behaviour instead. He believes that for capitalism to survive it has to be saved from the capitalists and visualises a role for the state here. According to Elsenhans, a state—a democratic state to be more precise—should compensate for the gap between consumption and investment, something which would keep the economy going. It is ideas like these that make his views liable to critique from both sides of the economic ideology. The leftists contest his benevolent portrayal of capitalism while the capitalists dispute the role of the state in economy. Elsenhans explains this conflicting critique in the foreword of this book in the following words:

<sup>1</sup>Hartmut Elsenhans is not alone in arguing to save capitalism from the capitalist. Among others Raghuram G. Rajan and Luigi Zingales (2003) wrote a book with partly the same title, *Saving Capitalism from Capitalists: Unleashing the Power of Financial Markets to Create Wealth and Spread Opportunity*. Their focus is on the financial markets but they too, like Elsenhans, argue about an active role of government in the market, violating the traditional arguments forwarded by those on the left and right of the ideological divide.

*My theory, which insists on capitalism being dependent on the empowerment of labour, is not popular with those in mainstream discourses. Ironically, the conservative supporters of capitalism do not appreciate a relatively favourable evaluation of capitalism if it opposes their more basic goal of reducing the share of labour in total production. They do not want to stabilise capitalism, but expand its exploitative capability. They defend the necessity of increasing exploitation in order to maintain competitiveness. In addition, mainstream adherents of capitalism realise my critique of anticapitalist positions is based on a Marxist mode of thinking, albeit with significant departures. For the so-called Marxist orthodoxy, using Marxism in order to repudiate violent revolution and enact permanent reform within capitalism as not only a possibility, but also necessary for the system's survival is anathema. The renegades of Marxist orthodoxy are bigger obstacles than the open supporters of current capitalism.* (p. ix)

Going through the chapters one cannot help but perceive Elsenhans as a contrarian. It is for this reason he is considered by some as a 'turbo capitalist' and by others a 'far-leftist' (p. 9). He has different definitions to most of the existing terms and it is for this reason Wilcock and Scholz begin each chapter with the definition of the term as envisaged by Elsenhans. It is not as if this complexity is not acknowledged by Elsenhans himself. He confesses it when he says, "[m]y theory can comprise many of these things – Marxism, Keynesianism, neoclassical economics – but not just adding it, but putting them in a very special argument. And that is why many people oppose me." (p. 9). Based on this complexity and range of his thought, the book is organised in two halves. The first one delving on the theoretical and economic part of Elsenhans's view and the second on the more general socio-political issues.

Without spoiling the curiosity of the readers who would pick this book up let us have a quick look at some of the unique views maintained by Elsenhans, the views that make him an outsider to the mainstream academic circles irrespective of their orientation. Profit, arguably the end goal of capitalism, is conceived by Elsenhans as a special form of surplus resulting from the difference between taxes and rent, and depending on investment spending. To him profit involves disempowerment of the privileged and empowerment of the labour. Regarding accumulation and growth of consumption Elsenhans believes that positive net investment hinges on increasing mass incomes. Contrary to profit is rent which he defines as the surplus achieved through political means and not used for mass consumption. To him rent is another type of surplus, which acts as a means for growth, and "[r]ent is appropriated through political guarantees, whereas profit is earned on markets under the condition of competition" (p. 7).

The way Elsenhans theorises marginality, under-development, under-consumption and globalisation are also distinctive. For instance, marginality is a key concept in his economic thought that links development and the transition to capitalism. He believes that marginality exists when part of the population cannot produce as much as they need to survive. They are unproductive as it would cost more to employ them than what they are capable of producing. Survival of this population depends on transfers or else they would starve, and these transfers are entrenched in the pre-capitalist notion of solidarity, like from the large family. This makes Elsenhans conclude that marginality is not only a technical construct but also a social construct. In the absence of such solidarity, marginal people would not survive and resultantly there would be no marginality.

One of the important themes in the second part of the book is the emergence of the non-governmental sector. Elsenhans dismisses the role of the non-governmental organisations (NGOs) in tackling under-development. He sees NGOs as formed on the same rent-based economic doctrine, and not on any notion of benevolence. This entails acquiring rent in their societies of origin and at the international level, including the United Nations, government aid allocations and private donors. He believes that, “[t]he donor–recipient relationship forces the NGO to adhere to the power structure of the West to receive funds” (p. 107). He considers that the disenchantment with NGOs is due to their bureaucratisation, dominance of the middle-class perspective, and following of the mandate set by the international donors. Elsenhans does not question the intentions of NGOs but considers them as doing nothing vis-à-vis development. He, in fact, believes that they are “*actually acting as a hindrance in achieving it as they occupy political spaces that crowd out alternatives*” (p. 107).

The topics covered in this book are too numerous to be included here and are left to the readers to explore. As stated earlier, though Wilcock and Scholz have tried to put Elsenhans complex theorising in an as organised and reader-friendly form as possible, it is not an easy book to comprehend. A substantive prior knowledge of economic thought and theory is required to navigate through the views expressed by Elsenhans in these interviews or else the readers would find themselves caught in a mental labyrinth with no way out. The book should be read with a clear head and, more importantly, without any pre-conceived notions. No matter what your orientation is regarding social and economic thought, you would agree with him at some places and vehemently disagree at others. That probably is the charm of Hartmut Elsenhans views, and hence this book. Views that combine Marxism, Keynesianism and neoclassical economics are bound to be complex, and at times confusing, but they very well can be part of the solution to the world’s problems. Who knows until someone tries. Elsenhans is doing his part, are others ready to cross their ideologically demarcated boundaries? Going through this book can be a first step towards it.

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