

In Search of a Saviour

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Capitalism is a system in which incomes are realised through selling goods and services in markets. Generalised commodity production could achieve efficiency through perfectly competitive markets, stimulate investments catering to rising demand, which, in turn, would depend on expansion of real economy through mass markets. Hence, empowerment of labour is an essential condition for capitalism to grow and actualise its equalising effects.

This normative position about free functioning capitalism is the premise upon which the book, *Saving Capitalism from the Capitalists*, derives the agenda of democratic socialism. Despite the fact that empowerment of labour and expanding mass market is important, capitalists would enhance wage only when there is scarcity of labour. The virtuous cycle of rising demand, diversification of productive capacities, innovation and increasing demand for labour is the post-Keynesian recipe proposed in this book.

Capitalism is acultural which does not of course mean that the system is devoid of culture. As the author puts it, "In capitalism the 'mute constraints' of economic relations make cultural and political systems much less important than in any other socio-economic system, even if there are of course political structures and cultural systems also in capitalism" (p 65).

In other words, market ensures competition based on equality and hence cultural identities or political positions no longer remain decisive as it used to be in

Saving Capitalism from the Capitalists: World Capitalism and Global History by Hartmut Elsenhans; Sage, 2015; pp ix+325, ₹995 (hardcover).

pre-capitalist systems. Market resists tendencies of oligarchy in the non-economic realm and restores the prominence of profit over rent in the economic sphere. Therefore, a perfectly competitive market, which according to the book defines capitalism, is where economic agents take outcomes as results of equality of exchange independent of their cultural and political positions.

It also offers a sweeping commentary on the rise of capitalist industries in Europe, how rents spawned during the colonial period, capitalism mutating with pre-capitalist structures that did not trigger technological diversification and hence instead of being a contagion, the expansionary tendencies made for asymmetries creating underdevelopment.

The narrative traces back to tributary modes of production that emerged with the rise of surplus in agriculture, which was to be protected by the institution of private property and necessary hierarchies. The author argues that there were no specific particularities of the tributary structure in Europe that would explain the bourgeoisie revolution. Rather, it was a result of the distinctive feature where medieval peasants in Europe recorded a very high share of mass consumption that incapacitated the European ruling class to centralise the tributary structure.

In other words, medieval Asian societies were far more specialised in producing non-food luxuries demanded by a rich few, and hence the process of technological innovation was highly truncated. In the case of Europe, because of the relatively larger span of mass market producers, technologies evolved to produce goods with limited prestige value and those demanded by common people. Therefore, the decline of absolutism and the rise of a "pole of popular industry" was primarily because the subalterns in Europe could impose rise in mass incomes. This has also stimulated machinery production as sophisticated machines produce goods at cheaper costs, and such enhanced productive capacities facilitated incursions into foreign land besides internal markets. The story of the rise of capitalism is, therefore, linked to the rise of mass markets.

Global Keynesianism

In this imagery, capitalism is self-contained; it does not have to be ensconced in a pre-capitalist periphery to stave off the realisation crisis. This is, of course, subject to a very crucial prerequisite that labour is empowered with rising income. However, the incursion of capitalism in pre-capitalist societies turn out to be victorious because of its superior qualities and not because of a quest for markets external to capitalism.

The author further argues that colonisation resulted in a specialisation on price and income elastic products in the colonies which did not lead to a massive increase in the demand for labour. In the postcolonial scenario, policies of import substitution helped in a strategic diversification of production capacities in some

countries but largely failed exalting mass consumption.

Export-oriented manufacturing, the author argues, was actually not based on lowering real wages but depended on the capacity of a country to devalue its currency below purchasing power parity. If the share of imports in the basket of mass consumption is higher, this devaluation then leads to importing inflation. In other words, such strategies of import substitution and export promotion would succeed depending upon how the country is being able to push ahead supply of mass consumption goods. This is precisely the reason why advanced countries would not be able to protect their market by pushing down wages, as competing developing country might in response push wages further down.

Comparative advantages attained through devaluing currency approach a limit when the capacity to expand supply of wage goods exhausts and the economy attains full employment. As a result, the demand for imports increases, which in turn, calls for appreciation of

home currency and hence advantages for exports lose steam.

Therefore, export promotion can continue as long as the domestic economy is far off from its potential frontiers; wages do not rise and supplies of food and other simple manufacturing are enough to feed the domestic population. It is a trajectory based on restraining mass consumption rather than enhancing individual consumption.

Similarly, the author argues, erstwhile socialist countries could insulate themselves from world capitalist crises and could maintain high growth by way of keeping higher levels of investment, but of course, had to compromise mass consumption. Advanced countries, on the other hand, in view of protecting markets often take recourse to wage restraint which dampens consumption demand. They might concentrate in improving quality through technological innovation. These innovations and their protective mechanisms, however, give rise to a perpetual asymmetry in technological capabilities between advanced and developing economies that makes

for capitalism to be increasingly dependent on rents.

A devaluation-driven export strategy or wage restraint in advanced countries ultimately fuels underconsumption, and the book suggests that although national Keynesianism is dead, there is need for global Keynesianism, and each country should behave in a manner that should not add to underconsumptionist tendencies.

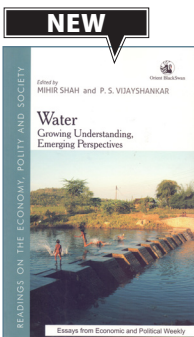
Causes for Concern

The two barriers of capitalism, according to the author, are the absence of empowerment of the poor that limits the market, and the over-empowerment of the rich that gives rise to rent. Increased share of services reduces the need for investment and also causes greater heterogeneity in work. Those having scarce skills in some sectors are highly mobile and can earn high incomes while the rest faces casualisation. The functioning of the market is fundamentally restricted because labour is embedded in a national setting and therefore, free movement of labour that could have ensured competition

Water: Growing Understanding, Emerging Perspectives

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For decades after independence, Indian planning ignored the need for sustainability and equity in water resource development and management. There was just one way forward, that of harnessing the bounty in our rivers and below the ground. It was only in the 1990s that serious questions began to be raised on our understanding and approach to rivers.

This collection of essays, all previously published in the *Economic and Political Weekly* between 1990 and 2014, reflects the multi-dimensional, multi-disciplinary character of water and spans hydrogeology, sociology, economics, political science, geography, history, meteorology, statistics, public policy, energy and ecology.

The essays are arranged thematically and chronologically: Water Resource Development and Management, Historical Perspectives, Social and Political Dimensions, Economic Concerns, and Water Policy.

With detailing of the huge diversity of concerns and points of departure, *Water: Growing Understanding, Emerging Perspectives* will be invaluable to students and scholars of sociology, economics, political science, geography, ecology and public policy.

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is actually denied in this globalised world.

The author also discusses how technological innovation causing rise in productivity might not be matched by rise in demand for the goods and services produced. This mismatch, in turn, gives rise to uneven development and a perpetual potential for rents. Concentration of oligopolistic groups relies on monopoly rents derived from high mark-ups and the growth of profit is often much higher than the growth of capital stock. Wealth concentrated in the hands of the few pampers the economy of delight, increases importance of luxuries on the demand side and technological innovations indubitably are geared towards excellence.

This is once again similar to many tributary structures that failed to trigger technological capacities catering to mass consumption. This causes a chronic disequilibria between productive and consumptive capacity of the economy and capitalism seeks to resolve this either by increasing imperfections in the market or by shifting assets from the real economy to financial markets.

The problem aggravates further when economies grow rich and preferences for future consumption increase compared to current consumption. The book discusses how the capitalist market fails to address the rising demand for environmental protection or for provisions for the future.

The rise in household savings should be matched by rise in government's indebtedness, by way of deficit financing. This could not be a long-run solution to changing demand patterns. There has to be some disincentive to save by way of rationing the right to save, some mix of regulation, market and democratic participation that builds trust between the private and the public on the question of managing the potential for future.

Real Barrier of Capitalism

The idealised perfectly competitive market as a state of harmony is the entry point of the current thesis where capitalists compete in a market in which they are neither in a position to influence the

share in the market, nor can they influence prices. It is assumed in this framework that normal profits limit the return to capital, there are no barriers to the diffusion of technological innovations, perfect mobility of factors of production including labour prevail, and so on. Hence the unevenness of capitalism is ephemeral.

This idealisation of the capitalist market primarily obscures the reality of capitalist competition which is always for higher accumulation, where competition is not as benign as the parable of competitive market wants to suggest. Rather, it is much more anarchic and turbulent.

The quest for higher profit of the enterprise motivates capitalists to undertake technological innovations. Higher scale of operation provides them advantage to grab a larger share of the market; hence concentration and centralisation of capital is intrinsic to the capitalist process of accumulation rather than mere departures from an idealised state. The persistent gap between productive capacity and consumption in monopoly capitalism is an inevitable outcome of this accumulation process itself. Therefore, rewinding history to the phase of competition which this agenda of democratic socialism pushes forward seems to be a non-starter.

The subterfuge of the market obscures the structural asymmetries between labour and capital; assuming capital would empower labour through democratic interventions in the realm of the "non-market" is hardly tenable. Capitalists earn profits not by the sale of a product but fundamentally by exploiting labour; capitalist accumulation has always been linked with a dynamics of power. It is the regime of accumulation articulated at different levels that define the capital-power dynamics.

At the level of the factory, capital requires a control over the labour process which is effected through homogenising skills on the one hand and instituting hierarchies on the other. At the level of the economy, it subjugates the labouring class by maintaining the reserve army of labour. At the global level, it does so by restricting mobility of labour by way of which, capital sustains differential rates of exploitation. Empowerment of labour,

therefore, impinges on profit, and within capitalism, this class process is continuously reproduced by cultural, social and ideological processes.

The core problem of capitalism as the book suggests is underconsumption and the solution, therefore, is raising wages of workers effected through scarcity of labour. Rising demand for labour due to increase in productive capacity and newer needs is what drives the virtuous circle. Hence, unlike other variants of underconsumption theories, the current proposition finds an "internal" solution to the problem of realisation. In other words, the disproportionality between productive capacity and consumptive capacity that occurs in capitalism because of its anarchic nature has to be resolved by instituting participatory democratic socialism in the sphere of the non-economic.

The thesis, however, does not theorise how social appropriation of the capitalist market and private property-based competition would forge a long-term trust between the private and the public in managing potentials for future. It appears as if the saviour is some sort of a stabiliser to be appended with free competitive capitalism to moderate fluctuations that cause imbalance.

The real barrier of capitalism however is not demand. The problem of demand deficiency might appear because of the anarchic nature of self-expanding capital, but the real barrier of capitalism, as Marx argued, is capital itself.

Capital's motivation for production is not consumption but accumulation of profit. With higher accumulation, profitability declines giving rise to fierce competition between capitalists to capture markets, get control over resources, and last but not the least, cut down wages. This proliferates indignation and intensifies class struggle rather than instilling harmony between producers and consumers. Therefore, getting rid of this structural inconsistency of capitalism demands transcending capitalism, rather than searching for a saviour within.

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