

Berkeley Seminar on Envisioning Real Utopias

October 2007

SESSION 7, OCTOBER 29. RUPTURAL TRANSFORMATION

Issues discussed during seminar:

1. How dependent is the overall argument on the focus on the analysis on material interests as the calculus on which popular support for a sustainable rupture with capitalism is built? What is the shape of the transition trough for other values besides material interests?
2. What is the theoretical basis for the curves that project into the future?
3. How should we think about the role of expectations and confidence about the trajectory?
4. The politics of rupture: Wouldn't the process by which a rupture occurs mean that the people would have to have been transformed before the rupture in ways that make material interests less salient as the criterion of evaluation?
5. How should we elaborate the distinction between a system rupture and ruptures in specific institutions? What is the real content of system rupture?
6. How should we understand the specific problem of nationalization of natural resources and ruptural transformations?
7. Can a system rupture be the cumulative effect of a sequence of institution ruptures?

1. Transition troughs and material interests:

The objection: "Material interests" seems too narrow a basis for thinking about a break with capitalism. In the earlier chapters of the book there was a deeper conception of humans as flourishing seeking beings. The motivation for socialism involves all sorts of things beyond material interests -- vibrant communities, democratic participation, etc. So it seems that it was surprising to frame the argument so narrowly. Why should we think that moral interests are important but consistently weaker than material interests? A lot of people vote moral interests over material interests all the time. A related issue here is the idea that short term interests pre-empt long term interests: people are willing to make great sacrifices in the short term if they really believe this will lead to something much better for their futures or for their children's futures. This hinges on their beliefs that this will lead to a greater good in the end. What are the advantages of using material interests over quality of life?

- I argued that it would be difficult to sustain a transition in the face of deep and persistent decline and disruption of economic activity even if material interests did not constitute the central motivation for transformation. Disruption of

economic activity undercuts all sorts of other values as well since their realization requires resources.

- I focus on material interests because the disruptions are most obvious for these interests. I think treating the transition problem in these terms clarifies the problem. A defender of ruptural change would have to show that the gains in nonmaterial interests would be large and sustained enough to counteract this drop in material interests. Is it plausible that people would value these so highly and robustly that this would make the economic trough tolerable? Especially when you add uncertainty and lack of knowledge about what the future would hold. After all, even high powered intellectuals would disagree about the trajectory into the future during such a trajectory.
- Note about the shock therapy transition trough of Russia: This is the deepest economic collapse in history, and yet it provoked very little resistance and efforts at change. Two things differentiate this from my model: 1) there was no sense that the path could be reversed. The shock therapy destroyed alternatives. 2) the transition was not under robustly democratic conditions and whatever democratic elements were present they have declined over time – the system became less and less democratic.

2. Theoretical basis shape of the transition trough.

- The curves only show the general shape of change over time – there is no scale, no metric around this. If you have a ruptural change, abruptly, then there will be a transition trough with some shape like those pictures – although I entertain the fantasy-path without a transition trough and the pessimistic curve of continual decline (thus no trough). And this is then juxtaposed against the counterfactual of a stagnant capitalism – what the conditions would be in the absence of a rupture. Of course there are other counterfactuals as well – like the intensifying crisis and eventual collapse trajectory. The theoretical underpinning of the trough shape is basically system-disruption under conditions of high complexity. These curves are based on relatively thin theoretical arguments. There are some empirical grounds for this, like the French capital flight problem in the early 1980s.
- The premise of the system rupture is that it involves a decisive break with the core of capitalist property relations. This would have to occur at the level of the political system in which such property rights are defined and defended – mostly at the national level. And a system-rupture has to be state-centered: this is basically the route to some form of statist socialism. It has to be centered on the state because of the idea that the core principles of the system as a whole are rapidly redesigned – the only configuration destroyed and the new one built.

3. Role of expectations and past experience

One idea is that with a long period of interstitial transformation before a rupture people would have different expectations about the future because of their lived experience under social economy. This would make the viability of a destination more credible. People have a long experience of capitalism and no experience of capitalism, which

makes them uncertain about the outcome. Also the experience of non-capitalism within capitalism could change the nature of the interests against which people evaluate the transition – more concerned with nonmaterial dimensions.

- That is an interesting proposal: this implies that the degree of confidence in the eventual outcome of the trough would be greater if there had been a long experience of socially empowered economic activities ahead of time. This could increase in the confidence of the destination without increasing any confidence about the length of time of the trough or its depth. This might not affect the view of the disruptive process.
- There is also the issue that a long experience of interstitial transformations could actually make the transition shallower because economic life is less connected to the market and its rhythms. There could be more capacity for transition not just stronger expectations/confidence about the destination. A strong local food system linked to social economy and social capitalism could make a rupture less disruptive. That doesn't work through expectations but the actual material capacity to weather the change.
- Prior experience in social economy and interstitial change could increase optimistic expectations of the future through the demonstration effects about the full gambit of interests that would be enabled by transformation, so this is not just the confidence in the outcome but the sense of what values are in play.

4. The politics of rupture: Does the nature of the rupture under discussion make it logically impossible for it to succeed since it only counts as a rupture if it is so disruptive? Wouldn't a socialist party that attempted a rupture have to have built up a strong base over a long time and shown people that alternatives would make life better in many ways before they could even attempt a rupture?

- This is a very nice point: I have treated the rupture as something that comes out of the blue as a *dues ex machina* – there is no historical process that generates the rupture, that explains how a coalition came to power democratically that could attempt a socialist rupture under the counterfactual of stable/stagnant capitalism. So, it could be argued, that under these conditions the only way such a political movement could be in this position would be if people had already redefined their interests in ways that meant they would care less about their direct material interests and more about things like community vibrancy, participatory vitality, public safety and public goods, etc. This is a point made very forcefully and effectively by both Przeworski and Offe. Especially Offe has a nice formulation about the reconstruction of interests as a condition for radical solidarity.
- I am not sure this is right: there are lots of ways that a radical socialist coalition could get elected without a large majority being fully on board with the radical edge of the policies. Socialists generally moderate policies that would be most threatening to capital in order to consolidate their base of support. Here we are proposing that the socialists would massively push their programs in ways that would be threatening to capital. Could a socialist in power then do this? Still, my exposition of the issues here has ignored all of the ways in which a socialist party

bent on a system-ruptural program would have had to build up a mass base to be in a position to carry this out. So, perhaps, there is a fantasy in play in the model: a fantasy of a magical victory in an election.

- In any case, no socialist party has ever been elected which has attempted a rupture democratically even with a strong base, and I think it is because of the prospect of a deep transition trough. The closest that has happened was probably Chile, but it actually never attempted a rupture (and yet was overthrown by a coup so never had to contend with this scenario). The purpose of the model I discuss in the chapter is to say: let us suppose that a coup won't happen, that the party will not face direct counterrevolution and violent overthrow. Let's assume that there is the most benign conditions for a rupture imaginable – no military coup, no counter-revolution. All that socialist government would face is the economic ramifications of the attempt at rupture.
- So let's think about this: A likely scenario for a socialist victory even of a party committed to fundamental change is that it will be supported by a coalition with different degrees of commitment to the project. The question is then whether this would hold together over time. I think the heterogeneity of the population combined with the heterogeneity of the level of ideological commitment to the project of transformation and the uncertainties about the future all would work against the possibility of a coalition holding together over a long transition.
- Why have democratically elected socialist parties failed universally to have pursued this more radical agenda? I think the issue here is not corrupt leadership or personal opportunism. I think it really is the anticipation of the catastrophic economic disruption that would accompany a serious move towards ruptural transformation and the belief that no elected socialist party could survive the turmoil. (The best treatment of this is Adam Przeworski's analysis in *Capitalism and social democracy* of the three nested dilemmas facing parties genuinely committed to a socialist alternative to capitalism: the dilemma of whether or not to participate in electoral politics in the first place (risk of marginalization vs risk of cooptation); the dilemma of whether to maximize the working class character of the electoral base or to maximize the vote (risk of remaining permanently a minority party with a pure base or becoming a majority party with a cross-class base); the dilemma, if elected, of adopting capitalism-consistent reforms vs pushing for socialism (getting reelected but diluting the socialist program vs losing the next election by sticking to a radical socialist agenda).
- The rupture would have to be national, not local. Berkeley could not itself be a site for system rupture in the sense I am talking about.

5. Meaning of rupture – and what do you mean by material interests here? System rupture/institution rupture.

- I should make the content of the idea of system rupture more explicit. This only makes sense, I think, around the statist socialist pathway: this is where the rupture in the core principles of capitalism would be possible. So this involves “socializing the means of production” – which means through some device or

another fundamental capitalist property rights are abrogated. This includes things like nationalizing the commanding heights of industry, nationalizing the banks, etc. This raises lots of logistical problems given the constitutional protections of private property and rules of eminent domain: what kinds of compensation would be needed, how this would be done “legally”. These are the reasons why, typically, when such ruptures are attempted they are not attempted through constitutional means – it can be virtually impossible under legal due process norms, so a revolutionary rupture with the state itself is required before a rupture with property relations.

- On material interests: this means all of the things you care about whose realization depends upon your access to material resources. So, if you care about flourishing children and want good quality day care you need resources to pay teachers. The specification of material interests as the criterion for evaluating the difficulties of a transition trough does not imply a concern only with personal consumption, let alone selfish interests.

6. Nationalization of resources: Perhaps the pivot here is nationalizing some key export resource, a natural resource, and using this to finance the transition trough. Does this give a place like Venezuela possibilities for transition?

- Venezuela is in an especially favorable position: It has such access to an almost unlimited source of cash – through oil – that this could be an instance in which very disruptive domestic transformations could be weathered because of external funds. And added to this is a very polarized social structure which does indeed mean that a large majority of the population probably would almost immediately benefit from a transition. There is thus the fairly unique coincidence of a low capacity for domestic capital to disrupt transition either through disinvestment or capital strikes because of the oil revenues and a majority of the poor who would benefit from transition very quickly.
- Still, even with this favorable configuration it is a testimony to the problems of doing all this under democratic conditions that Chavez seems so suspicious of robust democracy and seems to be consolidating a one party state with little internal pluralism. This might be unnecessary, but he seems very nervous about freewheeling democratic competition.
- I don’t think more complex sectors could simply be nationalized in this way – I don’t think you could nationalize high value-added manufacturing and use the proceeds to finance the transition because the disruption of supply chains and the complexity of the division of labor would make the sector in question decline in the face of the socialization.
- This is why ruptures in agrarian societies are easier: rupture is mainly a question of land redistribution and this can generate a transition without a trough. The greater simplicity of the economic structure makes ruptural strategies more plausible.

7. System and Institutional rupture. Ruptures could be in particular institutions or sectors, not the whole system, and thus perhaps not provoke such a disruptive set of ramifications. How do you differentiate site-specific and systemic-ruptures? Is the issue that too many ruptures at once generate a trough? Or is the issue how quickly a rupture occurs? Could one imagine a strategy of “staggering the troughs” so that none is too large to traverse and no one rupture is a significant threat to capital?

- I have not really given much precision to the idea of particular institutional ruptures. Symbiotic transformations often involve creating a new institution which implies a partial rupture – a rapid creation of a new institution and destruction of an old form. This happened with national health system, for example, in some place, and the nationalization of some sectors in certain times and places. These may not necessarily have severe disruptions and transition troughs – these kinds of institution-specific ruptures may not disrupt the overall equilibrium of the system in ways that precipitate economic declines and troughs.
- Perhaps a sequence of sectoral ruptures could constitute a system-rupture, and this could remove the trough problem.
- Maybe, but I think that these limited institutional ruptures usually do not touch the fundamental issues of capitalist property rights and private accumulation. Mostly the partial ruptures have occurred in weak sectors or sectors which posed problems for the system as a whole. National health solves a problem of capitalism. Nationalizing the railroads solved a problem of a sector that was very important, that was losing money, and which produced huge positive externalities for capital accumulation in general. So I think the issue here is not so much ruptural transformations of specific sectors as such but rather ruptures in the fundamental institutions of a system vs more peripheral elements. It is not so much too many ruptures but rather what kind of rupture.
- Note that the Meidner plan in Sweden was an attempt at creating a slow incremental transformation that would cumulatively amount of a rupture – using pension funds to buy out Swedish capitalism. The mechanism was slow and incremental and at no specific moment constitute a frontal challenge, but cumulatively the process involved a transfer of control over capitalist corporations from private owners to collective social owners. This provoked a very sharp political response from the capitalist class and contributed to the defeat of the Swedish Social Democratic party.
- One other thing in the logic of ruptural transformation: The model I present in the chapter is meant to examine the difficulty of rupture under the most optimistic conditions one could imagine. I have assumed no counter-revolution or coordinated capital strike or violent repression through a coup. All of these might in fact be likely and would make a ruptural transformation even more problematic. My analytical strategy, then, is to examine the possibility of systemic-rupture even under the best case scenario.