

Chapter 5

The Capitalist State and real Utopias

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Many people who share the emancipatory aspirations of a more egalitarian, democratic and solidaristic world are nevertheless very skeptical of the strategy of eroding capitalism through real utopias. At the center of this skepticism is the argument that the capitalist character of the state makes this impossible: In order to play a significant role in transcending capitalism, real utopias would have to be supported by the state in various ways. But if emancipatory forms of economic activities and relations ever grew to the point of threatening the dominance of capitalism, they would simply be crushed by the capitalist state. This, after all, is one of the core functions of the capitalist state: reproducing capitalism. So, how can building real utopias constitute the centerpiece of a strategy for transcending capitalism given the class character and coercive power of the capitalist state?

In what follows I will address this objection and then sketch a scenario for the decades ahead that suggests some grounds for optimism.

The problem of the capitalist state

If the capitalist state was a coherent, integrated totality, whose structures were effectively organized for the exclusive purpose of ensuring the long-term dominance of capitalism, then there would be no prospect of the state playing a positive role in the growth of emancipatory spaces. This, however, is not the best way to think of the class character of the state and its effects on society. Two issues are especially relevant here: the first concerns precisely what it means to say that the state has a specific “class character”; the second concerns what can be termed the contested, contradictory functionality of the state.

The class character of the state.

When theorists claim that the state in capitalism is a *capitalist* state with a distinctive class character, what they mean is this: When we observe that the state systematically supports capitalism, this is not simply because of the preferences of the particular people exercising state power, but because of the basic structure of the state. This proposition can be elaborated in various ways, but typically the idea is that there are mechanisms built into the state which are biased in such a way as to systematically favor state actions that support capitalism and serve the interests of the capitalist class. It is possible to accept this general proposition as a way of understanding the capitalist state as an ideal type, and still argue that actual capitalist states have a much less coherent character. Just as concrete capitalist economic systems should be regarded as hybrid ecosystems of different economic relations within which capitalism is dominant, so the capitalist state should be viewed as a loosely-coupled, heterogeneous system of apparatuses within which, to varying and uneven degrees, social mechanisms that help reproduce capitalism are dominant. This variation in the balance of class interests embodied in the state is the result of the specific history of struggles over the state. The trajectory of compromises and concessions, victories and defeats, is registered in both the formal design and informal norms within political institutions. The degree to which a given state apparatus is capitalist -- in the sense of having built-in mechanisms to protect capitalism -- thus varies across time and place.

Of particular relevance in assessing the variability in the class character of different state apparatuses is the problem of democracy. The more robustly democratic are the forms of

accountability of particular apparatuses, the less purely capitalist is the class character of that apparatus. Even ordinary parliamentary democracy has always had a contradictory class character: while it may be true, as Marxists generally claim, that the rules of the game of electoral democracy have the general effect of constraining and taming class struggles over the state in ways that support capitalist dominance, it is also true that to the extent elections involve real democratic competition, they introduce potential tensions in the class character of legislative bodies. In times of crisis and popular mobilization, those tensions can loosen the limits of possibility for new forms of state initiatives.

Demands for deepening and revitalizing democracy can thus be thought of as demands for diluting – not eliminating, but diluting – the capitalist character of the state apparatuses. This is not simply a question of the democratic accountability of ordinary state machinery, but also of the wide variety of parastatal commissions and organizations that interface with all modern states. Deepening democracy is also not simply a question of democratization of centralized national states, but of local and regional state apparatuses as well. Struggles over the democratic quality of the local state may be especially important in terms of thinking about ways in which state initiatives can enlarge the space for non-capitalist economic initiatives.

Contradictory, contested functionality

The idea that the state serves “the function” of reproducing capitalism implicitly assumes that there is some coherent way that the state can satisfy the many different conditions for reproducing capitalism. There are, however, many contexts when this is simply not the case. In particular, there can be temporal inconsistencies between the relatively short-term reproductive effects of state actions and the long-run dynamic consequences. The reproductive effects of state actions for the dominant economic structures are the result of actions that mainly respond to immediate conditions and challenges. This is why, for example, the feudal state facilitated merchant capitalism even though in the long run the dynamics of merchant capitalism was corrosive of feudal relations. Mercantile capitalism helped solve immediate problems for the feudal ruling class, and this is what mattered.

Similarly, in the middle of the twentieth century the capitalist state facilitated the growth of a vibrant public sector and public regulation of capitalism associated with social democracy. Social democracy helped solve a series of problems within capitalism – it helped reproduce capitalism – while at the same time it expanded the space for various socialist elements in the economic ecosystem: the partial decommodification of labor power through state provision of significant components of workers material conditions of life; the increase in working class social power within capitalist firms and the labor market; and the democratic regulation of capital to deal with the most serious negative externalities of the behavior of investors and firms in capitalist markets (pollution, product and workplace hazards, predatory market behavior, market volatility, etc.). Many capitalists may not have embraced these state initiatives and even felt threatened by them, but the social democratic state did help solve practical problems and therefore was tolerated.

The fact that this array of state actions contributed to the stability of mid-twentieth century capitalism is sometimes taken as an indication that there was nothing non-capitalist about

these policies, and certainly that they could not in any way be considered corrosive of capitalism. This is a mistake. It is entirely possible for a form of state intervention to have the immediate effect of solving problems for capitalism, and even strengthening capitalism, and nevertheless set in motion dynamics that have the potential to erode the dominance of capitalism over time. Indeed, it is precisely this property of social democratic initiatives that eventually lead to the attacks on the social democratic state under the banner of neoliberalism as the capitalist class came to see the expansive state as creating progressively suboptimal conditions for capital accumulation.

The world in the first decades of the 21st century looks very different from the period in which social democracy flourished. The globalization of capitalism has made it much easier for capitalists to move investments to places in the world with less regulation and cheaper labor. The threat of such movement of capital, along with a variety of technological and demographic changes, has fragmented the working class and weakened the labor movement, making the working class less capable of resistance and political mobilization. Combined with globalization, the financialization of capital has led to massive increases in wealth and income inequality, which in turn has increased the political leverage of opponents of the social democratic state. Perhaps the decades of the so-called Golden Age were just an historical anomaly, a brief period in which favorable structural conditions and robust popular power opened up the possibility for the relatively egalitarian, social democratic model of encroaching on the absolute dominance of capitalism. Before that time capitalism was a rapacious system, and under neoliberalism it has become rapacious once again, returning to the normal state of affairs for capitalist economic ecosystems. Perhaps in the long run the dominance of capitalism is just not erodible. Defenders of the idea of revolutionary ruptures with the capitalist state have always claimed that the dominance of capitalism could not be stably mitigated by reforms and that efforts to do so were a diversion from the task of building a political movement to overthrow capitalism.

The question for capitalism in the twenty-first century, then, is whether or not this kind of temporal disjuncture observed in the second half of the twentieth century is still possible within the capitalist state. Are there arrays state interventions which could help solve pressing problems faced by capitalism but which, nevertheless, also have the potential long-run consequence of expanding the space in which democratic, egalitarian economic relations can develop?

Prospects

Gramsci is famous for saying that we need pessimism of the intellect but optimism of the will. But we also need at least a little optimism of the intellect to sustain the optimism of the will. There are two trends that suggest some grounds for optimism about future possibilities for the kinds of state initiatives that could potentially unleash dynamics of long-term erosion of capitalist dominance.

First, global warming is likely to spell the end of neoliberalism. Even aside from the issue of mitigating global warming through a conversion to non-carbon emitting energy production, the necessary adaptations to global warming will require a massive expansion of state-provided public goods. The market is simply not going to build sea walls to protect Manhattan. The scale

of resources needed for such state interventions could easily reach the levels of the major wars of the twentieth century. Even though capitalist firms will profit enormously from the production of such infrastructural public goods – just as they profit from military production in times of war – the financing of such projects will require substantial tax increases and an effort ideologically at rehabilitating the expansive role of the state in the provision of public goods. If these processes occur within the framework of capitalist democracy, then this reinvigoration of the public goods role of the state will open up more political space for broader, socially-directed state interventions.

The second trend with which the capitalist state will have to contend in the course of the 21st century is the long-term employment effects of the technological changes of the information revolution. Of course, with every wave of technological change there is speculation about the destruction of jobs leading to a widespread marginalization and permanent structural unemployment, but in previous waves, economic growth eventually created sufficient jobs in new sectors to overcome deficits in employment. The forms of automation in the digital age, which are now penetrating deep into the service sector, including sectors of professional services, makes it much less likely that future economic growth will provide adequate employment opportunities through the capitalist market. The magnitude of this problem is further intensified by the globalization of capitalist production. As the twenty-first century progresses, these problems will only get worse and will not be solved by spontaneous operation of market forces. The result is increasing precariousness and marginalization of a significant portion of the population. Even aside from social justice considerations, this trend is likely to generate social instability and costly conflict.

These two trends taken together pose major new challenges to the capitalist state: the need for a massive increase in the provision of public goods to deal with climate change, and the need for new policies to deal with broad economic marginalization and insecurity caused by technological change. This is the context in which popular mobilizations and struggles have some prospect of producing new forms of state intervention which could underwrite the expansion of more democratic-egalitarian forms of economic activity coexisting with capitalism within the hybrid economic ecosystem.

More specifically, consider the following scenario.

The necessity to deal with adaptations to climate change marks the end of neoliberalism and its ideological strictures. The state embarks on the needed large scale, public works projects and also takes a more intrusive role in economic planning around energy production and transportation systems to accelerate the shift from the carbon-based energy system. In this context, the broader range of roles for the state is back on the political agenda, including an expansive understanding of the need for public goods and the state's responsibility for counteracting increasing marginalization and economic inequality since full employment through capitalist labor markets seems increasingly implausible.

Two responses by the state to these pressures could significantly move the hybrid economic ecosystem along some of the pathways of the socialist compass discussed in Chapter 5. First, these ideological shifts and political pressures could foster the expansion of the sector of

directly state-funded employment in the provision of public goods and services – the statist socialist and participatory socialist pathways in chapter 5. Wealthy countries can certainly afford a large state-funded sector of employment; the issue is the political willingness to raise the taxes for this purpose, not the economic constraints on doing so. Second, the state could take seriously the possibility of more fundamentally changing the connection between livelihoods and jobs through the introduction of an unconditional basic income (UBI), a policy proposal that is already being given increased public discussion in the second decade of the 21st century. To repeat the description of UBI from chapter 7: every legal resident receives a monthly income, without any conditions, sufficient to live at a culturally respectable, no-frills standard of living. It is paid for out of general taxation and paid out to everyone regardless of their moral worth or economic standing. Of course, for people with well-paying jobs, taxes would increase by more than the UBI they receive, so their net income (wages + UBI – taxes) would decline. But for many net contributors, it would still be the case that the existence of a UBI component to their income would be experienced as a stabilizing element that reduces the risks they face in the labor market.

UBI is a possible form of state intervention that responds to the difficult challenges confronting the capitalist state in the face of the decline of adequate employment opportunities within capitalist markets. It is a quintessential symbiotic reform because it simultaneously solves a problem within capitalism and expands the potential space for social empowerment. From the point of view of the reproduction of capitalism, UBI would accomplish three things. First, it would mitigate the worst effects of inequality and poverty generated by marginalization, and thus contribute to social stability. Second, it would underwrite a different model of income-generating work: the self-creation of jobs to generate discretionary income for people. UBI would make a wide range of market-oriented self-employment attractive to people even if the self-created jobs did not generate enough income to live on. One can imagine, for example, that more people would be interested in being small farmers and commercial gardeners if they had a UBI to cover their basic costs of living. And third, UBI would stabilize the consumer market for capitalist production. As a system of production, automated production by capitalist firms inherently faces the problem of not employing enough people in the aggregate to buy the things produced. UBI provides a widely dispersed demand for basic consumption goods. For these reasons, UBI may become an attractive policy option for capitalist elites, especially in the context of the exhaustion of neoliberalism as an ideology in the face of a rehabilitated activist regulatory state.

If UBI is an attractive solution to problems facing capitalism, how can it also contribute to the erosion of capitalism? A central feature of capitalism is what Marx referred to as the double separation of workers – the simultaneous separation from the means of production and from the means of subsistence. Unconditional basic income reunites workers with the means of subsistence, even though they remain separated from the means of production, and thus directly modifies the basic class relations of capitalism. A tax-financed unconditional basic income provided by the state would enable workers to refuse capitalist employment and choose, instead, to engage in all sorts of noncapitalist economic activities, including those constructed through social power. Worker cooperatives, for example, would become much

more economically viable if the members of the cooperative had a basic income guaranteed independently of the commercial success of the cooperative. UBI would also help solve credit market problems currently faced by worker cooperatives by making capital loans to cooperatives more attractive to banks: such loans would suddenly become less risky since the income stream generated by a cooperative would not need to cover the basic standard of living of its members. UBI would underwrite a flowering of the social and solidarity economy, noncommercial performing arts, community activism, and much more. Unconditional basic income thus expands the space for sustainable socialist – i.e. socially empowered – economic relations.

Furthermore, the same technological developments that create the problem of marginalization also, ironically, may contribute to a more robust space for the expansion and deepening of economic activities organized in a more democratic, egalitarian and solidaristic manner. One of the material conditions of production that helps to anchor capitalism is the increasing returns to scale in industrial production: when the unit costs of producing hundreds of thousands of something is much lower than producing only a few, it is very difficult for small scale producers to be competitive in a market. The hallmark of the industrial era of capitalist development is massive returns to scale. The new technologies of the 21st century are, in many sectors, dramatically reducing the returns to scale, making small scale, localized production more viable. Basically, the amount of capital needed to buy sufficient means of production to be competitive in the market declines in a digital world. This, in turn, is likely to make social/solidarity economy enterprises and worker cooperatives more viable as well, since they operate more effectively at a relatively small scale oriented to local markets. To use classical Marxist terminology, the changing forces of production expand the possibilities for new relations of production.

Other state policies, many of which could be organized at the local level, could further stabilize a dynamic noncapitalist sector. One of the obstacles to many varieties of social production is access to physical space: land for community gardens and farms, workshops for customized manufacturing, offices and studios for design, performance spaces for the performing arts, and so on. These could be provided as public amenities by local states interested in creating favorable infrastructure for these more democratic-egalitarian forms of economic activity. Community-land trusts can underwrite urban agriculture. Publicly provided or subsidized makerspaces and fablabs with flexible digital manufacturing technologies can underwrite certain kinds of physical production. Educational institutions could also provide training specifically around issues of cooperative management and social production.

The combination of a UBI facilitating the exit of people from the capitalist sector of the economy, new technologies facilitating the development of noncapitalist forms of production, and a congenial local state to provide better infrastructure for these initiatives, means that over time the sector of the economy organized through social power could develop deeper roots and expand in as yet unforeseen ways.

All of this would occur, it is important to stress, within capitalism, and thus inevitably these noncapitalist forms of production would have to find ways of positively articulating to the imperatives of capitalism. Many inputs to the noncapitalist sector would be themselves

produced by capitalist firms; producers in the noncapitalist sector would purchase a significant part of their consumption from capitalist firms; and the state's production of public goods would also often involve contracts with capitalist firms. Even after this new configuration stabilized, the state would still be superintending an economy within which capitalism remained prominent, and almost certainly dominant. But the dominance of capitalism would be reduced insofar as it imposed much weaker constraints on the ways people gain their livelihoods and opened new possibilities for on-going struggles to enlarge the scope of social power within the economy.

UBI thus has a paradoxical relationship to capitalism. On the one hand, it can help solve a range of real problems within capitalism and contribute to the vitality of capital accumulation, at least in some sectors. On the other hand, it has the potential to help unleash a dynamic which strengthens social power in ways that reduce the dominance of capitalism and moves the economic ecosystem on a trajectory pointing beyond capitalism. If, then, a generous unconditional basic income can be implemented and defended, it could both erode the dominance of capitalism within the overall economic system, and strengthen the conditions for capital accumulation within the reduced spaces where capitalism operates.

There is, of course, nothing inevitable about this trajectory. There is certainly no guarantee that a generous basic income would ever be instituted, or if it were instituted, that UBI would be accompanied by state initiatives to create supportive infrastructure for the expansion of democratic, socially empowered forms of economic activity. There is also certainly no guarantee that an unconditional basic income would be used by its recipients to construct socially empowered economic structures. UBI can also be used purely for individual consumption. As Philippe van Parijs argues in his book *Real Freedom For All* (Oxford University Press, 1997), UBI redistributes "real freedom" to people and thus enables beachcombers as well worker cooperatives and the social economy. The specter of parasites exploiting those who work is one of the potent moral arguments against UBI, and such arguments could certainly block political efforts for UBI, or at least result in adding undesirable conditions of eligibility to the program. What's more, an unconditional basic income sufficiently generous to set in motion a dynamic expansion of noncapitalist economic activities would be costly, although by no means beyond the fiscal capacity of capitalist states, and so it is likely that if a UBI were to be passed it would be set at a level below the culturally respectable standard of living. This would also undermine the potential for UBI to have long-term anti-capitalism erosion effects. The emancipatory potential of UBI, therefore, depends to a great extent on the political and ideological conditions in which it is instituted and develops.

If the limits of possibility inscribed in the capitalist character of the state are so narrow as to prevent state actions that might facilitate the growth of these kinds of noncapitalist economic processes, then the prospects of eroding capitalism are remote. But if disjunctures between present problem-solving and future consequences are possible, and if popular social forces mobilize around an political agenda of consolidating alternative economic spaces, then a significant expansion of economic activity embodying democratic, egalitarian and solidaristic values could be possible. And this, in turn, could provide the foundation for a potential trajectory beyond capitalism.