CRITICISM OF THE DEFENCE OF CAPITALISM

The argument of a book by Dierdre Nansen McCloskey entitled ‘Bourgeois Equality’ (University of Chicago Press: 2016) is that capitalism is the only dynamic and efficient system and is superior to any alternative like socialism. However, the reason for this economic advance is the role of ideas such as liberty and democracy which promoted the prospect of industrial development. The result of this situation was that the social conditions of the people were improved. The obvious problem with this perspective is that it ignores the fact that the major social force that was aspiring to develop enhanced social progress was the industrial working class, the capitalist class preferred to impose a situation of long hours and low wages. Indeed, it can be said that in periods of the decline of the role of a mass movement of the working class the result has been the imposition of adverse social conditions. In other words, capitalism is not a benevolent system that has been based on the betterment of the people. Instead technological advance combined with the role of the labour movement has been responsible for the possibility of social progress. In contrast, McCloskey has outlined an original view that is attempting to suggest that the character of ideas can have a direct and important role in generating the overall prosperity of the people. What has occurred is a Great Enrichment that has led to affluence in Western Europe, and increasingly in the rest of the world. McCloskey contends that the pessimistic ideas of people like Malthus, that it is not possible to overcome poverty because of the problem of over-population, have proved wrong. Instead there has been a steady progress in the material prosperity of people, and this development has occurred even in capitalist countries that do not promote the role of the welfare state. One reason for this advance is the role of ordinary people in generating economic progress and technological advance, and it is not the attempt to create equality that has led to the material advance of all sections of society. The argument being made is that what is beneficial for capitalism is also expressed in the increasing material progress of all sections of society. But this perspective is only true to a limited extent. What is also crucial is that militant trade unions developed which can agitate for increased wages and better conditions. An unorganised working class is less likely to achieve the benefits of economic progress. Furthermore, class struggle is an inherent part of society because the process of production under capitalism cannot overcome the importance of exploitation. The result is tension and social conflict. However, if the working class is unable to act to improve it social conditions it appears that the system is able to operate in an automatic manner and without the involvement of the working class. This is the type of illusion that is being promoted by McCloskey, but she is also right to suggest that some dogmatic left-wing commentators have also underestimated periods of boom which have led to the possibility of increased material prosperity within society. But her understanding is based on the rigid approach that only when the employers voluntarily raise wages is this a good thing for society. In contrast the pressure of the trade unions leads to a decrease in profits which can only result in a detrimental economic situation. Thus, it is being implausibly suggested that the members of society should voluntarily let the capitalists act according to their freely expressed interests, and everyone will benefit. But this view ignores the fact that under increasing conditions of crisis the result is the imposition of austerity which means that generalised material progress does not occur. In these situation’s the capitalist class is reluctant to make wage increases. Indeed, levels of poverty increase, and this situation is justified by politicians because of the dire economic situation. The lack of generosity of the capitalist’s class is because in a situation of recession the balance of class forces is in their favour and the trade unions are weak. The role of the class struggle is being expressed by an effective offensive of capital against the material conditions of the workers. In these circumstances the most effective manner in which the workers can continue to defend their interests is by engaging in militant class struggle. It has been the failure to develop this approach which has meant that it has been possible for the employers to impose low wages in many sectors of employment.

However, the criticism outlined above does not necessarily provide an effective basis to reject the views of McCloskey. This is because her definition of capitalism is not primarily about the role of capital accumulation or industrialisation. The economic system is not merely about the dynamics of production, trade, or competition. Instead what is being suggested is that the progress of capitalism is connected to the importance of betterment. The more that capitalism became part of society and so became more sophisticated in terms of its level of technology, the more that it was able to provide prosperity for the people. The point being made is that unlike previous forms of economic organisation there was something about capitalism which meant that it enabled the material situation of the people to be enhanced and improved. This view is generally correct because the creation of industry meant that the potential for enhanced consumption was being promoted, and so it was in the interests of the capitalist to support the possibility of increases in the level of wages. But this development was also connected to the role of the trade unions. It is an illusion to suggest that there is something benevolent about capitalism which means that it is a system inclined to generate increases in the level of affluence within society. It is true that the standard of living progressed if a comparison is made with feudalism and other types of society. But it was also possible for capitalism to be based on the generation of low wages and poverty, as in the oppressed Third World countries. The point is that there was no inherent mechanism for the development of prosperity, instead this possibility was connected to the balance of class forces, the overall economic situation and whether a given government was practicing an interventionist approach, such as supporting the role of the welfare state. In contrast, McCloskey seems to be implying that there was something inherent about capitalism which supported the automatic possibility for the realisation of an advance of the material interests of the people.

McCloskey contends that this process of progress was related to ideas about human dignity which became popular in the nineteenth century. This point may be true, but the character of popular democracy was connected to the development of ideas that were connected to the generation of the approach of socialism. In this context it was Robert Owen who made the aim of social improvement an expression of his unique form of entrepreneurship. But it is necessary to also indicate that this reformist and humanitarian standpoint was opposed by many politicians and capitalists. Only the emerging working class movement supported the view that it was possible to connect the role of factory production with the idea of self-improvement and social advance. This point is ignored by McCloskey because her viewpoint is that the very character of capitalism provides the ideas and dynamics that result in social progress: “ “Yet liberty and dignity are not easy to achieve, because they require accepting the Bourgeois deal of commercial profit and dignity, rejecting tribal protectionism, resisting the temptations of reasonable sounding “planning” or “regulation”, disbelieving the populist/Keynesian claim that free lunches abound, and embracing an ideological revolution towards equality for women and the poor and low status castes that traditional societies and parts even of some modern societies resist.”(p135) This comment represents an entirely one-sided understanding of the apparently inherent tendency of capitalism towards the improvement and advance of the people in general. In actuality there is no ideological climate of social and material advancement that is an inherent aspect of the system. Instead the possibility of material improvement has been realised in terms of the development of struggle. The capitalist class has been very reluctant to grant improvement of wages to workers because this prospect is considered to be detrimental to the interests of the system. Thus, it is deliberately naïve to believe that the present system is based on a dynamic of material improvement because of a culture of progress and social advance. But it is true to say that it is possible for workers in struggle to obtain material concessions from the economic system of capitalism because of a general situation of high profitability. This explains why workers can become affluent if they also utilise their collective strength. In contrast, McCloskey seems to be implying that there is a tendency for capitalism to generate an inherent dynamic of spreading the gains of the system within society. But this would imply that there is a voluntary willingness of the employers to grant high wages because of the basic efficiency and dynamism of capitalism. This assumption ignores the fact that if the level of trade union organisation and efficiency is low at a given workplace it is likely that wages will be low. Only in a situation which combines the skills of the workforce with effective trade unions are wages likely to be high. McCloskey also argues that the development of welfare states, or high levels of state intervention, are not likely to improve the material situation of society because this form of distribution is selective, biased and often to the benefit of corrupt politicians.(p141) This point can be true, but it is also a fact that systems of comprehensive health services have generally only been established in terms of the role of the state, which has been under popular pressure to adopt such schemes, as in Britain. The point is that private medical care cannot provide a more efficient and comprehensive alternative. In other words, the role of an efficient welfare state has been to promote social benefits for all of society, and these benefits have not been possible in terms of the limitations of capitalism, which is based on the principle that only with payment is welfare services provided. It has also often required the role of reformist political organisations, which have been inspired by a socialist ideology, in order to introduce and develop these comprehensive medical and welfare systems. The point being made is that there is no inherent dynamic within capitalism which will ensure that the benefits of a welfare state are realised. Instead it requires political action by the forces of reform, socialism and trade unionism, in order to ensure that social improvements for the working class are realised. Thus, the biased political system of America has had immense difficulty in realising a comprehensive and efficient form of health care, the ideology of capitalism means that health care is based on a system of private insurance, and so is very unequal and limited in efficiency.

McCloskey also criticises the role of foreign aid programmes in the following terms: “And the best way to give aid is to encourage poor countries to adopt liberal domestic policies, as China and India have, with their astonishing results. The actual enrichment of the poor, that is, has not come from foreign aid or regulation or taxing the rich or protectionism or trade unions or debt forgiveness, all of which despite their undoubted first-act popularity among many on the left and some on the right, merely redistribute a constant pie, or yield a shrunken one. By contrast, economic growth – which is something people and their countries do mostly on their own, by way of the liberating and dignifying of trade tested progress in a market stall or a little machine shop or a rise to great riches through betterments in making steel or supplying computer services or constructing skyscrapers in Hong Kong – has every time…given the poorest a dignified life at a level unheard of in history.”(p142) But the problem with foreign aid is not because there is something inherently wrong in principle, but instead because of the problem of the corruption of governments who are its recipients. Indeed, used in an efficient manner it is entirely possible that foreign aid can have a beneficial role in terms of providing emergency supplies and meeting needs that local governments are unable to provide the resources. However, it is also true that countries like China have been able to become successful capitalist countries. This is because China is rich in resources and has engaged in an extensive process of industrialisation. However, often the majority of the people have not benefitted from this process and instead are still limited by poverty. Furthermore, this process of industrialisation has been based on the super-exploitation of the working people, who often lack the role independent trade unions. The same point could be made about India. In these countries the most effective manner in which working people could become affluent is by the development of political democracy and by the generation of the influence of strong trade unions. However, it is also true that within these limitations people have been able to improve their living standards because of the benefits of industrialisation. In this context it is true that the development of industrialisation can generate improvements for the working class and peasantry. But in order that these gains become extensive, the role of trade unions is vital. It is also necessary to outline how the world economy is structured in favour of the most powerful capitalist nations and companies. This means that the third world countries are still often limited to the production of raw materials or create industrial goods that are based on the interests of the more influential parts of the world economy. Hence, this structural inequality means that it is difficult for even the most dynamic of Third world countries to overcome the problem of poverty and under-development. Instead McCloskey assumes that these issues are unimportant. This is because she can only contemplate either the possibility of untroubled growth in the Third World, or that this does not occur because of corruption.

In similar dogmatic terms the role of state regulation is criticised as being bureaucratic or ineffective. It is assumed that such regulation can only contribute to the undermining of the interests of both capitalists and workers. For example: “When, as in Argentine during the 1940’s or Venezuela during the 2000s, a naively populist or socialist policy has taken hold – introducing well intentioned but always perverse policies such as subsidizing unprofitable industries or attacking markets and property and therefore attacking trade tested betterment – income has grown more slowly than it could have; or, as in Cuba income has declined.”(p144) These statistics are controversial and ignore the fact that in some instances genuine revolutions have occurred which have immensely enhanced the morale and empowerment of the people. However, in a contradictory manner, McCloskey in the name of free market capitalism is in favour of the measure of land reform, and the connected ability of the peasantry to be able to establish control over the land they utilise. But why is land reform supportable, and yet measures that uphold the interests of the working class are not? The only answer to this question is that land reform means an extension of private property, but actions that favour workers implies an undermining of capitalism. In other words, McCloskey is suggesting that only with the liberation of private property from the restraints of the state can the situation of the poor improve. But this claim is controversial in empirical terms, and it could be argued that only when the working class or peasants act on behalf of their own interests can they consistently ensure that their situation will genuinely become better. The point is that capitalism does not have a supposed benevolent logic that implies that its development and flourishing will result in enhanced social progress for the workers and peasants. Instead only militant action by the exploited and oppressed can consistently ensure that the people who are poor are able to become more affluent.

But to be fair to McCloskey her approach is not primarily dependant on the role of the dynamics of economics but is instead about how the role of economic dynamism is accompanied by an ideological revolution which connects the influence of ethics to the activity of the entrepreneur. For example, the work of Adam Smith, the major creator of modern political economy, is primarily concerned to connect the role of capitalism to that of morality. He outlined a concept of ethics that was connected to economic activity in which prudence was a virtue and self-interest was not selfishness, and he also outlined the rights of workers in terms of the possibility to change jobs in order to improve their situation. This meant that the task of capital accumulation was not merely about economic motives, but was instead a process that was inherently influenced by moral imperatives. But the result of this situation was the unintended progress of prosperity: “Smith is not recommending selfishness merely the literal minding of one’s own business. He concludes that the private person “is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention.”, namely the nation’s modest prosperity – and though it was no part of Smith’s intention, accidentally promoting something entirely new, the Great Enrichment.”(p203) But did reality correspond with the standpoint of Smith? Could private interest be reconciled with the overall good of society at the level of economics and morality? It could be argued that Marx provided a more accurate understanding of economic activity, in that the imperatives of capital accumulation motivated the capitalist to pay the lowest level of wages. In this context, the role of morality was provided by the class struggle, which expressed the motivation to ensure that a sense of wage payment according to the principles of fairness was being realised. But, McCloskey instead dogmatically assumes that there was something inherent within capitalism which ensured that Smith’s reconciliation of economic and moral principles was being expressed. This was because this was the first economic system in which people could realise improvement because of individual advancement or social mobility. The humble agricultural worker could become an entrepreneur or inventor. Thus, the very dynamism of capitalism was receptive to people who utilised their talents to become rich, and less skilled workers could become more skilled and prosperous. In this manner the aim of private gain was connected to what was in the interests of the whole of society. There was no longer any rigid social codes that would restrict the possibility for social advancement, and instead people could utilise their creativity and ingenuity in order to improve the material conditions for themselves and their families. Implicitly, Smith was establishing one of the major objections to the aims of socialism because the principle of self-interest had no comparable justification within a socialist society, which was instead about the subsuming of the role of the individual within the collective. However, it could be argued that the importance of self-interest can be realised most consistently within a socialist society, in which the aims of the individual are related most consistently with the significance of the collective. Social mobility would still be an aspect of socialism. But, McCloskey is suggesting that capitalism is unique in its ability to connect the interests of the individual with the role of the economy and society. But her argument is not in terms of the actual imperatives of the capitalist economy, but instead because the ideology of Smith became translated into economic behaviour. But this view is likely to be undermined, because it could also be suggested that capitalism in the post-war period was influenced by the ideas of Keynes, and then by neo-liberalism, or the ideology of Hayek. In this context, the role of self-interest has become modified to mean selfishness, and the aim of profit should not be undermined by any ethical criteria. Thus, the ideology of capitalism has not been constant throughout its history, and instead has been modified by changing circumstances and the overall interests of capital. Furthermore, the rigid and narrow interpretation of the ideology of capital in the present period could be said to have also undermined the possibility of social mobility. This means that it has become more difficult to be able to achieve individual advancement. Economic power is concentrated within a few companies and financial institutions, and the government is based on defending this situation. Therefore, the standpoint of Adam Smith becomes a promise rather than an expression of the ideology and morality of capitalism. Indeed, it could be argued that in some senses it would be progressive to be able to implement the principles of Smith within capitalism.

But instead of allowing for this situation of ideological changeability under different economic and political conditions, McCloskey instead dogmatically claims that: “Above all Smith’s ideas at length made popular an ideology of the Bourgeois Deal.”(p206) But, surely Smith’s ideas were an expression of his time, the belief in the dynamism of an infant capitalism which could generate benefits for society in general? In contrast, the ideology of contemporary capitalism is more limited, defensive and less optimistic. It is about the maintenance and continuation of a system that is increasingly shown to be limited in relation to the immense ecological and social tasks that confront humanity. The belief that human nature, as Smith argued is compatible with private enterprise, is being increasingly questioned. However, despite the obvious limitations of capitalism, it continues because of the lack of popular support for a socialist alternative. It is the disbelief in an historical alternative which maintains an economically flawed and ideologically exhausted capitalism. There is non-one like a Smith, or Hayek, who is able to convincingly establish the apparent merits of a system of private enterprise. But McCloskey considers that Smith’s views are somehow of permanent value and have never been improved upon. They represent a perfect expression of the relation of theory to practice. However, Marx outlined the illusions of Smith in a benevolent capitalism, and since then the supporters of capitalism have been on the defensive. Only the limitations of Stalinism have provided the effective justification of capitalism.

McCloskey also contrasts the practical expression of the actual development of capitalism with the unrealistic utopia of socialism. The point being made is that what is proved to be functioning and effective must be superior to what is untested and is essentially an expression of theoretical ideas. But what this view does not acknowledge is that it is the very limitations and problems with capitalism which has continually generated support for the aspiration of socialism. Marx outlined his understanding of the exploitative character of capitalism, and so in this manner provided reasons why it was necessary to supersede the existing system. However, the problem was that he was reticent to elaborate what he meant by socialism, and so his approach was basically anti-capitalist and did not provide an elaborated and convincing version of socialism. Only the actual actions of the workers in Paris in 1871 enabled him to provide a conception of the Commune state, which at least in political terms would provide an understanding of what was meant by socialism. Furthermore, it was the terrible results of the first world war that would generate the perspective that the choice was between socialism and barbarism. In other words, it was the very contradictions and limitations of capitalism that provides the impetus for the creation of mass support for a socialist alternative. But, the difficulties involved in trying to realise socialism in the USSR did raise serious questions about the validity of socialism. Primarily, the dogmatic approach towards the role of the market, and the contrasting emphasis on the importance of planning, indicated that the conception of socialism being upheld was influenced by the idealist limitations of utopianism. Instead it was necessary to develop an approach that was related to the social conditions of the USSR. In this sense, socialism could have been genuinely democratic, realistic and not based on the limitations of social upheaval. Thus, it was possible to develop a conception of socialism that was not unrealistic, but in order for this prospect to occur it would require the acceptance that the role of the market was an enduring aspect of economic activity. In this manner, the importance of generating prosperity for the population would be combined with the advance of socialised forms of production. Hence, socialism in its apparent Stalinist form was discredited, and capitalism seemed to be genuinely superior when it entered its Keynesian period. Ironically, the recent capitalist crisis has indicated that socialism is not an abstract idea but instead is the expression of the resolution of the contradictions of the existing system. However, the validity of the conception of socialism has not been able to overcome the legacy of Stalinism, and the apparent reduction of its standpoint to bureaucratic limitations. Nevertheless, it has to be said that the very contradictions of capitalism have not been able to overcome the continual generation of the alternative of socialism. What will make socialism genuinely topical will be the development of working class struggle for an alternative to capitalism. This prospect presently seems to be remote, but the protracted character of the present capitalist crisis could create the basis for the emergence of a mass movement of opposition to the present system.

But can it be suggested that socialism is inherently limited because of its apparent theoretical flaws? Is it an unrealistic approach that cannot be put into practice? The answer to this question is not conclusive. Despite this problem we would suggest that if sufficient people are motivated to try and introduce socialism then the capacity for human creativity and adaptability will mean that the prospects to create a different system will become more credible. What is crucial is whether it will be feasible to reconcile the role of planning with the generation of workers control of production. Will it be possible to establish democratic involvement without the creation of the problem of bureaucracy? Furthermore, will this system be able to efficiently produce the required consumer goods in order to meet the needs of society? These are immense challenges, but in this age of sophisticated information systems it should be able to relate popular participation with the aim of providing the needs of society. However, none of this will be possible if society is dominated by a single party or elite society. Therefore, it is essential that the political aspect of the system is genuinely democratic. Indeed, in societies that have been used to the application of democracy, any authoritarian alternative will not be tolerable. But in the last analysis, it is necessary to accept that socialism is an untested utopia when compared to capitalism. It will require an immense transformation of class consciousness in order to crate the political conditions for its application.

McCloskey claims that capitalism and its development was connected to an ideological and cultural revolution: “What changed 1600-1848, and dramatically, as we can learn from the techniques of a humanistic science, was the high and low cultural attitude towards trade, numbers, betterment and the bourgeoisie. Economic versions of the virtues, such as a rhetoric of prudent calculation of costs and benefits or a hopeful attitude towards industrial novelties or a just acceptance of ethically acquired profits, first in Holland, and then in England, and a little earlier in England’s remote American colonies, and then later in England’s impoverished neighbour, Scotland, came to be fully respectable, honourable, admired, permitted and encouraged – not obstructed and disdained.”(p277) This point would seem to have validity. Thus, it is not possible to reduce what occurred to a narrow process of economic change, but instead this development was accompanied by a transformation of values and moral aspirations. The process of transformation was both popular and democratic, to the extent that it empowered many ordinary people to consider that it was not natural or automatic that they should remain poor and instead they could realise increasing affluence and prosperity in terms of creating ideas for economic innovation and progress. In this manner what was being generated was an increase in social expectations about what was possible. Indeed, it could be argued that what was occurring was a genuine expression of cultural revolution that represent ideological upheaval and the development of democratic values, which were to be expressed in terms of political reform. No longer was it possible for the aristocracy and old order to retain their sense of credibility. Instead economic change was being accompanied by a process of political and cultural transformation.

But, at some point the industries established by the new entrepreneurs would have to be based on factory labour. In this context there could only be the creation of new forms of class divisions and tensions. The result was the rise of new social movements like the Chartists, who raised demands for the continuation of the democratic revolution that had been started by the emerging bourgeoisie. Thus, it had to be established that the democratic and cultural revolution of the bourgeoisie could only be continued by the role of the new working class. This meant there had to be a limit to the extent of the democratic revolution under the bourgeoisie because its aim became to maintain what had been created, and this meant opposing the aspirations of the workers and other social forces like women. Thus, the logic of the bourgeois-democratic revolution was that it acquired a socialist impetus. Only in America, in contrast to Europe, was it possible to maintain the genuinely popular character of the bourgeois revolution. In contrast, McCloskey ignores this history of the class struggle since the mid 1840’s and instead implies that this bourgeois-democratic revolution has continued to the present. It has been the basis for important political changes in countries like China and India, and elsewhere. In contrast the supporters of socialism have become discredited and unpopular. Hence what is being argued is that it is the role of the ordinary people which has sustained and maintained the bourgeois- democratic revolution. To some extent this perspective is true in countries which have been based on authoritarian dictatorship. But, it is also necessary to argue that often this democratic revolution has been carried on against the interests and actions of the capitalists who become associated with the old order. One of the most important political contradictions is that the workers and peasants have attempted to carry out bourgeois democratic revolution against the very objections and opposition of the capitalists. So, McCloskey is not necessarily wrong to relate the development of capitalism to the rise of democracy and a connected cultural revolution, but she is being one-sided when trying to identify its major social agency as the bourgeoisie. Even in 19th century Britain the major social basis for the progress of democracy was associated with the people, and only secondarily with the capitalists. Furthermore, the Chartists became the major expression of the interests of the extension of democracy, in terms of the universal suffrage. Thus, McCloskey ignores the fact that the creation of democratic revolution became intimately connected with the aim of socialism. However, it is not being one-sided to suggest that compared with feudalism the emerging new economic system created a sense of growing expectations, enabled social mobility to occur, and led to a process of cultural transformation that was expressed in literature, economic and political theory and music.

But she also contends that the popular character of capitalism was because the view of Marx that it was based on the exploitation of labour was false: “The economist Peter Boettke observes in this connection that what registered the items that people thought useful was trade determined prices, though of course only for the profane, not for sacred items such as art or family or science. The trade test in which prices are negotiated, is the essential other half of the revolution of profane betterment. “Useful” is not given by the essence of a coat or a sark, or by the work of the weavers. The labour theory of value, or any other essentialism in attributing profane value, is mistaken. Usefulness in ordinary goods and service is to be measured, as economists got clear in the 1870’s (too late for Marx), only from the money value that people are wiling to put on the coats or sarks in exchange for other goods ….There is no profane value beyond use value.”(p285) Thus McCloskey can uphold the conception of the democratic and popular character of the bourgeois revolution because she denies the standpoint that suggests labour is exploited in the process of production because it creates surplus value that is expropriated by the capitalist. But even if this view was true, it would still ignore the uncomfortable fact that there is a tendency for the capitalists to pay workers low wages for the act of production. Hence, there is exploitation within the process of production that seems to be indispensable to the character of capitalist economic activity. Furthermore, it would seem to be nonsensical to characterise this activity as being without a relationship to value. It would seem to be one-sided to define value as being merely about an act of exchange and consumption. Instead the potential value being created by labour within the process of production is realised in the act of exchange. It is true that exchange is necessary in order to express the role of value, but only with production is this possibility being created. However, McCloskey has to deny these obvious truths because she has to maintain the mythology of a genuinely democratic and participatory capitalism which is of benefit to all of the population. With this aim the conception that value is being created within production must be denied because this implies the role of exploitation. Instead capitalism is considered merely a system that creates use values for the population. This means that the process of exchange is considered without its necessary relation to production. Capitalism is reduced to being about consumption, and so is defined as a beneficial system for the people. Yet in a contradictory manner, it is also admitted that advances in the methods of production resulted in the possibility of providing increasingly sophisticated consumer goods for the people. (p286) But this formal recognition of the role of production would imply that it is important to study the dynamics of the character of the process of work. Yet this necessary analysis is not carried out. Instead we have an ad hoc and eclectic theory that has important inconsistencies. The point is that McCloskey does not want to elaborate a systematic study of the relations of production within capitalism and instead is concerned to merely indicate its economic benefits and advantages in terms of increased prosperity. This point is not entirely untrue, but capitalism is also about the importance of the relations between the capitalist and workers. This means that it is a system of contradictions and tensions which McCloskey does not want to elaborate about. Instead she wants to emphasise that societies like Holland which became capitalist were also tolerant about political beliefs and religious views. These democratic advances cannot be denied, but this does not transcend the importance of the limitations generated by the relations between capital and labour. But it is these very contradictions that McCloskey seems to want to deny.

But McCloskey is right to contend that the process of popular upheaval that occurred in the 17th and 18th centuries prepared the basis for the economic transformation of society. It was necessary to have revolutionary change in order to overcome the domination of the aristocracy and monarchy. In this manner it could be suggested that such a process of popular mass upheaval was bound to result in a more egalitarian economic system, in which even the poorest sections of society have the opportunity for social mobility and enrichment. These developments were also accompanied by the process of transformation within religious ideology which increasingly came to be suited to the aims of economic change, Thus: “Evidently, the sense of responsibility in eighteenth century Europe and its offshoot in North American came from somewhere other than the pervasiveness of trade by itself – perhaps, I am suggesting, from the melding of autonomous Christians with autonomous traders. It protected a new sense of what was all right to be a person dealing in voluntary exchange, entailing an acceptance of the outcomes of such exchange as just – and therefore of a piece with responsible accountability.”(p376) The point being made is that the ideological transformation of religion ended the uncritical acceptance of the domination of traditional authority, and instead suggested that a different type of economic practice was acceptable. This process was advanced by William Tyndale’s translation of the Bible into English, which meant that people could develop their own views about its contents. This type of development could only promote the possibility of economic transformation that was aligned to the creation of a genuinely democratic form of religion and increasingly popular forms of political practices. In these circumstances the potential for revolutionary change became likely. McCloskey outlines this process in the following terms: “What did “rise” as a result was not trade itself but trade tested betterment. The idea of equality of liberty and dignity for all humans caused, and then protected, a startling material and then spiritual progress. What was crucial in Europe and its offshoots was the new economic liberty and social dignity for the swelling bourgeois segment of commoners, encouraged after 1700 in England and especially after 1800 on a wider scale to perform massive betterments, the new way of doing things tested by increasingly free trade.”(p403)

This point seems important in that it is inconceivable to understand the process of change unless the economic developments are connected to a process of political and ideological transformation which means that it was possible for capitalism to occur in these terms. But McCloskey is also aware that this understanding is undermined by the development of the class struggle, which results in the possibility that the militancy of the workers would undermine the potential dynamism and possibilities of capitalism. (p404) But the point is that such a situation was unavoidable and was not caused by a socialist inclined intelligentsia. What McCloskey is reluctant to admit is that the major limitation of capitalism, its tendency to create low wages and alienation because of exploitation, is likely to also generate class struggle. The result of this situation is that trade unions are developed in order to uphold the interests of the workers against those of the employers. Such developments undermine the assumption of McCloskey that it would be more logical to allow capitalism to develop without any protest and opposition. In this manner it will promote the possibility that capitalists can distribute the benefits of the system without the problem of opposition and dissent. The problem with the approach of McCloskey is that whilst it can explain the process of economic and political development of capitalism in cogent and convincing terms, it cannot explain the system in its maturity. Once the phenomena of class struggle emerges as an expression of capitalism, instead of providing an explanation of such a situation, McCloskey attempts to dismiss its importance in terms of being the expression of the unfortunate influence of socialism. What cannot be understood in a perceptive manner is the development of the ideas of socialism within the capitalist system. Instead McCloskey considers socialism to be an unfortunate ideological deviation within capitalism. It is not possible to contemplate that socialism is a logical response to the very limitations of a capitalist system.

Ultimately the approach of McCloskey is based on the defensive view that socialism is an authoritarian alternative to capitalism: “In the present case the claim is that an antibourgeois rhetoric, especially if combined with the logic of vested interests, has on many occasions damaged societies. Rhetoric against bourgeois liberty, especially when backed by governmental violence, prevented betterment in Silver Age Rome and Tokugawa Japan. It stopped growth in twentieth century Argentina and Mao’s China…..Such words with swords could have stopped cold the modern world beginning in Holland and England. In the twentieth century the bad rhetoric of nationalism and socialism did in fact stop its later development, locally, as in Italy 1922-43 or Russia 1917-1989.”(p417-418). The point is that the example of Ancient Rome is bizarre because it occurred before capitalism was possible, and instead the only possibility of liberation was in the rising of the slaves, as with Spartacus. The other examples represent societies that either fascist, and so defended capitalism in the most reactionary manner, or of Stalinism which was a distortion of the principles and practices of socialism. The point is that it is dogmatic to equate state intervention with the dynamics of authoritarianism. Such a conception would deny the democratic character of the welfare state! It is also necessary to recognise that Stalinists like Mao always upheld a conception of socialism that was very bureaucratic and based on the domination of the single party. The same point can be said about Stalin. In contrast, it is possible to establish that genuine socialism is compatible with a functioning system of political democracy and is also connected to the importance of the liberation of the producers from the domination of the capitalists. In contrast, McCloskey assumes that only capitalism can result in economic efficiency and the possibility of the realisation of democracy. There is no acceptance that the conditions for the realisation of socialism were unfavourable in the USSR and China, and that these adverse circumstances were connected to the importance of the ideology of the single party state. However, it has to be accepted that the apparent merit of capitalism is that it is the economic system which has been able to co-exist with functioning political democracy. In this context it would be a process of regression if a society that was attempting to establish socialism also promoted the effective demise of the significance of democracy. Instead it is necessary that defenders of socialism also outline how this economic system can be made compatible with the role of multi-party democracy. Until this elaboration is carried out in a convincing manner the criticisms of McCloskey will remain unanswered.

The standpoint of McCloskey is also based on the view that capitalism is effectively the logical economic system of humanity, and has emerged in many different historical conditions, but it has often been supressed by the role of traditional elites. Thus, capitalism is both the system of the economic improvement of the people and is an expression of what people would prefer if they were given a free choice. In contrast, socialism is based on the views of intellectuals and therefore is an expression of elitism rather than the will of the majority of the people. This point could be said to be vindicated given that capitalism has not been opposed in the recent period since the demise of Stalinism. However, whilst capitalism can be shown to be an expression of the economic practices of people that has a long historical development, and is connected to the trade of people in ancient times, it could also be said that examples of cooperation and solidarity among exploited and oppressed people is an aspect of the history of humanity. This means that both capitalism and socialism are part of the overall history of many civilisations. Capitalism has been successful not because it has necessarily had democratic and popular support, but also because it expresses the interests of a dominant economic class. This class has acted tenaciously in order to maintain the system, and to obtain popular support for a system that ultimately mainly benefits the privileged few. This point is not recognised by McCloskey who instead is content to suggest that capitalism is more popular than what has proved to be a repressive and authoritarian type of socialism. This conclusion is one-sided and rigid. Nor can it be suggested that history has ended with capitalism, which is the assumption of McCloskey. The point is that capitalism can never end the disparities of wealth, or poverty, and people are only satisfied because of the availability of consumer goods, and the possibility of affluence. There is a continual impetus for the generation of a mass movement against the system. For example, the election of Jeremy Corbyn as leader of the Labour Party creates enthusiasm for the possibility of change, even if that is not defined in terms of the aim of socialism. This development is ultimately caused by the situation of crisis and the policy of austerity that is utilised in order to manage this situation. The point is that the defenders of capitalism are not inspired or imaginative, which is the task of genuine advocates of the system like McCloskey. Instead the major reason to uphold the continuation of capitalism is about the dread of the uncertainties of change instead of being about a positive adherence to the system because it is considered to be genuinely emancipatory. Indeed, McCloskey outline her own fear of the subversive potentialities of democracy when she comments: “Majority voting as much as it is to be encouraged, is not the same thing as dignity and liberty for the betterers who make us rich and free, unless the parallel democracy of the marketplace is to be encouraged.”(p478) In other words, even the most ardent defenders of capitalism have the secret recognition that at some point it is possible that people will utilise the possibilities of democracy in order to vote for alternatives to the economic system. This is why bourgeois ideology is so important for convincing people that the present system is superior to any other. The ultimate problem is that it is always a minority of people who benefit in terms of the ability to be creative that are a minority of society. There always has to be many people who do unfulfilling jobs in order to allow the creative minority to benefit in this unequal situation. It is a sense of hopelessness rather than genuine and enthusiastic support for the system that enables capitalism to continue in this situation. The tasks of the supporters of socialism is to encourage a sense of purpose by opposing the system, and then capitalism will always enter into political crisis. The point is that the very nature of capitalism does not allow everyone to benefit from its dynamism. Instead there are those that gain from the system and those who do not make progress. But, in these circumstances it is also possible that discontent becomes reactionary in terms of support for populist policies of nationalism and opposition to sections of the most oppressed. Indeed, in the present period it has been the influence of populism and popular nationalism which has often maintained capitalism in the USA and UK. The age of the bourgeois enlightenment has been replaced by the era of bourgeois reaction.

The point being made is that there is no genuinely enthusiastic support for capitalism, but people primarily believe that there is no alternative. They also do not consider that they have the social power that will enable them to create a new society without the serious limitations of capitalism. This ideological situation means that Marxist parties are considered to be irrelevant and have very small levels of support. Nor is there consistent support for a perspective of reform of the system, which is also considered to be impractical. The popularity of Jeremy Corby personifies the level of discontent within society, but it still has to be established that this situation will be translated into a mass movement for change within society. This situation means that most people will try to ensure that their families are able to enhance their opportunities for self-improvement, and there is nothing wrong with this motivation. But what is still necessary is to connect the aspiration for self-interest with the collective aim of overcoming the system and replacing it with socialism. However, at present the economic system is able to continue because people do not associate the concept of progress with establishing a genuine alternative. But the actual ardent defenders of capitalism are very few. Instead what enables the present system to continue is the dread of an unknown future, and so in this sense people are ideologically reassured by the ability of capitalism to provide a limited if reasonable standard of living. There is also a sense of deference towards those that uphold the system, such as the Conservatives in the UK, or the Republicans in the USA. But it also has to be accepted that the general level of intolerance of the left-wing groups towards each other does not provide a re-assuring indication that socialism would be based on the spirit of tolerance and compromise. Unless the forces of the Marxist left agree to work to form a united party, the very fragmentation of the potential united Marxist party continues to undermine the possibility to develop mass struggle for socialism.

McCloskey does not accept any of the ideas of the anti-capitalist left. She contends: “Consider “wage slavery one of the left’s economic dogmas…..A choice to work for a wage at a terrible job – rather than say, starve – is nothing like slavery. A slave does not get paid what other people are willing to pay for her labours. A washer woman does. A shoe factory worker also gets paid what others are willing to pay, indirectly, because the owner of the factory who buys his labour then sells the shoes to consumers. Under slavery, by contrast, the slave’s owner gets all of the pay, all of the time.”(p569) But the Marxist understanding of exploitation is not based on a direct comparison between slavery and wage labour. Instead it recognises the differences and appreciates that wage labour is progressive when compared to slavery. Nevertheless, the process of capitalist production could not occur unless labour power is not paid the full value of labour. The profit of the capitalist is made at the expense of the ability of labour to generate value. This contradiction is the objective basis for class struggle. It is possible for the capitalist to pay high wages, but this is only possible if he/she is also prepared to accept the prospect of lower profits. Therefore, under these circumstances it is not surprising that trade unions develop in order to obtain the highest level of reward for labour. In contrast, McCloskey cannot explain this development because she complacently considers that the forces of labour will generally be content to accept the level of wages offered by the capitalist. The assumption being made is that this is how the workers become affluent after an initial period of low wages. But there is no automatic mechanism that ensures that high wages are paid because of a supposed generosity of the employer. Instead it often requires high levels of trade union organisation in order that the employer pays higher wages in order to avoid the problem of strikes. Thus, it is the dynamics of the class struggle, which is connected to the process of the exploitation of labour by capital, which generally explains the possibility of high wages.

In contrast, McCloskey insists that there is an inherent dynamic to capitalism, which can be defined as the Great Betterment, which explains the increasing prosperity of the working class. She comments: “But suppose the Bourgeois Deal is sound. Then the falsity in consciousness is attributable not to the misled proletarians lacking sociological imagination but rather to the leftish sociologists themselves, lacking economic imagination. The politics is reversed. Workers of the world unite: demand trade tested progress under a regime of private property and profit making. Still better, become bourgeois as large groups of workers in rich countries believe themselves to have become, approaching 100% in the United States, measured by self-identification as “middle class”. It would then seem at least odd to call “false” a consciousness that has raised the income of poor workers by a factor of 30 or 100, as from 1800 to the present. That is why it is scientifically crucial to grasp the size of the Great Enrichment and why I keep on repeating it.”(p576) But this exaggerated impression of the extent of affluence in the major capitalist countries cannot have been possible without the role of the class struggle. To repeat there is no inherent process or dynamic that enables the profits of the capitalists to be partially distributed to the workers. Instead the importance of the militancy of sections of the workers has been crucial in enabling wage increases to be made. Only in this context can the capitalists also benefit from the higher levels of consumption of the working class. In contrast, McCloskey contends that economic growth is primarily responsible for higher wages. The very dynamism of capitalism is what enables the system to be able to afford high wages: “The productivity of the economy in 1900 was low, and in 1800 was lower. The only way that the bulk of the people and the poorest among them, were going to be made seriously better off was by making the economy more productive….And so according to the economist’s argument, even the poorest workers could be expected to share in the rising productivity – by those factors or 10 or 30 or 100. And they did.”(p583) Thus the fact that the workers benefitted from the process of the Great Enrichment meant that the major impetus for the promotion of the ideas of socialism were the expression of a privileged but discontented intelligentsia. In this manner, the intellectuals were apparently able to fool the workers into becoming supporters of socialism, even though their material interests were in maintaining capitalism. This assumption is a distortion of history. Workers became supporters of the ideology of socialism because they convinced themselves that the capitalist system was based on an unacceptable expression of exploitation of labour. This was the objective impetus that led to the class struggle and the mass popularity of socialism. This point was also expressed in the increasing influence of the trade unions.

But instead of this recognition of the initial democratic and popular character of the increasing influence of the intervention of the working class in politics, McCloskey instead outlines the conception of an intellectual conspiracy: “After 1848 the Bourgeois Deal and its ethical supports came under attack…The Bolshevik deal, that is centrally planning socialism and state ownership of property, was first imagined in the 1830’s and 1840’s and then implemented heavily after 1917 and especially after 1945. The notion of Saint-Simon, Fourier, Marx, Engels, Bernstein, Kautsky, Shaw, the Webbs, Lenin, Trotsky, Stalin, Gramsci, Lukacs, Mao and the rest was that the “nature of man under socialism” would change, according to the utopian vision of the French enlightenment, guided by us the party…The notion was contrary to the idea of the Scottish Enlightenment that human nature is stable and that humans are equally if imperfectly rational and should be allowed as free and dignified adults to make their own decisions.”(p600-601) But if socialism was as inherently elitist, as outlined, why then did it become a popular ideology? The reason is that the standpoint of socialism actually articulated the dissatisfaction of the working class with capitalism and present a perspective of a credible emancipatory alternative. The aspect of elitism was either an expression of reformism, as with the elite approach of the Fabians, or became an expression of the Bolshevik’s empirical justification of the one party state. These developments were actually the betrayal of the popular and emancipatory promise of the initial socialist standpoint as outlined by Marx and Engels. McCloskey blames the basis for the distortions of socialism onto the apparently unrealistic character of the attempt to create an entire economy under the domination of state intervention. But this development was actually the expression of the formation of a single party state and the emergence of an omnipotent bureaucracy. Genuine socialism was about the creation of a democratic Commune state and the role of workers control of production. This promise was undermined and distorted because the attempt to create socialism in the USSR occurred in unfavourable conditions combined with the increasingly arrogant and irrational politics of Stalin. The problem was that Stalinism became the major form of Marxism, which meant that Marxism was distorted and transformed into the ideology of a counterrevolutionary bureaucracy. In these circumstances, and given the boom of the post-war years, it was possible to portray capitalism as being more emancipatory, rational and benevolent than Stalinism. Indeed, it could be argued that the limitations of Stalinism provided capitalism with its sense of superiority, which is indeed an aspect of the arguments of McCloskey.

However, her standpoint is also dogmatic in that she is also against any significant attempt to improve capitalism by the role of state intervention and the formation of the welfare state. She considers that the heritage of this approach is connected to the role of Bismarck and his social reforms of the Prussian state. McCloskey outlines some of the measures associated with the welfare state, but she does not analyse institutions like the National Health service and how they have contributed to the promotion of the interests of society. It is obvious that she considers that state intervention is effectively a means to deprive the capitalists of the fruits of their economic activity. Hence her approach is effectively a form of neoliberalism. This represents a rigid form of economic dogmatism and a denial of the ability of state intervention to contribute to the interests of society. What is also not mentioned is the popularity of institutions like the National Health Service in the UK. Only private enterprise is acceptable to McCloskey.

In conclusion McCloskey is not wrong to outline the impressive achievements of capitalism in terms of increased production, greater consumption and the overcoming of traditional elitism which undermined the possibility for social advancement. But none of this means that the objective basis for overcoming the importance of the class struggle is resolved. However, we know from historical events that class struggle will not in and of itself bring about socialism. Instead it is necessary that sufficient people become convinced of this alternative. What McCloskey ignores is the effects of the recent recession which has led to a generalised regime of austerity and poverty, which has challenged all the assumptions of the so-called Great Betterment. This situation indicates that capitalism is not always able to improve the standard of living of the majority of the people. In this situation the ideas of socialism should be gaining in popularity, but the problem is that the influence of Marxism is very small and the various Marxist parties are often limited by sectarianism. Therefore, there is no objective or historical dynamic which would suggest that socialism is an inevitability. Instead it is necessary to carry out the complex task of trying to obtain mass support for the ideas of socialism. Consequently, the prospects for socialism depend on the balance of class forces rather than being the expression of some form of historical process. Contingency and the role of specific circumstances are important if the possibility of socialism is to be realised. What we do know is that the character of capitalism means that exploitation and alienation cannot be overcome. These aspects continue to generate dissatisfaction with the system. McCloskey ignores these aspects in order to suggest that capitalism is the most superior form of economic and political society within history. But she also maintains that capitalism is based on a democratic culture that provides the system with credibility and legitimacy. This is an important point: it is the dynamism of culture and the arts which implies that capitalism is a very progressive system and is based on the importance of the involvement of the people. This point could also be made about the role of political democracy, which means that the process of government is based on the importance of consent. In these political and cultural terms the limitations of the role of the economic can be obscured if not overcome. People with talent can become famous and praised for their abilities. Thus, the role of a democratic culture provides capitalism with what seems to be historical justification. In contrast, the apparent examples of socialism seem to imply that they were based on an inferior level of culture as well as a lower standard living, and arbitrary repression. Thus if socialism is to be realised it should be a genuine cultural revolution that occurs alongside the creation of a new economic and political order. Only the effective involvement of the people in this process will mean that the possibility for socialism has been genuinely realised.

Despite the criticisms we have made of McCloskey’s work we can recognise that it represents an important defence of the apparent superiority of capitalism in economic, and cultural terms. Thus, it is necessary to provide serious arguments in favour of socialism if this historical alternative is to be justified. Ultimately these questions can only be resolved in terms of the results of class struggle.