

**II: ALTERNATIVES**

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## THINKING ABOUT ALTERNATIVES TO CAPITALISM

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In this chapter we will explore the logic of two broad strategies for constructing the foundations of a theory of emancipatory social alternatives. The first was initially elaborated by Karl Marx, in what is historically by far the most important approach to the problem. Even though Marxist perspectives on social change are now out of favor with critics of capitalism, the Marxist tradition still stands as the most ambitious attempt to construct a scientific theory of alternatives to capitalism, and it is important to understand the logic and the limitations of its approach. We will begin by briefly sketching its central elements, before turning to a discussion of certain ways in which Marx's strategy is unsatisfactory. The chapter concludes by explaining the central logic of an alternative, which will then be elaborated upon further in chapter 5.

### MARX'S THEORY OF ALTERNATIVES TO CAPITALISM: THE THEORY OF HISTORICAL TRAJECTORY

Marx had an intellectually brilliant, if ultimately unsatisfactory, solution to the problem of specifying an alternative to capitalism in a credible way. Rather than develop a systematic theoretical model to demonstrate the possibility of a viable emancipatory alternative, he proposed a theory of the long-term *impossibility of capitalism*. His arguments are familiar: because of its inner dynamics and contradictions, capitalism has a tendency to destroy its own conditions of possibility. This is a deterministic theory: in the long run capitalism will become an impossible social order, so *some* alternative will of necessity have to occur. The trick is then to make a credible case that a democratic egalitarian organization of economy and society is a plausible form of such an alternative.

Here is where Marx's theory becomes especially elegant, for the contradictions which propel capitalism along its trajectory of self-erosion also create an historical agent—the working class—which has both an interest in creating a democratic egalitarian society and an increasing capacity to translate that interest into action. Given all of these elements, Marx's actual theory of socialism itself involves a kind of pragmatist faith in the principle "where there is a will there is a way," grounded in a spirit of experimental problem-solving by creative solidaristic workers.

Let us look at these arguments more closely. They can be distilled into five core theses.

**Thesis 1. *The long-term non-sustainability of capitalism thesis***  
*In the long run capitalism is an unsustainable economic system. Its internal dynamics ("laws of motion") systematically undermine the conditions of its own reproducibility, thus making capitalism progressively more and more fragile and, eventually, unsustainable.*

This is a proposition about the long-term trajectory of capitalist development. It is a prediction about the future, indeed a very strong prediction: the trajectory of capitalist development will culminate in the demise of capitalism itself. Capitalism is an historically specific form of economic organization that came into being as a result of the internal dynamics of the previous form of economy and that will eventually cease to exist. Capitalism is an integrated system, not just an assemblage of parts, and it thus contains coherent mechanisms for its own reproduction. But it is a specific kind of system—a system containing dynamic contradictions which, over time, undermine these mechanisms of reproduction, eventually making the system unsustainable. The claim here is not simply that capitalism, as a human construction, *can* be transformed into something else through deliberate human initiative. Rather, the claim is that capitalism *will* be transformed into something else because of its inherent contradictions. This proposition does not itself imply that capitalism will be replaced by something better from the point of view of human welfare, just that its self-destructive dynamics ensure that it will be a historically time-limited form of economy.

This prediction is based on four principal empirical trends Marx observed in the nineteenth century, combined with a theoretical argument about the underlying mechanisms which generate these trends. The empirical trends are these: First, in the

course of capitalist development the level of productivity increases enormously, particularly due to gains from the increasing capital intensity of production. Second, capitalism expands relentlessly in a double sense: more and more domains of production are commodified and organized by capitalist firms, and capitalist markets extend to ever-wider reaches of the world. Capitalism thus develops both intensively and extensively, deepening its penetration of society and extending its reach geographically. Third, capitalist development tends to increase the concentration and centralization of capital: over time capitalist firms become larger and larger, and the percentage of production in the market controlled by those large firms steadily increases. This means that not only does the world become ever increasingly organized through capitalist markets, but these markets become ever increasingly dominated by giant firms. Fourth, the economic crises that periodically disrupt capitalist markets and production tend to become more serious and prolonged as capitalism develops. This final observation is linked to the first three: as a broad generalization, the more developed the forces of production are, the more comprehensive the market in a capitalist economy will be; and the more that market is dominated by giant corporations, the more severe its economic crises will be when they occur.

These are the general empirical observations Marx made in the third quarter of the nineteenth century. In order to make a scientific projection of these trends into the future it was necessary to identify the underlying causal processes which were generating them. It was by doing so that Marx was able to make his strong predictions about the history of capitalism's future.<sup>1</sup> Much of his great work, *Capital*, is devoted to elaborating these underlying causal processes, which collectively constitute the "laws of motion" of capitalism. The crucial component of this analysis for our purposes is what Marx called the "law of the falling tendency of the rate of profit." This is meant to designate a set of interconnected causal processes which generate a systematic tendency for the aggregate rate of profit in a capitalist economy to decline over time. It is this element in Marx's overall theory that most

1 This is basically the same logic used today in computer forecasting for things like global warming: You begin with a series of observable historical trends up to the present and then propose models of causal processes thought to generate these trends which effectively replicate the observed trajectory. This, along with assumptions about the behavior of various parameters, enables a range of predictions about the trajectory into the future using computer simulations.

directly bears on the question of the progressive intensification of crises in capitalism over time and thus on the long-term instability of the system.

The theoretical elaboration of this law is quite complex, involving technical details of the labor theory of value among other things.<sup>2</sup> I will not attempt to provide a systematic exposition of the theoretical foundations of Marx's analysis here, but the gist of the argument for the falling rate of profit is this: There are two different kinds of processes at work in generating economic crises in capitalism. First, there are periodic rises and falls in the rate of profit which generate what we now call business cycles. There are many factors that contribute to these, but mostly they can be subsumed under the heading "the anarchy of the market," including, for example, the tendency of capitalist firms to produce more than the market can absorb ("overproduction"), or the tendency of capitalists to push the wages of their workers down in order to reduce costs, thus depressing demand in the market ("under-consumption"). These are processes closely related to the economic crisis mechanisms later identified by Keynes in the twentieth century.

Second, Marx postulated a long-term causal process which gradually reduces the average rate of profit in a capitalist economy across business cycles. This long-term mechanism, Marx argued, is linked to the rising capital intensity of capitalist production. The key idea is that aggregate profits in capitalism depend upon the production of an economic *surplus*—that is, producing more than is required to simply reproduce the inputs used up in production, both the labor inputs and the non-labor inputs (raw materials, means of production, etc.). The monetary value of this surplus is what we call "profits." The rate of profit, then, is the ratio between the value of this surplus product and the value of all of the inputs used in production. Why should this ratio decline over time? Marx's answer relies on the technical details of the labor theory of value. Roughly the argument is that the value of all products is determined by the amount of labor time embodied in their production (thus the *labor* theory of value). Since, according to the labor theory of value, only labor creates value, the value of the surplus—called "surplus value"—thus depends upon how

<sup>2</sup> There are many expositions of the law of the falling tendency of the rate of profit. For an explanation of the law that explicitly links this to an account of the long-term trajectory of capitalist crises, see Erik Olin Wright, *Class, Crisis and the State* (London: Verso, 1978), chapter 3.

much labor is performed in producing the surplus. As capital intensity increases, the amount of new labor used in production relative to the amount of means of production and raw materials declines. In a sense the surplus-value-generating-intensity of production declines even though overall productivity increases. Since with increasing capital intensity the ratio of surplus value to the value of all inputs will tend to decline, the monetary rate of profit—which is determined by this labor value ratio—will also decline. Because competition among firms forces each individual firm to innovate in the process of production, and since Marx believed these innovations would tend to raise the capital intensity of production over time, there is therefore a long-term tendency for the rate of profit to decline.<sup>3</sup>

This long-term decline in the aggregate rate of profit in a capitalist economy means that over time the episodic crises that occur from things like overproduction and under-consumption will become more and more serious; the troughs of depressions will be deeper, and the peaks of expansion lower. The declining long-term rate of profit, in effect, reduces the room for maneuver within the system: small cyclical declines will push more firms into bankruptcy and it will be harder to regenerate the conditions for profitable capital accumulation. At the limit, as the long-term rate of profit approaches zero, capitalism would become so unstable as to be unsustainable.

**Thesis 2.** *The intensification of anti-capitalist class struggle thesis*  
*The dynamics of capitalist development systematically tend (a) to increase the proportion of the population—the working class—whose interests are pervasively hurt by capitalism, and at the same time, (b) to increase the collective capacity of the working class to challenge capitalism. The result is an intensification of class struggle directed against capitalism.*

Thesis 1 is a proposition about the structural tendencies of capitalist development. Thesis 2 is a proposition about agency. It postulates that capitalism produces a collective actor with both an

<sup>3</sup> Marx and subsequent Marxist-inspired political economists also argue that there are various counter-tendencies to this process. Still, as indicated by the decision to call the falling rate of profit the "tendency" and these other things "counter-tendencies," Marx saw these countervailing factors as secondary and incapable, in the long term, of completely negating the principal tendency.

interest in challenging capitalism and the capacity to do so. To use a metaphor popular in the Marxist tradition, capitalism produces its own gravediggers.

The first part of this proposition concerns the creation of the working class, generally referred to as the process of *proletarianization*. Proletarianization involves two kinds of social change. First there is the process through which an increasing proportion of the population is brought into the capitalist employment relation and thus subjected to capitalist exploitation. This involves the large-scale destruction of various kinds of non-capitalist types of work, most notably, in Marx's time, small-holder self-employed agricultural workers and other kinds of "petty bourgeois" self-employed producers. More recently this aspect of proletarianization has centered on the entry of married women into the paid labor force. Second, there is the process through which the autonomy and skills of workers within capitalist employment are reduced through the process of work routinization and "deskilling." Taken together, these two processes of social change mean that over time the size of the working class increases as does the homogeneity of working conditions.

Proletarianization by itself, however, would not be enough to generate the intensification of anti-capitalist class struggle postulated in thesis 2, since the intensity of social conflict depends not only on the intensity of opposing interests but also, crucially, on the capacity of people to engage in collective actions in pursuit of those interests. Grievances are never sufficient to explain overt conflicts, since it is often the case that people lack the capacity to act on their grievances. The second part of thesis 2 suggests that the dynamics of capitalist development also tend to solve this problem. In particular, the growth of large work sites as a result of increasing capital intensity and the increasing scale of production means that the physical concentration of workers increases, which facilitates the communication and coordination needed for collective action. The increasing homogenization of working conditions also means that cleavages of interests based on skill differences among workers decline, and the destruction of the petty bourgeoisie and small firms means that the prospects for individual escape from the working class are reduced, thus increasing the sense of sharing a common fate. If these trends were to continue, the clarion call "workers of the world unite—you have nothing to lose but your chains and a world to win" would increasingly make sense to a growing number of people.

### *Thesis 3. The revolutionary transformation thesis*

*Since capitalism becomes increasingly precarious as an economic system (thesis 1), while the principal class arrayed against capitalism becomes increasingly large and capable of challenging it (thesis 2), eventually these oppositional social forces will become sufficiently strong, and capitalism itself sufficiently weak, that the institutions designed to protect capitalism will no longer be able to prevent it from being overthrown.*

In Marxist theory, capitalist society is more than just a capitalist economy. It also contains an array of institutions which, among other things, function to protect capitalism from various kinds of threats. In the classical idiom of Marxism these institutions are referred to as the "superstructure." Of particular importance in this regard are the state—which helps to reproduce capitalism through a variety of mechanisms, particularly the use of force to protect property rights and repress organized challenges to capitalism—and ideological and cultural institutions, which help to reproduce capitalism by shaping ideas, values, and beliefs.

Now, it could be the case that these institutions are potentially so robust and powerful that they would reproduce capitalism even when it became completely stagnant and moribund. There are two principal reasons why Marxists have felt that this is an unlikely outcome. First, it takes resources to run the state and the machinery of ideology effectively, and those resources come out of the social surplus. If capitalism is in more or less continual and deepening economic crisis because of the collapse of the rate of profit, it will become increasingly difficult to fund these "social overhead" costs. The fiscal crisis of the state is one symptom of this. Second, if capitalism ceases to "deliver the goods" and becomes mired in endless crisis—which is what thesis 1 argues is its fate in the long run—then it would become increasingly difficult to maintain the solid allegiance of the rank-and-file personnel of the state. One aspect of the intensification of class struggle (thesis 2) is the emergence of an anti-capitalist political leadership offering a vision of an alternative to capitalism—socialism—which becomes increasingly attractive to many people not firmly in the working class, including much of the personnel of the state, once capitalism ceases to provide a credible vision for the future. Once the capitalist economic base can no longer adequately fund the state, and the personnel in the state no longer consistently defend it, a successful

political assault on the state becomes possible.<sup>4</sup> And once this has occurred, then the rapid construction of a new economic structure becomes possible.

Marx was relatively vague about the actual process through which this destruction of the political superstructure of capitalism would occur. Typically Marxists have envisioned it as involving a violent revolution which “smashes” the capitalist state and forces a relatively abrupt rupture in the basic organizing principles of both the economy and the state. The assumption was that the resistance of the capitalist class to any fundamental transformation of capitalism would be sufficiently strong, and the cohesion of the capitalist state would remain sufficiently intact, that a peaceful, democratic transformation would simply not be possible. Any attempt along these lines would culminate in violent state repression—the capitalist class and the state would simply refuse to play by the rules—and thus in practice the only viable strategy for challenging the basic structure of capitalism would be a violent overthrow of the state. This, however, is not an essential part of the theory itself, but an historically contingent prediction. The fundamental argument is that once capitalism becomes a moribund economic system, the superstructural institutions of capitalism will no longer be able to effectively reproduce it in face of an intensified class struggle for its radical transformation.

One of the implications of thesis 3 is that the actual historical timing of the “end of capitalism” does not simply depend upon the laws of motion of capitalism which propel it towards self-destruction. It also depends upon the collective actions of class-based social forces, and the development of the collective power of these forces will be affected by a myriad of contingent historical factors. While the long-term stagnation and crisis of the capitalist economy creates the opportunity for its transformation, the transformation itself is still the result of collective struggles against capitalism and the state. In this sense the actual destiny of capitalism is not really “collapse” but “overthrow”: within the logic of the theory, the revolutionary challengers to capitalism

4 In the absence of a theory of the long-run stagnation of capitalism there would be little reason to believe that the capacity of the state to reproduce capitalism would necessarily decline. The existence of periodic cyclical crises, unless they have a tendency to become more severe over time, would not be sufficient to weaken the superstructure in a decisive way. This is why the theory of the falling tendency of the rate of profit is so important to Marx's theory of the future of capitalism.

are likely to succeed well before capitalism reaches the point of complete economic disintegration.

There is much debate in the history of Marxism over the question of whether or not Marx believed the overthrow of capitalism was “inevitable”. What he certainly believed was inevitable was, first, that capitalism would become a moribund, stagnant, crisis-ridden social order and that over time this would render it increasingly vulnerable to collective challenge, and second, that the potential for a collective agent to emerge that was capable of challenging capitalism would increase in the long run. This collective agent still needs a collective will and organization, and this requires leadership and revolutionary ideas. Still, Marx is saying something much stronger than simply that the demise of capitalism is a possibility sometime in the future; he predicts that eventually this will happen.

#### **Thesis 4. *The transition to socialism thesis***

*Given the ultimate non-sustainability of capitalism (thesis 1), and the interests and capacities of the social actors arrayed against capitalism (thesis 2), in the aftermath of the destruction of the capitalist state and capitalism through intensified class struggle (thesis 3), socialism, defined as a society in which the system of production is collectively owned and controlled through egalitarian democratic institutions, is capitalism's most likely successor since the collectively organized working class will be in the best position to ensure that its interests are embodied in the new post-capitalist institutions.*

Strictly speaking, theses 1–3 merely provide a basis for the prediction that capitalism will eventually come to an end, but they do not provide systematic grounds for predicting the properties of the alternative that will replace it. Nevertheless, Marx, and subsequent thinkers within the Marxist tradition, had an optimistic view of the prospects for post-capitalist society being organized in line with radically egalitarian and democratic principles.

There were three main reasons for this optimism. First, capitalism raises the level of productivity enormously, which means that in a post-capitalist society scarcity in a broad sense will have been largely overcome. This makes a more egalitarian distribution easier to sustain, but also liberates enormous amounts of time for people to take on the collective responsibility of democratically running the economy. Second, capitalist development generates

large mega-corporations which already constitute a kind of quasi-“social” property since they are actually run by representatives of the owners rather than the owners themselves. This makes the transition to a more fully democratic system of control easier than would have been the case in earlier forms of capitalism. Finally—and most crucially—in order to overthrow capitalism the working class has to become a coherent, powerful, and organized political force. This means that it is in the position to construct the kind of egalitarian and democratic institutions that best embody the interests of workers.

Of course, being in a politically powerful position and having an interest in the egalitarian and democratic organization of the economy does not prove that in practice it is actually possible to construct such institutions in a stable and sustainable way. Marx provided only the slightest of hints about what socialist institutions would look like: socialism would replace private ownership of the means of production by some collective form of ownership (although the precise meaning of this idea remained vague), and the market would be replaced by some form of comprehensive planning—although again almost nothing was said about the mechanics of such planning, how it would work, and why we should believe it was sustainable.<sup>5</sup> In a few places, most notably in his famous analysis of the Paris Commune, Marx provides empirical evidence that a vibrant form of democratic, egalitarian power has occurred for a limited time under special circumstances, but this hardly provides a strong case for the claim that such collective organization could sustainably build the institutions to organize a complex, modern economy in a democratic egalitarian manner. Basically, in the end, the theory relies on a combination of “where there is a will there is a way” and “necessity is the parent of invention”: workers would be empowered through their collective political organization, and the actual process of constructing these new institutions would proceed in a creative, trial-and-error, democratic experimentalist manner. In effect this means that Marx proposed a highly deterministic theory of the demise of capitalism and a relatively voluntaristic theory of the construction of its alternative.<sup>6</sup>

<sup>5</sup> For a good discussion of the limited elements of Marx’s vision of socialism, see Geoff Hodgson, *Economics and Utopia: Why the Learning Economy is Not the End of History* (London: Routledge: 1999), chapter 2.

<sup>6</sup> Marx’s determinism here does not imply a rejection of human agency.

### Thesis 5. *The communism destination thesis*

*The dynamics of socialist development gradually lead to a strengthening of community solidarity and a progressive erosion of material inequalities so that eventually classes and the state will “wither away,” resulting in the emergence of a communist society organized around the distributional principle “to each according to need, from each according to ability.”*

This final thesis can be considered a utopian affirmation of the normative ideal of radical egalitarianism. While it is plausible that community solidarity would increase and material inequality decline in a socialist economy (defined in the general manner of thesis 4), there really is no sustained argument for why in such a society the state would wither away to the point where social order would be ensured entirely through voluntary cooperation and reciprocity, with no coercive authority and no binding rules. The sociological idea underlying such a claim must be (more or less) that only class inequality generates robust forms of conflict and anti-social self-interest, so that once class inequality disappears there would no longer be any need for coercion to play a role in social reproduction. This does not seem a plausible claim, and certainly Marx does not provide any systematic defense of it. As a result, it seems best to regard the communism destination thesis as a regulative ideal, as a moral vision to guide our actions rather than an actual claim about the future trajectory of social change.

Taken together, these five theses constitute a powerful and elegant argument for the viability of a radical egalitarian, democratic alternative to capitalism. If one can convincingly show that capitalism ultimately destroys itself and that therefore some alternative will have to occur, and furthermore that in conjunction with the demise of capitalism a powerful collective actor will emerge with an interest in constructing a democratic

The strong prediction Marx makes that capitalism destroys itself is possible precisely because human beings are conscious actors capable of rational and creative actions. The theory is deterministic because the consequences of these strategies and actions have a predictable cumulative effect on the sustainability of capitalism. For a discussion of this deep relationship between agency and determinism, see G. A. Cohen, “Historical Inevitability and Revolutionary Agency,” chapter 4 in *History, Labour and Freedom: Themes From Marx* (Oxford, Clarendon Press: 1988).

egalitarian alternative, then it is not too much of a leap of faith to believe that such institutions could be created in a pragmatic manner.

#### INADEQUACIES IN MARX'S THEORY OF CAPITALISM'S FUTURE

While there is much in the Marxist tradition of social theory that is of great value—particularly its critique of capitalism and the conceptual framework of its analysis of class—its theory of historical trajectory has a number of serious weaknesses.<sup>7</sup> Four problems undermine the adequacy of the traditional Marxist theory for building a theory of alternatives to capitalism: crisis tendencies within capitalism do not appear to have an inherent tendency to become ever more intense over time; class structures have become more complex over time, rather than simplified through a process of homogenizing proletarianization; the collective capacity of the working class to challenge structures of capitalist power seems to decline within mature capitalist societies; ruptural strategies of social transformation, even if they were capable of overthrowing the capitalist state, do not seem to provide a sociopolitical setting for sustained democratic experimentalism. Since each of these themes has been extensively treated in contemporary discussions of Marxism and social change, I will only briefly review the core arguments here.

##### *The theory of crisis intensification*

The thesis that the crisis tendencies of capitalism will have a systematic tendency to intensify over time is critical to the whole argument, for this is the basis for the idea that the contradictions of capitalism ultimately destroy its own conditions of existence. If the most we can say is that capitalism will have a tendency to periodic economic

7 It is useful to distinguish between what might be called “sociological Marxism,” anchored in the Marxist analysis of class and the critique of capitalism, and the Marxist theory of history (sometimes also called “historical materialism”), anchored in the theory of capitalist dynamics and historical trajectory. While the latter, I believe, is no longer defensible as it stands, the former remains a highly productive framework for critical theory and research and an essential component of emancipatory social science. For a discussion of sociological Marxism, see Michael Burawoy and Erik Olin Wright, “Sociological Marxism,” in Jonathan

crises of greater or lesser severity, but there is no overall tendency of intensification of disruptions to capital accumulation, then we no longer have grounds for the idea that capitalism becomes progressively more fragile over time. And without this trajectory towards a self-destructive future, capitalism would not have the property of becoming more vulnerable to collective challenge from anti-capitalist social forces. One can still hold the view that a severe and prolonged capitalist crisis, *if* it were to occur, might provide an historical “window of opportunity” for radical social transformation, but this is much weaker than a prediction about the increasing likelihood of such crises over time.

There are a number of reasons to be skeptical of the self-destruction thesis. First, while capitalism certainly contains a variety of processes which tend to produce periodic economic disruptions, Marx, and many subsequent Marxists, underestimated the extent to which state interventions can significantly moderate these tendencies. The result is that there does not appear to be any consistent tendency for economic disruptions to get worse over time. Second, while the rate of profit may be lower in the later stages of capitalist development than in earlier ones, there does not appear to be any long-term tendency for it to continue to decline within mature capitalist economies. Third, on more theoretical grounds, the conceptual foundations of the “law of the falling tendency of the rate of profit” are quite problematic. Most fundamentally, the labor theory of value on which this law is based has been criticized even by economists broadly sympathetic to the normative and explanatory goals of Marxism. While the idea of labor as the source of value may be a useful device for illustrating the idea of the exploitation of labor, there is no persuasive reason for believing that labor and labor alone causally generates value. Marx certainly provided no sustained defense of this assumption, and neither have contemporary discussions resulted in a convincing case.<sup>8</sup> If the labor theory of

Turner (ed.), *Handbook of Sociological Theory* (New York: Kluwer Academic/Plenum Publishers, 2001). For a discussion of the Marxist tradition as revolving around three clusters of problems—class analysis and the critique of capitalism, a normative vision of socialism, and the theory of history—see Erik Olin Wright, *Interrogating Inequality* (London: Verso, 1994), chapter 11.

8 The labor theory of value was a broadly accepted tool of economic analysis in Marx's time and thus he perhaps did not feel the need for a sustained defense. When Marx does comment on the grounds for the belief that labor is the basis of value his argument is quite simple: we observe qualitatively different things



value is rejected, then the argument that increasing capital intensity reduces the rate of profit no longer holds.<sup>9</sup>

Now, in light of these considerations it might be possible to construct some new theory of the self-destructive trajectory of capitalism. One idea in present discussions is that the heightened globalization of capitalism at the beginning of the twenty-first century severely undermines the capacity of the state to moderate crisis tendencies, since the geographical scope of market processes is no longer under the regulatory reach of state intervention. This could, conceivably, mean that economic crises in the future will be significantly more intense than in the late twentieth century since no effective global crisis-management institutions are likely to develop. The financial crisis that began in 2008 may signal this new process of intensification.

A second idea is that the environmental destruction generated by capitalist growth will ultimately destroy the ecological conditions of existence of capitalism. A third suggestion is that the shift from an industrial economy to a service economy, and, perhaps, to a “knowledge economy,” means that in the future it will be more and more difficult for owners of capital to dominate economic activity. Intellectual property is inherently more difficult

exchanging in fixed ratios in the market—X pounds of steel are the same as Y tubes of toothpaste. How can such qualitatively different things be reduced to relative quantities? They must, Marx reasoned, have some quantitative substance in common. Labor time expended in their production, he then argued, is the only common quantitative substance. But this claim is simply wrong. Steel and toothpaste also share the property that they are produced with a certain number of calories of energy, for example. One could on this basis construct an energy theory of value, along with an account of the relationship between profits and surplus energy value. More generally, the value of commodities should be thought of as determined by the amount of scarce resources of all sorts that are embodied in their production, not just labor. For a discussion of the labor theory of value relevant to these issues, see Ian Steedman, *Marx after Sraffa* (London: New Left Books, 1977).

<sup>9</sup> Furthermore, even if one accepts the central intuitions of the labor theory of value, the specific argument postulated by Marx for the tendency for the falling rate of profit is not persuasive. The pivotal idea in the theory is that rising capital intensity (referred to in this context as the “rising organic composition of capital”) will have the unintended effect in the aggregate of lowering the rate of profit. But once capitalist production is already highly mechanized there is no longer any reason to believe that capital intensity will continue to rise with subsequent innovation. A good example is the replacement of mechanical adding machines with hand calculators. This is not simply a “counter-tendency”: there is no inherent directionality to the capital intensity of technical change in the process of production once capital intensity has reached a certain point.

to monopolize than physical capital. Particularly with the advent of new information technologies it is simply too easy for people to subvert private property rights in information and knowledge. Furthermore, the production of knowledge and information is most efficiently done as a collaborative, cooperative social activity, and thus the imposition of capitalist property rights on this process increasingly acts as a “fetter” on the further development of these forces of production. As a result, in the long run, capitalism will become more and more vulnerable to the challenge of non-capitalist ways of organizing the production and distribution of information and knowledge.

Any or all of these factors could mean that the long-term trajectory of capitalism will culminate in its self-destruction. The arguments, however, remain speculative and underdeveloped, and for the moment it does not appear that there is good reason to believe that the internal contradictions of capitalism render it, in the long run, an unsustainable economic structure. Capitalism may be *undesirable* for all the reasons outlined in chapter 3, while still being *reproducible*. This does not imply, it must be stressed, that capitalism is untransformable: even if its internal dynamics do not generate a trajectory towards self-destruction it could still be transformed through collective action. But such collective action will not necessarily be abetted by the increasing fragility of capitalism.

### *The theory of proletarianization*

The second major problem with the classical Marxist theory of the destiny of capitalism centers on the theory of proletarianization. While it is certainly true that the course of capitalist development has incorporated an increasing proportion of the labor force into capitalist employment relations, in the developed capitalist world this has not resulted in a process of intensified proletarianization and class homogenization but rather in a trajectory of increasing complexity of class structures. A number of broad trends are worth noting.

First, there is the development and expansion of what I have called “contradictory locations within class relations.”<sup>10</sup> Class

<sup>10</sup> For extended discussions of the problem of complexity of locations within class structures, see Erik Olin Wright, *Classes* (London: Verso, 1985), *The Debate on Classes*, (London: Verso, 1989), and *Class Counts* (Cambridge: Cambridge

*locations* are the specific places occupied by individuals within a class structure. Working-class locations and capitalist-class locations are the two fundamental positions determined by the class relations of capitalism. But many locations in the class structure do not fall neatly into these two basic positions. In particular, class locations like those of managers and supervisors have the relational properties of both capitalists and workers and thus occupy “contradictory locations.” Professionals and highly skilled technical workers also occupy contradictory locations through their control over credentials. Somewhat less than half of the labor force in most developed capitalist countries occupies such contradictory locations.<sup>11</sup>

Second, after a very long period of decline, in many capitalist countries there has been a marked growth of self-employment and small employers. To be sure, many of these small firms and independent self-employed persons are subordinated in various ways to large corporations, but nevertheless they are quite distinct from the working class.

Third, while wealth has in recent years become more concentrated within at least some capitalist countries (most notably the United States), it is also the case that there has been a wider diffusion of stock ownership—an increasing proportion of the population have some corporate investments, either in the form of direct investments in stocks or in contributory pension funds. While this is far from creating anything like “the ownership society” or a “people’s capitalism,” it nevertheless adds complexity to the class structure of capitalism.

Fourth, with the large-scale entry of women into the labor force the ways in which many individuals are linked to class structures have become more complex than in the past, since in two-earner households family members are linked to the class structure through two jobs, not just one. The result is that significant numbers of people live in what can be termed “cross-class households,” households in which the paid employment of husbands and wives are in different class locations.<sup>12</sup>

Finally, there is increasing stratification within the working

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University Press, 1997).

11 See Wright, *Class Counts*, chapters 2 and 3.

12 In the 1980s—the period for which I have solid data on this question—approximately 15% of the adult population lived in cross-class households in the United States.

class in many developed capitalist countries. After a long period in which inequality in earnings among wage earners declined, such inequality sharply increased in the last quarter of the twentieth century. Added to this, in some countries—most notably in the US—there has been a fairly sharp polarization in the patterns of job growth since the early 1990s: jobs have expanded very rapidly at the top and bottom of the wage structure, but not in the middle.<sup>13</sup> The working class, however it is defined, has become more internally differentiated rather than more homogeneous.

None of these forms of complexity in class relations mean that class is of declining importance in people’s lives, or that class structures are becoming less capitalist in any fundamental way. They simply mean that the structural transformations predicted by the intensification of class struggle thesis have not occurred.

### *The theory of class capacity*

The second component of the intensification of anti-capitalist class struggle thesis in classical Marxist theory concerns the increasing capacity of the working class to challenge capitalism. This capacity has had, if anything, a tendency to decline within developed capitalist societies. Partially this is the result of the increasing heterogeneity of interests among employees, both because of complexity of the class structure and stratification within the working class itself. Such heterogeneity makes the task of building solidarity and forming stable political coalitions more difficult. But the weakness of system-challenging class capacity also reflects ways in which capitalist democracies have offered people real opportunities to organize for significant improvement in their conditions of life *within* the constraints of capitalism. In taking advantage of these opportunities, one of the central constraints imposed by the state has been abandoning any attempt at revolutionary organization and mobilization. The resulting “class compromises”—in the form of the labor movement and the welfare state—have enabled workers to make real gains. While these gains have certainly been somewhat eroded in the last decades of the twentieth century, nevertheless they remain sufficiently strong to obstruct anti-system solidarities. Given the

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13 For a detailed examination of these trends in job growth, see Erik Olin Wright and Rachel Dwyer, “Patterns of Job Expansion and Contraction in the United States, 1960s–1990s,” *Socioeconomic Review* 1 (2003), pp. 289–325.

robustness of capitalism and the strength of the institutions that reproduce it, at least in mature capitalist democracies, such class compromises are probably still a credible course of action for working-class organizations. In any case, in no developed capitalist society has the working class developed a collective capacity to challenge the foundations of capitalist power.

### *The theory of ruptural transformation*

While there are no examples of successful revolutionary challenges to capitalism in developed capitalist countries (and virtually no examples even of significant but unsuccessful challenges), revolutionary challenges to capitalism have occurred in less developed capitalist societies, and in a few cases socialist revolutionaries have succeeded in gaining power. States have been overthrown and revolutionary regimes at least symbolically committed to socialism installed. These attempts at ruptural transformation, however, have never been able to sustain an extended process of democratic experimentalist institution-building. The "where there is a will there is a way" theory of constructing alternative, emancipatory institutions depends upon the active, creative empowered participation of ordinary people in a process of democratic deliberation and institution-building. While there have been brief episodes of such egalitarian democratic participation within attempts at the revolutionary transformations of capitalism, such episodes have always been short-lived and relatively isolated.

Perhaps the failure of sustained democratic experimentalism in the aftermath of revolutions was because revolutionary regimes always faced extreme pressure, both economic and military, from powerful capitalist countries, and felt a great urgency to consolidate power and build institutions of sufficient strength to withstand that pressure. Since democratic experimentalism is inevitably a messy process which depends heavily on an ability to learn from one's mistakes over time, it is understandable that revolutionary regimes might have felt they could not wait for this to work. Or perhaps the problem was mainly the low level of economic development of the economies within which revolutionary movements succeeded in seizing political power. Classical Marxism certainly never imagined that a transformation of capitalism into a democratic egalitarian alternative would be possible unless capitalism had already generated very high levels of productivity. But it may also be that the concentrated forms of political power, organization, and violence

needed to successfully produce a revolutionary rupture in existing institutions are themselves incompatible with those forms of participatory practice needed for meaningful democratic experimentalism in the construction of new emancipatory institutions. Revolutionary parties may in certain circumstances be effective "organizational weapons" for toppling capitalist states, but they appear to be extremely ineffective means for constructing a democratic egalitarian alternative. As a result, the empirical cases we have of ruptures with capitalism have resulted in authoritarian state-bureaucratic forms of economic organization rather than anything approaching a democratic-egalitarian alternative to capitalism.

### TOWARDS AN ALTERNATIVE FORMULATION OF THE PROBLEM

The classical Marxist theory of alternatives to capitalism is deeply anchored in a deterministic theory concerning key properties of the trajectory of capitalism: by predicting the basic contours of the future of capitalism Marx hoped to contribute to the realization of an emancipatory alternative beyond capitalism. In the absence of a compelling dynamic theory of the destiny of capitalism, an alternative strategy is to shift our efforts from building a theory of dynamic *trajectory* to building a theory of structural *possibility*. Let me explain this contrast. A theory of dynamic trajectory attempts to predict certain features of the future course of social change on the basis of an understanding of causal mechanisms that push society in a particular direction. By charting certain developments which we know *will* happen (assuming the theory is accurate), such a theory helps define the conditions for exploring things which *can* happen. Capitalism will (eventually) destroy itself, so socialism could be the alternative. A theory of structural possibility, in contrast, attempts not to predict the course of development over time, but simply to chart the range of possibilities for institutional changes under different social conditions.

The strongest version of a theory of structural possibility would be like having a comprehensive road map before embarking on a journey. The road map would show you all the possible destinations from your current location, and all the alternative routes that will take you to each. A really good map would inform you about the road conditions on the different routes, indicating which require all-terrain vehicles and which might be either temporarily or permanently impassable (at least until some better mode of transportation

is invented). With such a map the only question you face in actually making a trip to a particular destination is whether or not you have the proper vehicle for the journey. It may turn out, of course, that you are unable to divert sufficient resources to the purchase of the required vehicle to get to the most desirable destination, but at least you would have a realistic understanding of this constraint before leaving for the trip and could therefore change your plans.

Alas, there is no map, and no existing social theory is sufficiently powerful to even begin to construct such a comprehensive representation of possible social destinations, possible futures. It may well be that such a theory is impossible in principle—the process of social change is too complex and too deeply affected by contingent concatenations of causal processes to be represented in the form of detailed maps of possible futures. In any case, we don't have any such map available. And yet we want to leave the place where we are because of its harms and injustices. What is to be done?

Instead of the metaphor of a road map guiding us to a known destination, perhaps the best we can do is to think of the project of emancipatory social change as a voyage of exploration. We leave the well-known world with a compass that shows us the direction we want to go, and an odometer which tells us how far from our point of departure we have traveled, but without a map which lays out the entire route from the point of departure to the final destination. This has perils, of course: we may encounter chasms we cannot cross, unforeseen obstacles which force us to move in a direction we had not planned. We may have to backtrack and try a new route. There will be moments when we reach high ground, with clear views towards the horizon, and this will greatly facilitate our navigation for a while. But at other times we must pick our way through confusing terrain and dense forests with little ability to see where we are going. Perhaps with technologies we invent along the way we can create some artificial high ground and see somewhat into the distance. And, in the end, we may discover that there are absolute limits to how far we can move in the hoped-for direction. While we cannot know in advance how far we can go, we can know if we are moving in the right direction.

This approach to thinking about emancipatory alternatives retains a strong normative vision of life beyond capitalism, but acknowledges the limitations of our scientific knowledge of the real possibilities of transcending capitalism. But note that this is not the same as embracing the false certainty that there exist untransgressable limits for constructing a radical democratic

egalitarian alternative. The absence of solid scientific knowledge concerning the limits of possibility applies both to the prospects for radical alternatives and to the sustainability of capitalism.

The key to embarking on a journey of exploration and discovery is the usefulness of our navigational device. We need to construct what might be called a *socialist compass*: the principles which tell us if we are moving in the right direction. This will be the task of the next chapter.