



CAPITALISM, SOCIALISM, SOCIAL MARKET ECONOMY AND CURRENT TRANSFORMATIVE POLICY PROPOSALS

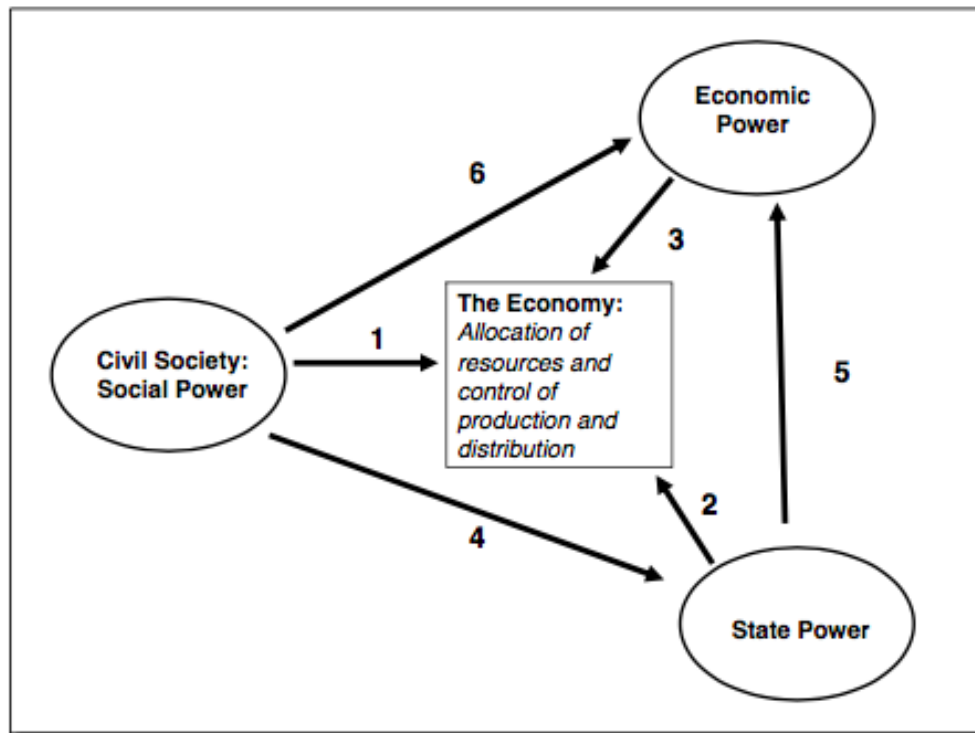
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Summer Academy of Pluralist Economics 2020

Economic Styles Approach

- Mainstream economics mostly work with pure theory, which can only observe timeless economy. This is only a small part of economic reality.
- Therefore, condition economic theory on what it is emerging from such as time, society, historical circumstances, politics etc. (Spiethoff, 1952)
 - ➡ describe a multitude of economic styles
 - ➡ every economic style needs its own economic theory

Forces in the economy



- ➡ State Power
- ➡ Social Power
- ➡ Economic Power

Meaning of the individual linkages

1. Social economy: social provision of needs
2. State economy: state produced goods and services
3. Capitalist-market economy
4. Democratic control over state power
5. State regulation of corporations
6. Social participation in corporate governance

Source: Erik Olin Wright, „Linkages in the Pathways to social empowerment“ in *“Envisioning Real Utopias”*, 2009 p. 96

The Economy and Politics

■ Capitalism

- *economic structure within which means of production are privately owned and the allocation is accomplished through the exercise of economic power*

■ Statism

- *economic structure within which means of production are owned by the state and the allocation and use of resources for different purposes is accomplished through the exercise of state power*

■ Socialism

- *economic structure within which means of production are socially owned and the allocation and use of resources is accomplished through the exercise of what can be termed “social power”*

Thoughts on Socialism

- **Milton Friedman's criticism of socialism (1962):** A socialist living in capitalism has more resources than a pro-capitalist living in socialism
 - *it is very difficult for a pro-capitalist to find a job if the whole economy is controlled by the government, while in capitalism a socialist must only promise to be a good worker that is profitable;*
 - *a socialist in capitalism can find investors to edit a socialist newspaper if his enterprise is profitable, while it is going to be difficult for a pro-capitalist to ask for resources from the socialist government to print a pro-capitalist newspaper.*

Thoughts on Socialism

- **"Real socialism" is more statism**, where all means of production lay at the state's level instead of being dispersed throughout civil society. The narrative that socialism would fail is based on the assumption that there is only capitalism and State socialism. In heterodox economics this thought is challenged.

- **Profit:**

In orthodox macro-economic theory, as it seems the growth rate is more important than profit.

In heterodox (Marxist) thought, the profit rate is very relevant: Following Kliman (2011) the tendency of the rate of profit to fall is the cause of capitalism's present difficulties, including the great 2008 crisis

Transformative proposals

- Core values are reciprocity, mutuality and solidarity
- implemented through institutional set up of the economy/society

Before that can happen: Weaken the power of capitalist economic forces that exist now (e.g. stop funding/indirect subsidies for multinational agribusiness and fossil fuels, effective oversight of financial sector)

Transformative proposals

- Introduce an economy which is based on the needs and practices of society:
 - *Democratic and local organisation of policies and production*
 - *Social space (commons, civil society...) outside of the state/private sector while democratic state institutions facilitate social organisation (e.g. infrastructure)*
 - *Social market exchange and social currencies*
 - *Mobilisation of funds (investing should redirect rather than add economic activity, green bonds?)*
 - *Tax on CO2 emissions*
 - *Justice: Checks & balances, globally inclusiveness, redistribution, control of multinational companies (e.g. through worker representation in committees)*

Start of Debate

- Transformative proposals depend heavily on our picture of human beings.
 - Are people willing to think about the future and live more sustainable?
 - Are they willing to engage in democracy?
 - Are we not purely selfish but think about others?
- The economic and political systems are closely interrelated and it is questionable if all economic systems are compatible with (liberal) democracy. Which other forms of democracy could be possible and beneficial?