

The Systems of Political Economy

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Abstract

The United States' economy has undergone numerous changes in its history. Today's mixed economy has its roots in "state capitalism and state socialism." Noam Chomsky sees numerous flaws in our system that lead to contradictions to the term democracy. In this paper we examine these issues brought up by Noam Chomsky and analyze whether the United States can undergo a transition from "state capitalism" to "libertarian socialism." Studies show that support for capitalism is on decline, but little evidence to suggest an overthrow of the current economic model. The rise of problems such as corporate power, rising executive power, militarization, and declining democracy are major problem facing the United States. This paper examines society through the lens of other philosophies such as libertarian socialism, state socialism, and state capitalism, and classical liberalism. The tenets and historical background of these philosophies help understand the political economic structures in the world.

The Systems of Political Economy

In Noam Chomsky's famous 1970 talk titled *Government in the Future*, Chomsky asserts that the ideologies of state socialism and state capitalism are regressive and flawed political theories. Chomsky says that capitalism and democracy are not compatible. He cites systemic issues in which private entities gain too much power and are the ones that control what really happens electorally. Chomsky is also concerned with the increasing power of the executive after WWII. Chomsky's assertions also extend to state socialism in which he states that leaders use propaganda and fear to allow for state-controlled enterprise. Chomsky argues in favor of libertarian socialism which is an anti-authoritarian political philosophy within the socialist movement. It rejects the idea of centralized state ownership and advocates for valuing freedom, so individuals have the power to decide economic issues along with political issues. However, it is not possible for the United States to move from its current model of 'state capitalist' towards libertarian socialism because of the economic foundation that has provided a stable society. Enacting political or economic changes can have drastic affects similar to those seen between end of feudalism and the rise of capitalism.

Classical Liberalism

Chomsky's support of libertarian socialism is a natural extension of the philosophical beliefs of classical liberalism. Classical liberalism is a political ideology that advocates for minimal government intervention and economic freedom. Classical liberalism places a strong emphasis on individual's freedom to make economic and political decisions. It emerged as a reaction to Europe's decaying feudal order in the 16th and 17th centuries. Classical liberalism holds that there are certain natural rights that the government cannot impede. John Locke in the 18th century identified these basic rights as "life, liberty, and property." These basic rights were

adopted by Thomas Jefferson in the Declaration of Independence (“Origins of Classical Liberalism,” n.d.).

Classical liberalism in practice has numerous parts which make it a complete ideology. John C. Goodman from the Goodman Institute of Public Policy Research breaks down classical liberalism into the following: Substantive rights versus police powers of the state, rights versus needs, the collectivist notion of rights, and the source of rights. According to Goodman, individuals are free to pursue their own interest as long as they do not violate the rights of others. However, this presents a problem with how to deal with individuals who seek to violate other’s rights. In order to prevent crime, settle disputes, and carry out other duties necessary to protect rights, a government would need to exercise police powers. This is justified by saying rights can be forfeited for people who attempt to violate other’s rights. Another point made by Goodman is the idea of rights vs needs. He asserts that the right to life, liberty, and pursuit of happiness are obligated to serve the needs of others. This gives someone the right to be selfish or aid others on his own accord. Goodman’s example exemplifies this distinction “Tom may feel safer if all suspicious-looking people are routinely seized and searched. But in the world of classical liberalism, Tom’s need to feel safe is not a justification for initiating force against all suspicious-looking people.” (Goodman, 2018)

Another important factor in classical liberalism is the collectivist notion of rights. In the 20th century, different regimes had altered the focus of rights. For the communist, the needs of the class were a claim against every individual. For the Nazis, the need of race or religion, and the fascist on the basis of society itself. Many collectivists in the 20th century opposed the classical liberal concept of rights, instead they responded by redefining what rights were. The best example is US President Franklin Roosevelt. FDR, in a speech addressed to congress in

1944 called for a 2nd Bill of Rights. This new bill of rights called for things like a right to a good education, a right to every family to own a home, a right to earn enough, and more. Roosevelt's call for government to guarantee these new rights to people went against the grain of classical liberalism. Similarly, his call for rounding up Japanese Americans in detention camps on the basis of their ancestry would not have been tolerated by classical liberals. Finally, Goodman also describes the source of rights in classical liberalism because understanding the sources helps explain the inspiration for classical liberalism. These sources are nature, utility, and social contract. Early thinkers believed that humans have certain fundamental rights and that those rights were granted by god or the human capacity of knowledge. Utility is supported on the basis that individuals best maximize social welfare. In order to be happy or successful, it is up to the individual to make that happen. Finally, we have social contract which is the theory that the government gains legitimacy from the consent of the governed (Goodman, 2019).

Classical Liberalism and Capitalism

Capitalism was the system that early theorist believed was most compatible with classical liberalism. However, in the 19th and 20th centuries, classical liberalism had manifested into a rise of corporate capitalism and the decline of acceptance within capitalist societies. Classical liberals abandoned the ideas of "rights vs needs" and embraced a society which limited freedoms to certain peoples on the basis of race or sex. At the same time, many of the early classical liberals did not believe that classical liberalism could lead to widespread economic recessions or depressions. With an unchecked economic power structure, things like poverty, terrible working conditions, and rapid industrialization caused people to abandon individual rights in favor of greater government involvement. This reaction dealt a major blow to classical liberalism in American society. By the mid-20th century the concept had been abandoned in favor of modern

liberalism (Sturgis, 1994). What happened to classical liberalism is one of Chomsky's biggest critiques. Chomsky was increasingly worried about the rising "private power," he believed that this power was being used to subvert the individual freedoms. While classical liberalism advocates for diversity and free creation, this view is merely superficial because of the internal contradiction caused by industrial capitalism and wage slavery. Chomsky believes that the individual rights need not be influenced by capitalism, and he outlines his support for free individualism which is similar to left-libertarianism (Chomsky, 1970).

Libertarian Socialism

Chomsky makes clear that he sees libertarian socialism as the fundamentally correct ideology. Libertarian socialism can be divided into two distinct parts: Socialism and Libertarianism. The socialism aspect supports a worker-oriented system of production which is in favor of cooperatives and common ownership of the means of production. Conversely, the ideology also calls for the maximization of the liberty of individuals and it minimizes concentration of power or authority (Brooks, 1994). This means that this philosophy works within a democratic system. Proponents of libertarian socialism propose achieving its societal goals by the socialization of private property and enterprise. It views capitalism as antagonistic to individual freedom. Proponents also believe that a democratic government that delivers direct democracy is a strong part of libertarianism (Harrington, Marshall, & Muller, 2014).

There is much similarity between libertarian socialism and anarchism. Chomsky in 1970s talk "Government in the Future," finds himself interested in the anarchism of Bakunin. Bakunin wrote that an anarchist must be a 'socialist' first. Bakunin's collectivist anarchism called on producers to manage the means of production rather than the state. The goal he envisioned was that the working class can be liberated from potential exploitation from the state or private

enterprise. Similarly, another anarchist named Pierre Joseph Proudhon wrote that a consistent anarchist must oppose state socialism. Proudhon is considered the father of modern anarchism and his statement “Property is theft” plays a big role in his views against the authoritarian state.

Chomsky (1970) summarizes his view of libertarian socialism by saying the following:

The libertarian socialist goes on to insist that state power must be eliminated in favor of democratic organization of industrial society, with direct popular control over all institutions by those who participate in—as well as those who are directly affected by—the workings of these institutions.

Chomsky also responds to two critiques of libertarian socialism, human nature and demands of efficiency. Some argue that people do not want the responsibilities of human nature. This critique relies on the belief that man needs some sort of ruling power to provide liberty. Chomsky dismisses this notion saying that freedom will never be achieved under the dominance of external authority. A big problem with the argument of human nature is that the existence of violence, yet man is interested in creating oppressive governments which go against individual freedoms. Detractors also cite demands of efficiency as a counter to libertarian socialism. Some argue that centralized management is a technological imperative. This implies the best way to achieve success is through cost maximization. Chomsky rejects this argument as ludicrous because the new technologies are detrimental to the workforce and often diverts resources into wasteful and destructive processes. Other criticism Chomsky did not respond to is the idea that self-interest is neglected in the “name of community,” and the process of coercion. These factors will be examined in later in this paper (Bolloten and Esenwein, 2015).

State Socialism

Chomsky's third point of reference is the political and economic ideologies of state socialism. State socialism advocates for state ownership of the means of production. The modern concept of state socialism emerged as a deviation in Marxist theory. The state as a public entity engages in capital accumulation as a mean to achieve socialism. Once the state can gather capital, it can be reinvested into benefits for the working class with things like education, healthcare, etc. State socialism largely still relied on the institution to rule over the processes of production and central planning. In the modern setting, communist states were the closest example to state socialism in action. Under these states, the communist party dominated bureaucratic structure on behalf of the people. State socialism does bear a similar resemblance to state capitalism which advocates for the state apparatus to take a direct approach in managing the economy under state guidance. State capitalism departs from state socialism in that it feels no need to reinvest capital for working people. One way to see this is the government is one huge corporation trying to make profit (Ball and Dagger, 2019).

Chomsky first critique of state socialism is the presence of a state. Libertarian socialist would abolish the state and move towards giving working people and producers power over the means of production. In state socialism, a centralized state controls the function of government. As a result, people's voices over the state is limited. Regardless of the goals or intellectual capacity of central planners, millions of people do not get to participate or give input over the means of production. Chomsky believes this philosophy falls short because of the lack of a democratic government. Another major critique is the evolution of state socialism. The Cold War turned the state into a propaganda machine that mobilizes support for imperial enterprise. In the Soviet Union, it was used to convince people that state had their interest at hands. Similarly, it

gave rise to militarization of the state and war. Chomsky believes the Cold War allowed for state socialism to become a system that encourages state capitalism (Chomsky, 1970).

State Capitalism

The final philosophy mentioned by Chomsky is state capitalism. Chomsky is critical of American capitalism, but he refers to America as a state capitalist system. When Chomsky applies the term “state capitalism” to the economy of the United States, he is talking about the concentration of wealth and power among American companies being aided by the government. This is something most theorists would disagree with Chomsky on. Following the demise of classical liberalism, The United States shifted from classical liberalism to the more dominant modern liberalism mixed economies which is often attributed to American exceptionalism. State capitalism in its pure form is an economic system in which the state undertakes economic activity and where the means of production is managed by state-owned businesses. This type of economic system is still heavily rooted in capitalism, but the way it achieves economic success is through use of the state.

The two biggest examples of state capitalism in the 21st century is China and Norway. The goals of these nations are to protect the interest of the country by putting government-favored business first. State controlled businesses tend to have more resources when competing against private corporations. The Chinese model of state capitalism was created because socialist societies had a tough time competing with capitalist economies. The fate incurred by the Soviet Union which practiced state socialism was unable to keep up with the United States. Ever since China adopted State capitalism, China has had an average GDP growth between 6-10% (Wei, 2019). Norway is another country which operates under state capitalism. The Government has ownership stakes in many of the country’s largest publicly traded countries. Around 37% if the

Oslo stock market is owned by the Norwegian government (The rich cousin, 2013). The Strong economic growth and increased standard of living has been a major reason why state capitalism remains a strong economic philosophy.

Chomsky's critiques of state capitalism are similar to those of state socialism. He claims that the economic elite govern the economy and political system. Other critiques are how the United States used the Cold war as "ideology for empire." What Chomsky means is that the US is interested in constant warfare and militarism. Chomsky took a radically different approach than other theorist when he called the United States a "state capitalist" society. His assertions were correct because the United States government has bailed out industries and funded companies by handing out contracts during the recent 2007-2009 recession (Amadeo, 2019). Chomsky also disagreed with state capitalism because he did not support private ownership or even the state itself. Today, the resources to meet the need of man exist, but those resources have been limited because of the greediness of a few corporation in capitalism. Therefore, Chomsky says that the system of libertarian socialism is the best alternative and is achievable.

Why Libertarian Socialism Will Not Work

Chomsky does a great job of explaining the issues inside different philosophies, but Chomsky underestimates the difficulty in shifting from capitalism to libertarian socialism. Chomsky states that a popular revolutionary movement rooted in a wide stratum of population would be necessary to eliminate authoritarian institutions. What Chomsky does not realize is changing from an economic system like capitalism will not be peaceful. His assumption that a majority of people would organize in such a way with little opposition deserves scrutiny. He also forgets that Capitalism has been relatively stable, unlike the period in which feudalism was on decline. The period saw massive wars and poverty (Wallerstein, 1976). Chomsky's direct

criticisms of “state capitalism” in the United States are legitimate, however, it is far easier to reform those issues through further expanding the mixed economy in America. Things like greater state intervention and regulations may be the solution to the issue rather than throwing the whole system into the trash. Chomsky’s support of libertarian socialism relies on the fact that America is beyond repair, something which is not true. The United States is built around the concept of entrepreneurship and the “American Dream.” Capitalism has been imbedded into the lives of all Americans. Many American may be interested in moving away or reforming capitalism, but there is little evidence they would go through with nationalization of industries and the abolition of private property. The modern political compass is just one example of how difficult it is to shift from one quadrant to another. American political parties are authoritarian and, on the right, while libertarian socialism is out of mainstream American politics.

Examination of the Spanish Revolution of 1936: Historical Success or Failure

Libertarian socialism in modern societal structure has been limited. However, one such event sticks out and that is the Spanish Revolution of 1936. The most notable aspect of this revolution was the establishment of a libertarian socialist economy. This economy as Chomsky discussed was decentralized federations of participatory industrial collectives and agrarian communes. This was accomplished through collectivization of the means of productions. For some time, Libertarian socialism came about during the Spanish civil war and that itself was one of the criticisms. Bolloren (2015) who wrote *The Spanish Civil War: Revolution and Counterrevolution* criticized the use of coercion by anarchist who helped craft libertarian socialism into the Spain. Coercion ran contrary to the views of libertarian socialist. He also emphasized that the coercive nature of war climate in shaping the views of people. There was also no guarantee that all the people were acting on their own free will to establish a movement

of libertarian socialism. The Spanish Civil war ended with Anarchist defeated by a coalition of Nationalist. Had libertarian socialist not been defeated, it could be argued that it would succeed domestically. However, a world that would become increasingly militaristic and globalized may have been a weakness for any existing libertarians' socialist societies.

“In the Name of Community”

Libertarian socialism relies heavily on voluntary human relationships and an emphasis of worker's self- management. The problem with this is that it makes requires every individual contribute to a community and disregard self-interest. This creates a complete disregard of making self-interest align with social interest. They believe it is possible and desirable to instead create a society where everyone works out of benevolence for the benefit of all. However, there simply is not enough incentive for workers to work any harder under this economic model. Chomsky is unable to answer the question of people's self interest in private property or institutions regardless of human nature (Jones, 2017).

Conclusion

Noam Chomsky's concerns about the increased power of the executive, growing corporate power, militarization, and limited reforms to create a more direct democracy are all valid concerns. His solution is to adopt the philosophy of libertarian socialism by arguing that it would put the economy into the hands of the working people. His theory is correct, but in practice lacked real evidence as many libertarian socialist societies had failed to materialize in the past. Chomsky dismissal in recognizing the United States' as a mixed economy which shares characteristics from socialism and capitalism. Chomsky's referral to the United States as a “state capitalist” economy is only slightly related to the United States. While US bailouts are one way in which Chomsky suggest the government undertakes economic activity, the US governments

role is limited. While this criticism by Chomsky is fair, recognizing the whole economy as “state capitalist” does not make sense since the state still operates under the guise of protecting private property and growing wealth through a free or mixed market. In modern day, many young people have grown skeptical of capitalism, but they are not gravitating towards a libertarian socialist system. Instead many seem to favor greater government intervention that would lead to a greater mix between “state capitalism and state socialism.” For instance, many democratic candidates for President in 2020 have adopted positions that call for greater state intervention. Things like free healthcare, free college tuition, and regulations on big companies (Klein, 2019). None of these positions require libertarian socialism. The solution to growing political power is not moving to another system, but by fixing those problems through democratic reforms, and regulations on the free market.

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