# Between Neo-Capitalism and Post-Capitalism: The Current Tasks of a Political Left*

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For a long time, scholars (including intellectuals of the political left) have exerted themselves in closely scrutinizing the nature of the transformation of Capitalism. And in this process, many have developed, or invented, a rich descriptive vocabulary to distinguish particular features they believed to be determinant or dominant characteristics.

## 1. The tradition of Socialist thinking

Personally, I belong to the tradition of Socialist thought which has always maintained that:

a) *Capitalism*, i.e. where the role of capital is central to the productive process, has been the determinant and dominant factor of modern society, and has operated (after the dismantling of institutional and social privileges) with major or minor evidence since the liberal and bourgeois revolutions of the 18th and 19th centuries; and

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* Some colleagues and friends of the Polish Academy of Sciences and of the University of Warsaw, have asked me to synthetize my views as old socialist scholar on the trasformations of the present form of society and their implications on the traditional socialist thinking, in a "non-academic" paper to be published in an edited book that they are preparing for the new Millennium.

b) *Socialism* is more or less the inevitable outcome of the growing concentration of the power of capital, and it seeks to achieve at an *economic* level the equality achieved by the liberal and bourgeois revolutions at the *political and social* levels.

This Socialist tradition has, since the beginning, considered Socialism a 'perfecting' of the democratic and liberal society created by Capitalism; and not as its radical overturn. And it has considered the Socialist regimes – first in Russia, and then in various Third World countries – not as antagonists nor alternatives to Capitalism (never really known in these countries or areas), but rather as alternatives to the pre-Capitalist characteristics still surviving in such countries and for which they tried to be substitutes. It considered these Socialist regimes as trials – which later demonstrated themselves to be historically bankrupt – to introduce Socialist production forms without first experiencing and passing through the transitional stages of democratization, cultural civilization and emancipation, liberalization, diffusion of technical and managerial skills, etc. – stages which the Capitalist production system has demonstrated to guarantee historically. (Marx himself always declared that the evolution toward Socialism could be achieved, in more or less radical forms, only where Capitalism had matured its more evident economical contradictions, that is in the most advanced Capitalist systems: "No social formation ever perishes before all productive forces for which there is room in it, have developed; and new, higher relations of production never appear before the material conditions for their existence have matured in the womb of the old society itself….In broad outlines, Asiatic, ancient, feudal, and modern bourgeois modes of production can be designated as progressive epochs in the economic formation of society." (from the celebrated preface of the *Critique of the Political Economy*, 1859).

## 2. The well-know deviation of Socialism in the under-developed countries

This Socialist tradition, in fact, has never confused or compromised itself with that (strongly anti-Marxist) thinking which stated, and still states, that it is possible that Socialism could be grafted in a social context which skips the Capitalist stage.

It is still my conviction that this is not possible, unless at a scale, to generalize broadly, of effective *globalization* of Capitalism itself, with the parallel establishment of liberal and democratic regimes throughout the world which could eliminate the pre-Capitalistic characteristics at the local context. By these means the local systems would be absorbed in a unified global system and local sovereignty would be conceded to a general, overarching, cosmopolitan and federalist regime.

The enduring vision of internationalists and globalists that Capitalism would be supplanted by Socialism has been abandoned along with the Stalinist conception, and in its place a counterpoint of two alternative regimes has emerged:

a) the first, *neo-Capitalist* (with the disappearance of private ownership of the means of production), has transformed itself more and more, in terms of historical evolution, in a post-Capitalist and Socialist sense, and;

b) the second, usurping the name *Socialist*, showed more and more remnants of its pre-Capitalist past, establishing authoritarian and repressive regimes. This delayed development not only toward any kind of Socialism, but also of the minimum Capitalist functionings which are the required evolutionary base of any authentic Socialism.

## 3. The Capitalist stages and Socialism

The school of thought referred to above, which I consider authentically Marxist and Socialist (even taken for granted the propensity to distinguish many of its deviations, due to certain historical circumstances) and which history proved correct, today finds itself obliged to update its vision on the basis of very important evolutionary changes in contemporary society.

In the midst of the dense forest of interpretations (which we made reference to above), this intellectual tradition finds itself at an advantage because it need not change its course or make too many adjustments, nor create alternative visions *ex-novo*. For instance, contemporary society can be seen as an evolution and transformation from neo-Capitalism in its now largely acknowledged stage, towards Socialism in its true sense, which is gaining ground by a sort of evident decline of Capitalism. It could be said, that during this transformation, Capitalism is experiencing a sort of "euthanasia". (The important thing is not to give too much weight to *what* the system is called, to its name, but to look to the *structure* of the economic and social phenomenon, and to give them an identity and qualification; then, only later, should we apply some synthetic definitions to these features). Here I will attempt to roughly outline the stages of this evolution and transformation *from neo-Capitalism to post-Capitalism*, which can be a guideline for the development of "left wing" political thinking.

## 4. From classic Capitalism to neo-Capitalism

After the first century (the 19th century) which I would define as "classic" Capitalism, a pattern developed of broadscale "industrial" production units replacing older forms of craftsmanship production, along with widescale expansion of the market economy – in contrast the non-market form of exchange (household self-consumption, rural self-consumption, and

exclusive exchange of industrial products). An industrial and urban proletariat was born, and the industrial areas of the city expanded. This was the century of industrial Capitalism and major technical innovations such as mechanical spinning and weaving, the steam engine, the coal and blast furnace, the railroad, the rise of electrical power. The state established social security and assistance for the poor, and guaranteed some social services such as schools and public health.

The second century (the 20th century) registered what we can call, as a whole, a period of Capitalist *concentration*. It was accompanied by mass production and, therefore, mass consumption. And it was also accompanied by financial concentration, because the classic entrepreneur, even the largest and richest, was not able to face the financial requirements of capitalist scale production. All these phenomena, (already described and forecasted by Marx in the third volume of *Capital*) were realized during the 1920's and 1930's in a radical Capitalist transformation: the separation between control and ownership of big business – the emergence of a "class of managers" without property, and the true bosses with new motivations and new social and political power.

This was the period in which the even free market, as the engine of development, suffers. It was substituted by imperfect competition, big monopolies and monopsonies, or oligopolies and oligopsonies, which had the global effect that the "prices" of goods and services were no longer ruled by competition and the market (even if still called "market prices"), but became - in the great majority of transactions among private enterprises as well as among the public sector and the private sector - "administrated prices," that is established by authority or by negotiations between ruling powers, in detriment to the consumers. This type of neo-Capitalism or, "financial Capitalism," has seen – along with major crises and two tragic world wars – the enormous growth of the role of the state as provider and producer not only

of *services* but also of *goods*, (i.e., not only health and education, but also public housing, transport services, etc.) and, where a private one is lacking, also a provider and producer of *industry* (electricity, coal, steel, chemistry, etc.). This expansion of the state role in the economy has occurred foremost, however, in countries with little widespread entrepreneurship, that is, in countries where Capitalism has been weak and Capitalist accumulation has manifested itself with greater difficulty.

## 5. From neo-Capitalism to "late" Capitalism

From the end of World War II and throughout the second half of the twentieth century, neo-Capitalism also experienced a crisis, but due to structural factors which had nothing to do with the "great crisis" of the 1920's. The productive capacity of industrial activities continued to grow at an ever faster pace (as, furthermore, has occurred without interruption throughout the history of Capitalism); but the proportion and importance of industrial production activities (those devoted to the production of the material goods) in relation to total production activities determined by consumer demand (for the satisfaction of consumer needs and preferences), decreased so much that the global productivity of the system declined. A kind of saturation of industrial products was reached; and a "dependency effect" emerged (first illuminated by Galbraith in the 1950's), that is, the need to "waste" resources to maintain in equilibrium a certain self-regulating productive rhythm, without improving but, instead, substantially worsening the quality of life as a whole, while also destroying the natural environment.

The characteristics of "late" Capitalism were announced by the hippie and student rebellions of the 1960's, rejecting what Toffler called the "dark code" of industrial civilization, encompassed by six words: standardization, specialization, synchronization, concentration, maximization, and centralization.

An opposing code was born: decentralization, personalization, “small is beautiful”, and so on – unavoidably nurtured by philosophies of irrationality and negativism, or of “weak” (or easy) thinking, as called by post-modern thinkers.

There are undoubtedly structural changes at the roots of many ephemeral trends and events. One evident change has been the growth of demand for immaterial goods, otherwise called “services”, which grew to constitute a major component of household and individual welfare; services with an inherent “personal”, individual quality which is not able to be provided *en masse*, even if many efforts are made in this direction (for example, all the services “remotely” or “virtually” provided by information technology, through the so-called mass media, where the productivity coefficient is multiplied, but quality tends to be standardized and eroded).

Without dwelling further upon the expansion in the last half century of state services, which are almost all immaterial and intangible, and are not susceptible to any possible quantitative measurement: such services have expanded, through delivery or transfer of income, to occupy roughly 50 percent of the gross national product (GNP) in all advanced countries, and therefore have greatly reduced the area occupied by the Capitalistic system. But also these services cannot be other than standardized and impersonal, services which suffer from a complete deterioration of quality, and, therefore, from user disaffection and often even refusal.

In reality, in what we call “late” Capitalism, the importance of the capital in the productive process is diminishing and other new determinant factors are emerging, such as *knowledge*, *invention*, *innovative capacity*, *personal and group organization* – factors which have basically changed the social and class structures, as well as the traditional social conflicts. What is emerging is what many have called a “post-industrial” society, which needs to be observed with a completely new lens with respect to that used to

observe the Capitalist society of the past. In sum, a society is emerging which could deserve to be called “post-Capitalist”.

Where do these “post-Capitalist” characteristics come from? They derive, I think, from four sources – which we will now rapidly mention:

1. the extension of the non-market area and the decline of Capitalist production and “profitability”;
2. the spread of small and medium non-Capitalist firms even in the “for-profit” sector;
3. the emergence and growth of the “third sector” or “non-profit sector”;
4. the (qualitative) rise and the (quantitative) decline of the state.

## 6. Extension of the non-market area and the decline of “profitability”

Once again in history, the non-market area is expanding. In the stage of classic Capitalism, and also in that of neo-Capitalism, this area, prevailing during the pre-Capitalist regime, had been progressively restrained by a growing marketization and supplanted in many sectors of economic transactions by monetary market exchange. This occurred even in fields like culture and art, traditionally unharmed in the past by marketization. In the current stage of “late” Capitalism, a second inversion is operating: the off-market transactions area is again expanding at the expense of the market transactions area.

All this is especially visible in the labor market. The reduction of labor quantity and the general increase of labor quality, and the related development of professionalization, as well as the revolution in educational degrees (the rate of university enrollment has risen ten-fold from post-World War II to the present) has almost eliminated unskilled work (left to a

marginalized strata of population: the elderly and immigrant); and have segmented the aspirations of youth entering the labor market (in a way which is, furthermore, not easily satisfiable). Today everybody can refuse unpleasant or undesirable jobs; though for desirable and expected jobs there are difficulties in finding the appropriate opportunities (failing which, unemployment occurs), on the contrary, for unpleasant work there is a labor demand which cannot be satisfied, not because of a lack of skills, but because there are not… enough "unskilled"! If we look at the labor market with the lenses used for the stage of classic Capitalism or neo-Capitalism, we risk misunderstanding completely the real and present problems. Among these problems there is also the expansion of voluntary work in all sectors, which would merit an economic evaluation, even if today it is made possible by conditions of general welfare which previously didn't exist.

At the same time, the number of fields in which industrial and services entrepreneurs can benefit from the high productivity and related "profitability" of production processes has shrunk. Conversely, profitability is generally declining. Furthermore even the new entries in the entrepreneurial world are more and more motivated by the quality of the initiative rather than by the profit perspectives.

## 7. The expansion of the non-Capitalist small and medium firms

In the market and for-profit activities – which, even if in decline as said, will still long maintain an important role even in the post-Capitalist age, both in industry and in the services – there is a huge resurgence of small and medium firms. These firms no longer retain the negative characteristics of low-innovative capacity and low productivity which they possessed during the evolution from Capitalism to neo-Capitalism; instead, from many

points of view, these firms facilitate innovation, automation and the application of information technology, given their greater operational flexibility. Furthermore the small and medium firms are no longer based – as is still the contemporary larger firm – on a high co-efficient of capitalization, that is, on the capital factor as the main and dominant factor of its development. In the small and medium firms the prevailing decisive factors are distinctive: *competence*, *entrepreneurial capacity*, *product and service quality*, etc. All factors where the personal and knowledge factors prevail over that of capital.

## 8. The emergence of the "third sector" or non-profit sector

With regard to the sweeping growth of service activities in the last decades, the for-profit sector has remained steady at least concerning employment, while the non-profit sector has experienced tremendous growth. This third sector, in fact, is the answer – both in its dimension of social solidarity and social voluntarism, and in the cultural and scientific dimension – to the incapacity of the Capitalist system to offer a free choice of activity and acceptable work and jobs to individuals. The growth of the "third sector" – the "do-it-yourself" sector – and of non-market exchange, or of the informal economy (sometimes also assuming forms of an underground economy), demonstrates a kind of economic emancipation of the household and individuals from the requirements and conditions of capital.

This is what elsewhere I call the development of the "Associative Economy"[1] (which it seems to me marks the passage from Capitalism to post-Capitalism). And it provides a

[1] The development of the "Associative Economy" as characteristic of a structural change toward a new social formation, is analyzed in my recent book: *"The Associative Economy: Insights Beyond the Welfare State and in to Post-Capitalism"*, Macmillan: London, 1999; and St. Martin's Press, New York, 1999.

solution to the problem outlined above of liberating the individual from work required to meet basic needs.

## 9. The growth and decline of the state

The most relevant aspect of post-Capitalism is the evolution of the public function. In neo-Capitalism the system had perfected, as said, the Welfare State. This resulted in a huge growth of the public sector which is difficult to avoid without a radical transformation into a new type of state, i.e., a totalitarian state; a state that draws from the work and wealth of all and redistributes it in a bureaucratic way. In the tradition of Socialist thinking, the state has always been seen as a ruler, but not as a direct supplier of services. This was the 'pre-socialist' and paternalistic state which took upon itself the responsibility to repair the social damages of the old system, and to make up for the inability of the people to get incomes sufficient to cover autonomously essential needs, such as health, education, culture, scientific progress. It is not by chance that large increases in public expenditures took place, in all advanced countries, during incumbent conservative governments, in spite of their pretentious sermons against state interventions. On the other hand we must also acknowledge the historical evidence that, while state intervention has progressively attained a size never before achieved, this has not been so damaging, but rather has been accompanied, simultaneously, by important developments of the advanced economies (which is not to say that these important developments have been rendered possible solely by, or because of state interventions).

However in the post-Capitalist stage, which must still be carefully examined, it seems advisable that the state radically

change the quality and direction of its action. It is commonly said: more direction and programming, and less direct management.[2] Recent changes in the managerial methods of the public sector are certainly opportune, especially the changes aimed to introduce a "strategic planning" and programming perspective which will improve the operation and permanent control of the performances. Therefore the abandonment (through privatization, sub-contracting, "conventioned" operations, project financing) of the state's direct role as provider of goods and services must be accompanied by a growth of its role as supplier of information and as place of negotiation, concertation and co-ordination of actions (private or public). and which, presently, is sorely lacking.[3]

Thus while the *administrative* state is reducing itself, on the contrary the *political* state is requalifying itself: the state of basic choices, not simply the guardian of financial stability. These choices can be undertaken through methods – still un-applied – of *programming* societal growth, methods which can never be perfected if they are not applied and constantly adapted and refined.

## 10. Towards a greater "socialization"

Therefore it seems to me that the tradition of Left-wing thinking should be oriented to the deepening of these aspects, here quickly outlined by flashes; aspects which seem to lead, overall, to a widespread socialization of decisional power rather than to

[2] To quote a dictum used in describing the US federal 'Reinventing Government' program: "steer more, row less".0

[3] Which is emerging however, first, exactly in that country – the Usa - traditionally opposed to notions of centralized and authoritarian planning – notions outlined in Roosevelt's New Deal in the midst of the managerial revolution, but later systematically ignored by following administrations, thanks to the opposition of the neo-Capitalist powers.

welfare distribution, thus further accelerating the change towards a more widely acknowledged “Socialism”. In this way we remain consistent with thinking of the past, without the need of wild revisions from one side, and avoiding the need of the other side to go through dangerous paths deprived of any historical vision (that seem to seduce many skeptical managers who wish to profit from a political *carpe diem*).

Socialism, even that of Fourier with its “serial epochs”, has never been a “doctrine”. On the contrary, it has always presented itself as an interpretation of the historical movement toward a greater and greater ability of human society to emancipate itself from the non-necessary institutional constraints; and it has always proposed to build – given favorable circumstances, as well as voluntary effort and political determination – a system of political co-existence more acceptable for the broad majority of citizens, based on greater freedom from economic needs, and on greater social solidarity (which cannot be obtained without social justice).

Today a slow and secular passage is occurring (though terribly rapid if seen from a historical perspective, where a rural pre-Capitalist regime lasted for millenniums), a passage from the advent of classical Capitalism to Socialism, proceeding through stages which we can call neo-Capitalist, “late” Capitalist and post-Capitalist. Any reading of the present made with lenses (paradigms) belonging to a past stage, risks being valid only for interpreting the part of the past social structure which still survives, but plays the role of obstacle to understanding the more rapid advent of the successive stage. At the same time, applying the socio-economic model of an advanced Capitalist stage to a situation or country which has not yet matured beyond a previous stage risks being valid only as a theoretical, intellectual, anticipation of a future advent, and risks producing simply an abortive attempt at Socialism, something neither sustainable nor durable.

Thus, only people who “deviate” toward an usurped conception of Socialism can say (with scant knowledge of the Marxist theory of history) that Capitalism and the “bourgeoisie” have “won”; due only to the fact that some wrongly intended and ephemeral manifestations of pseudo-Socialism aborted, in certain countries where Socialism was unable to survive – either because of the lack of a proletariat (i.e. of a working Capitalist system), or because of the lack of democracy, a necessary condition to the development of a true Socialism.

The task of an intelligent leadership of the Socialist and democratic Left should be to choose times and modes to adapt along the described historical pathway, without abandoning but rather improving the conscience and knowledge of the pathway itself. This task and this historical pathway, instead of being obfuscated, is more and more clear and advancing. And had it not been for the disastrous intervention of false interpreters and false Socialists who have polluted and deviated words and actions, we would probably be at a more advanced stage today.

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