

The Crisis of Authority in Capitalism

Most precapitalist societies were characterized by systematic and significant hierarchical differences in power and privilege. In these societies there were elaborate ideologies that recognized these differences and attempted to justify them socially and morally. These ideologies generally contained two distinct components. First, they promoted the belief that the powerful and privileged elite were naturally, inherently, or innately superior to the remainder of society. Second, they assured those without power and privilege that the elite functioned as benevolent, paternalistic stewards of public welfare, thereby using their superiority to promote everyone's wellbeing.

In the historical transition between feudalism and capitalism the rising middle class (capitalists) had to combat both the institutional basis of aristocratic privilege that significantly interfered with profit making and the ideological justification for these institutions. It was during this period that classical liberalism emerged as the outlook and ideology of this rising commercial class. Classical liberals attacked both components of the feudal Christian paternalistic ideology. First, classical liberals denied that any class was inherently or innately superior. There were definite equalitarian implications in the classical liberal view that all human beings were *essentially* egoistic, rational, calculating maximizers. In Hobbes' early statement of this view the conflictful implications of universal egoism supported his defense of an absolute monarchy. It was, however, in the Smithian notion of the invisible hand that classical liberalism could be seen in its full fruition. The invisible hand argument undermined the second or paternalistic component of Christian paternalism. Not only were all individuals innately identical, rational, egoistic maximizers, but unrestrained egoism was seen as the most effectual means of promoting the general welfare.

There was no need for paternalistic benevolence because human coordination of, or even control over, man's economic and social interdependence was seen as utterly unnecessary (and indeed harmful) in a competitive market society. Impersonal markets and money effectively performed the tasks associated with this coordination. Moreover, competition was seen as effectively neutralizing any potentially harmful effects of concentrated power. Thus, classical liberalism was a powerful weapon against feudal ideology. It denied the significance of differences in power and privilege in a market society while simultaneously denying any need for conscious, discretionary control (benevolent or malevolent) over human interdependence.

Once the feudal institutions and the feudal ruling classes were destroyed, however, classical liberalism remained the dominant ideology of the new capitalist system. It is notorious how effectively liberal *laissez faire* arguments served as rationalizations for the most callous, inhumane consequences of the boundless greed of capitalists during the nineteenth century period of industrialization.

During this early phase of industrial capitalism the toiling classes were so severely mutilated and oppressed that it was not necessary to secure their acquiescence in the liberal ideology. Coercive repression was sufficient to assure social order. In the new class structure of capitalism only the upper class (capitalists) and the middle class (small shopkeepers, independent professionals, managers, etc.) had to accept the liberal ideology to assure social stability. Thus, over three generations of Americans (at least middle and upper class Americans) seemed to have no difficulty reconciling the liberal rhetoric of the Constitution and Bill of Rights with the institution of slavery—not to mention the conditions of squalor, powerlessness and oppressive abuse suffered by millions of northern workers in mines, factories, and farms.

The very success of capitalism, however, undermined the serviceability of classical liberalism. After the abolition of slavery and the spread of industrialism, workers began to organize and to

fight back. The growth in productivity made it possible for the working class to win significant material gains. In addition, by the early twentieth century working people had won the right to vote in most industrialized capitalist countries (although this right was not generally extended to blacks in the United States until the 1960's).

With this increased power in the hands of the working class, it became increasingly necessary for the lower classes to accept the ideology of capitalism. But there existed a chasm between the actual facts of capitalism and the kinds of capitalism pictured in the ideology of classical liberalism. Rather than a rough equality engendered through the neutralizing effects of competition, capitalism was characterized by grotesque inequality. Wealthy capitalists had far more power than even the most powerful of feudal lords. Rather than being effectively integrated in their economic interdependencies by the market, people suffered enormously from the chaos of boom and bust, prosperity and devastating depression. Rather than an efficient, consumer dominated allocation of resources, consumers were exploited by oligopolists and monopolists. Rather than the peace and harmony of the invisible hand, international capitalism was plagued by conflict and unrestrained imperialism.

This discrepancy between economic facts and ideology created a split in the classical liberal tradition. One wing of the tradition (which, in the twentieth century, in the United States, is simply called liberalism) focused on Adam Smith's contention that there were areas in which the market, for various reasons, would not automatically serve the public interest, and that in these areas, the government would have to intervene to alter or nullify the effects of the market. Thus, modern liberalism is generally associated with economic interventionism on the part of the government. The other wing of classical liberalism (which, in the twentieth century, in the United States, is simply called conservatism) continued to insist on a *laissez faire* policy in which the only legitimate functions of government were the defense of private property, the enforcement of contracts and the maintenance of a military establishment. Although various thinkers and organizations have attempted to propagate new ideologies during the last century (most particularly, various arguments picturing wealthy capitalists as benevolent and paternalistic or various versions of social Darwinism—including contemporary sociobiological theories), these two wings of classical liberalism have remained the dominant ideologies of capitalism.

Since the 1930's liberal interventionism has been the dominant wing of classical liberalism. The extreme *laissez faire* arguments have appealed generally only to a few large corporations as well as to the middle class of shopkeepers, small capitalists, managers and independent professionals. Liberal interventionism, with the support of most big corporations, labor unions, and racial minorities, has dominated politics in most industrial capitalist countries, particularly the United States.

Given the increased economic and political power of working people and racial minorities, however, liberal interventionism came to require the support of these groups. The period from the early 1960's to the present has been one in which a deep crisis has developed in liberalism. It appears to be incapable of securing the support of working people and minorities.

The civil rights movement of the 1960's made people conscious that liberalism had done almost nothing to change the economic plight of racial minorities. The anti-war movement made many people aware that liberals pursued a ruthless policy of world-wide economic imperialism. The Pentagon Papers and the Watergate Scandal made people aware that liberal government engaged in systematic fraud and deception and was powerfully controlled by moneyed interests.

The response of liberals (both Democratic and Republican, in the United States) was to increase governmental concessions to working people, racial minorities, and the poor generally while assiduously maintaining the policies of imperialism and militarism. The inevitable result was inflation.

By the early 1980's inflation has become so severe that liberalism can no longer pretend to be the champion of working people and the poor while simultaneously promoting the interests of big corporations and maintaining imperialism and militarism. The inflation of the late 1970's and early 80's has destroyed most of the gains made by working people and minorities during the 1960's, while creating record high profits and mushrooming income from interest on financial assets. At the time of this writing (April, 1980), however, inflation threatens to explode, with disastrous consequences for the entire economy.

It is significant that the liberal Democratic Administration has proposed drastic cutbacks in virtually every social welfare program and absolutely no cutbacks in the record high budget for militarism. The bubble has burst. Liberalism can no longer promote the interest of big corporations, militarism, and imperialism while championing the causes of working people, minorities, and the poor.

But to whom can these groups turn? The only alternative in American politics is *laissez faire* conservatism. Clearly many are turning in this direction and, as a consequence, Ronald Reagan is receiving massive popular support for the Republican nomination for the presidential election of 1980.

But *laissez faire* conservatism is intellectually, politically, and morally bankrupt. It has no answers to the economic and social problems that originally split classical liberalism and gave rise to twentieth century liberal interventionism. Working people, minorities, and the poor will undoubtedly suffer worse under *laissez faire* conservatives than they are suffering under liberals.

But while liberalism has no possibility for promoting the interests of the big corporations from which it receives its financial life-blood and simultaneously commanding the respect and support of working people, minorities, and the poor, the fact remains that these latter groups have more economic and political power than they have ever had in history. American capitalism is simply too democratic at present to function well within the context of its traditional ideologies and political institutions. It requires the support of working people and minorities and yet it has no ideology which effectively promotes this support because it has no political institutions which effectively promote the interests of these groups. There is a severe crisis of authority. Change is inevitable.

I see only two possibilities for change. It will prove impossible to turn back the clock to a time in which liberal ideology and democratic political institutions could coexist with economic destitution and political powerlessness for working people and minorities. If liberal ideology and democratic institutions survive, there will have to evolve a powerful political party that is divorced from the interests of big corporations and the wealthy and that is devoted to the promotion of the interests of working people and minorities. Such a party must be, by its very nature, some form of socialist party. Given the past incredible successes of cold-war anticommunism, however, the creation of such a party would undoubtedly involve extreme social conflict together with severe social, economic, and political instability.

The crisis of authority in capitalism is a crisis of liberal ideology and democratic political institutions. The latter cannot survive without the growth of a socialist movement with all of the dangers that such a movement would entail for the existing hierarchical structure of wealth, privilege, and power. If these dangers provoke a sufficiently strong reaction among the wealthy and powerful, it will be the end of liberal ideology and democratic institutions. Some form of totalitarianism will evolve together with a new ideology which, like most pre-capitalist ideologies, acknowledges the great inequalities of wealth, privilege and power and justifies them with some new moral arguments (e.g. patriotism, religion, sociobiology, etc.).

Liberal ideology, with its emphasis on equality, was an effective means of subverting the structure of feudal power. It provided an effective ideology of capitalism only as long as it was combined with a view of human beings as rational, calculating, egoistic, commercial maximizers who could be efficiently and benevolently held together by the invisible hand of the market. Once the invisible hand argument (either in its “pure” form as propagated by contemporary conservatives, or its “patched up by government interventionism” form propagated by contemporary liberals) ceases to seem believable to broad segments of the working class, the egalitarian ethos that has always underlain classical liberalism, combined with greater economic and political power which workers have won in the capitalist system, will threaten the capitalist power structure in exactly the same way that classical liberalism threatened the feudal power structure. The long-run result, it seems to me, can only be a movement toward some new form of democratic socialism or toward some new form of totalitarian capitalism.