

Illusions of Necessity in the Economic Order

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Three experiences of the unavailability of reform seem to draw an iron circle around the American economy and to establish a gruesome brotherhood of disappointment between would-be iconoclasts and despondent technocrats.

The first of these impressions of intractability has to do with beliefs about the relationship between ideals of social life and the institutional contexts in which those ideals can be effectively realized. It is a widely held conviction that the world of work cannot or should not reflect the aspirations of democracy and community whose force Americans recognize in other areas of their lives. Any attempt to project these ideals into offices, shops, and factories will be both self-defeating and inefficient. There is a secret code of the moral life that decrees democratic conflict for mass politics, communal solidarity for the family, and unsentimental moneymaking or stoical discipline for exchange and work. To confuse the categories is to violate the code. And the sanction is this: that the very ideals whose range of application you set out to extend will evaporate or rot in your hands. You'll waste away your moral capital by investing it in aspects of society with a low rate of moral return, or else, like Midas, you'll be nonplussed by your own success.

The second face of necessity is that the desperate facts of luxury and indigence appear more likely to be changed, if they can be changed at all, by national emergency, general enrichment, or haphazard transfers than by any concerted design of redistribution. A vast net of mutual patronage, dependence, and threat links, in all directions, every sector of the state to every group in society. Any redistributive program that is more than a merciful tinkering with this chain begins to seem like a revolutionary

fantasy. It will take something less whimsical to make the clear eyed and the comfortable lose any sleep over universal suffrage.

The third and most remarkable encounter with the unavoidable goes to the limits of control and foresight in economic policy itself. The puzzles of inflation, unemployment, and fiscal crisis are taken either as punishment for an enormous failure of self-restraint such as will repeatedly occur in the course of democratic politics or else as embedded in market structures and habits of behavior that no one seems powerful enough to change. Those riddles seem traceable to the natural vices of a country where free men try to have their cake and to eat it too, where everyone wants to keep a step ahead so as not to fall a step behind, and where self-denial is a mark of stupidity, servility, or saintliness.

Each of these three images of necessity is at once the acknowledgment and the distortion of a truth. The three may seem far removed from each other. Yet, they are bound closely together and, in fact, bound together in a way that carries a message about the failures of economics as a science. My strategy will be to approach this trinity of fates—the impossibility of realizing democratic and communal ideals in the system of production, the impossibility of achieving fundamental redistribution, and the impossibility of managing economic disorder—from its third and most practical side. Only then will my argument take me to the other members of the trinity and to the nature of economics itself. Thank goodness that I have plenty of time and that we all have open minds.

The deep factors that limit government's ability to avoid the disorganization of exchange show up most prosaically and most stubbornly in the problem of inflation. To begin to comprehend these factors is more than to move beyond monetarist and

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fiscalist. Phillips curve and natural rate of unemployment theories. It is also to reject as partial and therefore misleading those theories of noncompetitive behavior and nonclearing markets that try to build a half-way house between conventional economic analysis and the interpretation of a broader social and moral reality. For what existing economics is entitled to say about inflation consistently with its own methods and assumptions is like the thirteenth chime of a clock, which not only startles us but casts doubt on the previous twelve chimes and, indeed, on the clock itself.

The social basis of inflation can be pictured as a set of interrelated tensions. They all grow out of a historical experience in which hierarchies of position and advantage, inherited and acquired, remain real while also losing some of their coercive force and patina of sanctity. These stresses form the elements of a distinct style of corporatist politics and economy.

The first tension lies in the interplay between the invidious comparisons people make about each other's situations and the struggle in which they engage, according to the measure of their power, to preserve certain customs of stability and fairness. Everyone compares his own benefits with those of the better off, and this remorseless contrast becomes the great factory of needs and of diligence. Yet the all out contest for advantage that would put every social relation up for grabs, for the sake of short-run self-interest and allocational efficiency, is repeatedly deflected by another force. This is the effort to maintain stable ongoing relationships of employment and exchange, to distinguish them sharply from casual deals in labor or goods, and to inform them with customary standards of relative wages and prices, power and prestige, discretion and deference.

The second tension describes a strange blend of weakness and strength in the hold that government has over society. For one thing, the state lacks the effective power or the moral authority to champion new society-wide differentials of advantage or even to win allegiance to the established hierarchies and distributions. For another

thing, however, every class and institution depends for position and advancement upon some form of governmental support—so that the pillaging of the state, the time-honored mark of aristocratic polities, now becomes a universal practice.

The third tension goes to the relationship between individual interests and the organizations that claim to speak on their behalf. The explosion of interests and needs in the delayed wake of the weakening and demoralization of class and communal order has a paradoxical effect upon political struggle. These somewhat inchoate and largely inarticulate aspirations tend to cluster around the parties, professional associations, and labor unions that can define them in the least divisive and most straightforward material terms. On the other hand, however, the relative plasticity of people's ambitions and solidarities enable the representative organizations to get a fix on these solidarities and ambitions: to freeze them into a mold that offers stability to the organizations themselves and that allows the leadership of each of them to deal with constituents, clients, partners, and governments in a way that leaves the rules of the game unchanged. The organizations and the half-mute concerns they supposedly represent end up hostage to each other, and the stranglehold produced by their reciprocal adaptation drastically reduces the freedom of maneuver available to any alternative kind of leadership.

Together these tensions produce a characteristic situation of blockage on the transformative uses of power and conspire to recreate in every sector of the society a politics of frantic bargaining and overall drift. The consequences of this predicament for inflation are these.

The government, facing groups whose political influence is only randomly related to their productive contributions, will be repeatedly tempted to finance its programs through means other than outright taxation or transfer and to emphasize those aspects of distribution and redistribution that are not directly connected with a plan of institutional change rather than those that are.

Workers will resist the disruption of their

customary wage structure; they will undermine national incomes policies either because these policies jeopardize the integrity of the wage structure in a particular segment of the workforce or because they shore up a society-wide pattern of distribution that is itself viewed as illegitimate; and their unions will turn away from a politics of broader conflict about institutions that seems to endanger the established habits, prerogatives, and personnel of the unions themselves. In the absence of any prospect of major shift of power or wealth, the fight to keep ahead of the others will absorb all attention, and all larger solidarities will dissolve into smaller ones.

Managers and capitalists will exploit every opportunity to expand their margins of profit and therefore of safety against the uncertainties of corporatist politics. They will defend the price and wage rigidities that, together with the exploitation of a perennially jobless underclass and with the exaction of favors from government, help underscore their stable links with their own core markets and workforce.

The corollaries of the blockage revealed in relatively harmless fashion in inflation reach into every aspect of society. They make the madness of war look like the only solvent of routine politics. They make it impossible to determine what people would in fact say and choose in a situation in which the blockade on reform were partially lifted. They lead the ideological imagination of the elites to exhaust itself in hesitancy between a half-hearted state paternalism and a pseudo-restorationist program of free competition, both incapable of changing the facts against which they rail.

Faced with this petrification of possibilities, the subversive political mind will track down, under the monolith of paralyzed power, the hidden fault lines of disbelief and contention. It will look for issues that are at the periphery of accepted political discourse and take their ambiguities to reformist advantage: the widening of the range of debate about the fiscal and regulatory links between governmental power and private privilege, which can be either an occasion to correct minor abuses

or the beginning of a larger quarrel about the tie between state and society; the promotion of meritocratic opportunities in career advancement, with its uncertain bearing upon the need to create the starting points of equality from which the meritocratic race is to be run; the idea of workers' participation, which can be either a refined Taylorism or a step toward workers' control.

The subversive political mind will identify and seek implausible ties among groups that are both continuously created by the existing order and continuously frustrated by it: the manual underclass, locked into a cruel ghetto of the labor market; the white-collar workers, finding that they are divided from their blue-collar counterparts more by style and expectation than by power, income, opportunity, or even work conditions; the restless, fancy, ingenious staffer class, suffering from a chronic shortage of political place.

The subversive political mind will find ways to reconcile tactless visionary leadership with the tactful contrivance of new organizational bases of power and group alliances.

It is in the course of alliance making and ideological conversion that the relation of corporatist politics to the problems of redistribution and ultimate ideals becomes clear. The conditions under which the stalemate of corporatist politics can be broken are the only circumstances in which basic redistributive programs can be accepted and the institutions of work remade in the light of principles of democracy and community. At the same time, these principles and programs are the only impulse that can give, in the final analysis, coherence and momentum to the reconstructive effort. But, though it may be easy to understand the meaning of redistribution, however great the difficulties of bringing it about, it is hard to picture with precision and realism just what it might mean to bring community and democracy to the workplace and, indeed, to do so in a way that permanently extirpates the extremes of poverty and wealth.

Sometimes it is said that any talk of community and democracy in the organization

of work will be punished by a decline in productive efficiency. The plain fact of the matter is that no one can tell in advance how technical and political aims might be accommodated when neither the institutional forms of work nor the human responses to them can be taken as fixed points. Moreover, the present system of production, like every system of production, is a power order as well as a technical solution to the problem of scarcity. In the interest of its own preservation, it does and it must put brakes on that constant, flexible interplay between abstract task definitions and concrete operational experiences that is the very essence of our modern conception of efficient rationality, and it does so by distinguishing more or less sharply the people responsible for defining productive tasks from the people charged with carrying them out.

It is also claimed that there would be a fatal instability in any attempt to realize democracy and community in the workplace. That worker's democracy would produce a new panoply of hardened vested interests, and that worker's community could only spell a preposterous village tyranny of the workplace. But, for workers' democracy to take root, the institutionalization of conflict and the subordination of technical advice to collective choice at the workplace level has to be paralleled by an enlargement of democracy in the nation. Without expanded conflict and participation in national government and in planning or regulatory agencies, workers' control becomes the occasion for another politics of corporatism when it does not remain a cover up for bureaucratic manipulation. Conversely, without democracy in the enterprise, the despotism of private power and technical expertise over everyday life remains unbroken. It is essential to a democratic production system that the relationship between the enterprise and each level of government be regulated not by the allocation of absolute property rights, but by the distribution of complex entitlements of dissent, participation, and access to jobs, markets, and capital. This means that, as capitalist property rights in large-scale enterprise are phased out, rights

of decentralized decision making and market exchange are acquired by workers themselves. But it also means that limits are set on the distribution of productive capital as wages, on the size of enterprises, and on the extent to which profits and investments can be used to control other people's labor in other firms.

Again, community in the setting of work must signify the democratization of mutual burdens and vulnerabilities as a basis for shared concerns if it is not to come down to an attempt by bosses or bureaucrats to enable power through a pretense of togetherness.

A society that has ceased to deal with the problem of power through the allocation of absolute property rights and that has rid itself of its obsession with the contrast between contract and community is not a society that merely projects existing communal and democratic ideals into unfamiliar terrain. For when the ideals come unstuck from their traditional contexts, they must be re-imagined. The realms of democratic conflict, communal solidarity, and technical hierarchy will overlap rather than oppose each other once they have been allowed to find new meanings and applications.

Economics as it now exists is incapable of understanding either the deep realities of the corporatist style of politics and economy or the conditions and consequences of its reformation. Its inadequacies in this regard come from two sources: the nature of its method as a science and the character of its practical relation to power.

The crucial point about method is what to make of the struggle for generality and formality in economics in the course of its passage from classical political economy to the marginalist theory of general equilibrium and from there to a still more overarching theory of maximizing behavior. It is a mistake to attack the science that has emerged from this line of development because it relies on simplifying assumptions or reaches counterintuitive results or searches relentlessly for new modes of formal analysis. All these may be among the wounds that bold and rigorous thought is entitled to inflict upon the preju-

dices of common sense for the sake of surprising insight. If it is true that this formalized economics was forged partly in response to the socialist attack on political economy, it is also true that it partly succeeded in creating a science that can be used by anyone whose ambitions and curiosity are sufficiently modest.

The central vice in this neoclassical theory lies rather in having been seduced and corrupted by too primitive a conception of rational order. This fall into methodological sin manifests itself in two complementary ways.

First, it shows up in the inability to carry through a sustained interplay between theoretical analysis and empirical discovery. As long as the actual complicated facts of work and exchange are an occasion for relaxing independently held assumptions or for judging departures from preconceived standards of allocational efficiency rather than a subject for cumulative causal theorizing, economics as a science is condemned to eternal infancy. It will be made up of explanatory schemes that are relatively immune from the interesting paradoxes of the historical world and of factual observations that are random and *ad hoc* with respect to the theoretical machines into which they are fed. Such a science cannot grow, and its precocious virtuosity in formalization must be followed by a terrible sterility of substantive insight.

The reverse side of the same failing lies in a central ambiguity that runs through the related concepts of maximization, efficiency, and rationality. Is there a hollow and tautologous notion of maximizing rational decision that means no more than pursuing your aims whatever they are in the world whatever it's like? Or must we read into the concept of rationality a much narrower set of assumptions about the free-flow of resources, the determinants of conduct, and the translatability of inequalities of power and disagreements of purpose into the language of material exchange? If the former, economics cannot rise above tautology except by the dangerous and undisciplined expedient of re-

laxing assumptions. If the latter, however, economics is tied down to constricting normative and empirical premises from whose hold it had rightly tried to escape and with whose truth it is congenitally unprepared to deal.

The task, then, is to imitate classical political economy in this respect: that theories of exchange must be folded back into theories of power and perception.

The other major way in which economics has become an obstacle to understanding and to change can be inferred, once again, from the contrast with classical political economy. The heart of the program of the classical economists lay neither in a mere hope of collective material improvement nor just in an attachment to individual autonomy, but rather in a vision of historical opportunity. The relative withdrawal of class and corporatist privileges appeared to leave an open space in society, a space in which reason and labor could reach new heights of invention. Even when the classical economists toadied to the great, their ideas had power and authority because these doctrines were inspired by a generous image of unrealized human possibility. In its acceptance of this inspiration, political economy was not confusing description and evaluation; it was tacitly acknowledging that to understand a form of life is to prefigure its hidden possibilities of transformation.

The open space on which the classical economists pinned their hopes seems much smaller to us than it seemed to them; and the area left vacant by the crack in class coercion and institutional discipline to be densely overlaid by a new fatalism of stalemate, distrust, and despair. Without a true practice of science and a transformative imagination, economics must kneel down before this latter-day apparition of fate as a reality that it cannot change and a mystery that it cannot grasp. Despite the seeming agnosticism of its methods and assumptions, economics will then become a metaphysic for solid operators, a coat of armor for the prudent and the passive, and a hocus-pocus in the vestibule of power.