

The Changing Face of Capitalism; Q & A

(extracts from a Wake Forest University Faculty Q&A, October 20 2008: available at <http://www.wfu.edu/wowf>)

Q: You've extensively studied – and taught –different economic and political systems. One of the objections to the recent \$700 billion bailout plan is that America is “going socialist.” Your reaction?

A: *No, we're not going socialist – not in many meaningful sense of that word. Not at all! The image we all carry of socialism is a pretty dire one: an Eastern-European style centrally planned economy, with state ownership of major resources and no room for private enterprise. A gray world of equal and low pay, standardized clothing and no individual autonomy. An all powerful, all-seeing State – a sort of Orwellian nightmare. No, we're definitely not going in that direction.*

Q: So in what direction are we going?

A: *What we are seeing is a government intervention in the banking system that's designed explicitly to strengthen the rest of the private sector. That intervention is already large. It may grow larger yet. But it will be also ultimately be temporary, and it has happened before. Something similar occurred in Sweden in the 1990s and here in the US in the 1930s: on both occasions helping to trigger long-term private sector growth. It is a dramatic change from a previous policy of financial deregulation, but it is not unprecedented and there is nothing especially liberal or progressive about it. After all, we'd do well to remember that the federal government is already heavily involved in supporting large parts of the economy. Nobody labels it as socialism when Congress votes to send vast subsidies to the agricultural sector, or to direct significant amounts of tax paper dollars to the engineering industry – to buy anything from guns and tanks to spaceships. And nor should they.*

Q: But doesn't the bail out represent a fundamental change in government policy?

A: *Yes, it does. It marks the end of an era, but not the end of capitalism. As David Brooks said in The New York Times earlier this week, the real casualty here is the Gingrich Revolution. Given what has happened these last four weeks, it's unlikely that any time soon a future President will build into his State of the Union Address proposals to partially privatize Social Security, as President Bush did on at least two occasions in the last eight years. For the minute it rather looks as though Milton Friedman is out of fashion, and that John Maynard Keynes is on the way back in. We don't face socialism; but we do face a slightly more managed capitalism. But the rest of the industrial world flourishes under such a system. Arguably we will too, if the management is up to the task.*