The Alternative To Long-Term Austerity: Less Work, Higher Wages, No Mere Utopian Dream

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"A spectre is haunting the treasuries and central banks of the West – the spectre of secular stagnation. What if there is no sustainable recovery of the economic slump of 2008-2013? What if the sources of economic growth have dried up – not temporarily, but permanently?" – preeminent Keynes scholar and economic historian Robert Skidelsky, "Secular Stagnation and the Road to Full Investment," Social Europe Journal, May 22, 2014

Both Karl Marx and J.M. Keynes concluded that the trajectory of capitalist development placed a radically emancipatory possibility on the political-economic agenda. *For the first time in modern history work time could be dramatically reduced with no reduction in our standard of living.* In fact, if living standards are measured not merely by money wages but also by increased leisure, i.e. increased time available to develop and exercise our broad range of gratifying capabilities, the reduction in work time would elevate our standard of living to a degree hitherto unimaginable.

In what follows we'll see that less work with higher wages is at this historical juncture not merely economically possible, but desirable as the only practical alternative to the secular stagnation grimly forecast with much flurry by such luminaries as Paul Krugman, Larry Summers and Robert J. Gordon, and by the IMF in its April 2014 *World Economic Outlook*. Both Marx and Keynes saw their prescriptions as not merely a "better idea," but as the alternative to severe ongoing crisis, understood as dramatic reductions in real production, employment and wages.

The stakes are very high; even the mainstream it pricking up its ears. Krugman recently referred to "a growing consensus among economists that much of the damage to the economy is permanent, that we'll never get back to our old path of growth." ("Does He Pass the Test?, *The New York Review*, July 10, 2014)

The secular stagnation portended is defined by Krugman as "a persistent state in which a depressed economy is the norm,with episodes of full employment few and far between." ("A Permanent Slump?" *The New York Times*, November 17, 2013) Austerity hell forever.

There is an alternative, and the only one that is capable of addressing a situation in which profits and economic growth can no longer be achieved by investing in real production and hiring workers. An overripe, industrially saturated economy can be made into one that can deliver on capitalism's false promises. All workers can be employed, but for far fewer hours, and a just living wage can be provided to all. This is the arrangement recommended by Marx and Keynes. Keynes the Enlightenment liberal imagined that this could be accomplished by rational persuasion within the framework of a democratic capitalist economy. Marx knew better. Capitalism's property relations, along with its insatiable drive for increased profits, are incompatible with the desired prescription.

Marx understood that a genuinely free society, with both political and economic democracy, would come about only if capitalist power was overcome by mass mobilization. But he was no historical determinist. There was no guarantee that a workers' movement aiming to replace capitalism with a workers' democracy, democratic socialism, would materialize. It is the responsibility of the Left to contribute, through education and organization/mobilization, to the emergence of such a movement.

In case this does not happen, the alternative is a persistent state of political-economic crisis featuring declining living standards and the withering away of such democracy as exists in a social order dominated by owners of Big Wealth. The alternatives were identified by Rosa Luxemburg: socialism or barbarism.

Marx and Keynes on the Obsolescence of Standard Work Time

Marx's observation that soaring productivity under capitalism "makes it possible for me to do one thing today and another tomorrow, to hunt in the morning, fish in the afternoon, rear cattle in the evening, criticise after dinner" was echoed by Keynes in *Economic Possibilities For Our Grandchildren (Collected Writings,* vol. IX, 321-332*)*. Under productively mature capitalism, "a point may soon be reached, much sooner perhaps than we all of us are aware of, when [basic economic] needs are satisfied in the sense that we prefer to devote our further energies to non-economic purposes." (p. 326) What makes this feasible is that heightened productivity reduces the time it takes to produce the requirements of a decent and just standard of living. "In quite a few years – in our own lifetimes I mean – we may be able to perform all the operations of agriculture, mining, and manufacture with a quarter of the human effort to which we have been accustomed." (p. 325)

That workers will be able to produce the value of living-wage goods in one quarter of the time formerly required was regarded by Keynes as "the greatest change which has ever occurred in the material environment of life for human beings in the aggregate." (p. 331) It enables us to sieze the day by liberating workers from having to devote most of their waking hours to laboring. "[W]e shall endeavor to spread the bread thin on the butter – to make what work there is still to be done to be as widely shared as possible. Three-hour shifts or a fifteen-hour week… For three hours a day is quite enough to satisfy… most of us!" (p. 329)

It is the nature of capitalist development to expel labor from production in both the capital- and consumer-goods sectors. As Keynes put it in *Economic Possibilities*, "The increase in technical efficiency has been taking place faster than we can deal with the problem of labour absorption.." (p. 321) This creates "*technological unemployment*… due to our discovery of means of economising the use of labour outrunning the pace at which we can find new uses for labour." (p. 325) Capital's productive power has never been more prodigous than it is today, as the system continues to render labor increasingly superfluous to production. Productivity increases proceed apace while fewer and fewer workers are needed to bring this about.

In the face of rising productivity and unorganized labor, the interests of capital and labor are conspicuously opposed. The Marx-Keynes alternative addresses the interests of working people. What Keynes did not address was that the interests of capital call for more, not less, work in the same circumstances.

If wages can be held constant or decreased and, better still, *work time increased* as productivity rises, the windfall to capital will be enormous.

This is exactly what we have seen during the current crisis.

Expanding Work Hours When Productivity Rises

The Marxian-Keynesian response to capital's tendency to render production ever more efficient -to increase the output produced per unit of labor input- is never so much as mentioned in mainstream economics. Reducing labor time is out of the question. According to respectable analysis, the principal benefit of productivity growth is to allow us to increase our material standard of living without having to work longer hours. By reducing unit labor costs increased efficiency also permits enhancing household purchasing power either by lowering prices or raising wages, or both. But monopoly pricing power precludes the former, and the effective defeat of organized labor rules out the latter. Only one alternative remains: capital's share of total income increases absolutely and relative to labor's share. This is the world we currently inhabit.

With productivity up 75-80 percent since 1979 and wages continuing to decline as they have since 1974, we are not surprised that the profits of financial and nonfinancial corporations to have hit record highs. And the situation is worse than it looks. The productivity gains of the past three decades are surely underestimated; they record only official work time. Glassdoor, which tracks employment time, reports that "Fear is still motivating people to not be away from the workplace." Workers are always afraid that a pink slip can be just around the corner, and with workers almost always connected to smartphones, laptops and tablet computers, employers are exploiting these anxieties to squeeze work out of employees after work and during vacations.

Not only did workers use only half of their eligible vacation time between April 2013 and April 2014, reports Glassdoor, but "61 percent of people who take time off are working during vacation." **("**Americans only take half of their paid vacation," Quentin Fottrell, August 22, 2014 **http://www.marketwatch.com/story/americans-only-take--half-of-their-paid-vacation-2014-04-03)** Many employers require that workers be responsive to electronic alerts after work hours. This dramatic increase in unpaid work time is unacknowledged in official statistics. That productivity gains are much greater than reported surely accounts for much of the whopping gains made by the very wealthy since 1980.

The increase in unpaid work hours has been especially conspicuous since 2008, when employers were able to take advantage of workers's insecurity during the financial crisis and the faux "recovery." This is one of the consequences of the United States being the only industrialized country that does not guarantee, by law, 25-30 paid days off. There is thus virtually no limit to the amount of work employers can squeeze out of workers. The Economic Policy Institute reports that in 2007 the average worker worked 181 more hours than in 1979, an increase of almost 11 percent, the equivalent of each worker working 4.5 additional weeks per year. This began around the same time that the wage-productivity gap began to undo the 1949-1974 Golden Age postwar norm. (Lawrence Mishel, "Vast Majority of Wage Earners are Working Harder, and For Not Much More," *Economic Policy Institute*, January 30, 2013)

At precisely that stage of capitalist development that Keynes argued would open the door to an historically unparalleled advance for workers, the drastic reduction of work time -from 40+ hours per week to fewer than 15 hours per week- workers' fortunes in this very respect have taken a turn for the worse. Keep in mind that the secular stagnation predicted by "a growing consensus among economists" includes a continuation of this development. Permanently high levels of unemployment, stagnant or declining wages, increased debt and chronically insecure workers combine to force workers to compete for scarce work by commiting more and more of their time to what Marx and Keynes regarded as unnecessary labor.

Keynes imagined that with civilized discourse and good arguments, a public-spirited political leadership could in the end cajole business into conceding the necessity of reduced work hours with no reduction in pay. Keynes's political naivete is remarkable. There is no recognition that political and economic power are the key determinants here. The amount and distribution of work time are not, as Keynes implied, settled under capitalism by political leaders, but by the firm. Rising productivity, displaced workers and stagnant or declining wages gives a tremendous boost to profits. Why would capitalists endorse an arrangement where workers spent virtually all of their much-shortened work time earning the wages they need for a comfortable life and practically no time creating profit for capitalists?

Marx understood that the expansion of leisure and its correlative aversion of crisis would come about only if working people make it happen through mass mobilization. Otherwise, the outcome we witness now is inevitable. Keynes was right that shorter hours at stable or rising wages would turn out to be necessary to avert crisis, but he did not grasp, as Marx did, that this outcome is politically impossible under capitalism. Similarly, faux Keynesians like Krugman bemoan the persistence of secular stagnation but do not permit themselves to consider the obvious argument that this might be a decisive demonstration of the undesirability, the practical unfeasibility, of capitalism for the working majority. It's called capitalism, not laborism. The idea is to increase The *Wealth* of Nations, not the wages or even the income of nations. And ever-growing wealth is the possession of the few.

The Accuracy of Keynes's Forecasts

Mainstream economists take no interest in Marx's analysis, but they have addressed at length Keynes's predictions. Eighteen distinguished economists contributed to a collection of essays titled *Revisiting Keynes* (The MIT Press, 2010), devoted to an assessment of *Economic Possibilities For Our Grandchildren*.

The economists are generally agreed that Keynes's forecast that "the standard of life in progressive countries one hundred years hence [from 1930 to 2030] will be between four and eight times as high as it is today" is not only confirmed but has in fact been*overachieved*. (p. 28)

Keynes's forecast implies an annual growth rate as high as 2.1 percent. In fact, the actual growth rate for the relevant grouping of countries between 1950 and 2000 was 2.9 percent; per capita GDP increased four times between 1950 and 2000, *half the time forecast by Keynes*. Projecting 2.9 percent over one century, we find a seventeen-fold increase in standards of living, "more than double Keynes's upper bound." (p, 28) We do in fact now have the material means of providing a decent standard of living for all. (We are talking here of the advanced capitalist countries. Keynes ignored the question of global distribution. While that issue is beyond the scope of this article, what has been established is that current possibilities for developed countries *can* be reproduced on a global scale. Neither a shortage of resources nor of labor prevents the possibilities created by the advance of globally distributed technology from being realized worldwide. What does stand in the way of universal democracy is the existing distribution of political and economic power, and the absence of a comparably global movement of resistance. And we must note that what is*not* possible is that the entire world shares the American standard of living of the Golden Age, comprising as it does an enormous surfeit of redundant and wasteful production.)

The prescience of Keynes's growth forecast is, the economists concur, counterbalanced by the failure of his prediction of increased leisure time and a shorter work week to come to pass. Keynes was right that economic growth creates the means to emancipate us from the struggle for survival and to dramatically reduce the portion of our lives devoted to "making a living," but wrong to think that this possibility would be actualized.

Why has the liberating possibility not been actualized? On this the economists are virtually unanimous. "[I]t is hard to believe that there will come a moment when people feel that the economic problem is solved and capital accumulation comes to an end.The aspiration for improvement is always there, no matter what level of living standard has been achieved, and with it the need to save accumulate and work." (p. 12) The key term here is 'improvement', and it is clear that the authors take it to connote increased consumption. This merely repeats the "unlimited wants" component of the scarcity thesis with which every economics textbook begins. We live in a world of scarcity. Resources are limited but our wants are not, so, lest we enter a Hobbesian war of each against all in a mad scramble for scarce stuff, we must channel our competitive energies through the circuitry of the market.

That human wants are unlimited is treated by the mainstream as unfalsifiable. The claim is therefore not empirical, but metaphysical. No pre-capitalist culture held the boundless wants thesis. What is plausible is that there are no limits to the possibilities of human*improvement*. There is no reason to equate improvement with increased consumption, as the contributors to *Revisiting Keynes*do. Classical political economy was not blind to this point. John Stuart Mill shared Marx's conception of human improvement as the development of satisfying and fulfilling capacities. He saw maturing capitalism as headed toward a "stationary state" much like Marx and Keynes's industrially fleshed-out capitalism. As Mill put it in *Principles of Political Economy*, "There will be as much scope as ever for all kinds of mental culture, and moral and social progress; as much room for improving the Art of Living, and much more likelihood of its being improved, when minds cease to be engrossed by the art of getting on." (Book IV, ch. 6) These ends would be facilitated, Mill thought, through legislation redistributing property by promoting "equality of fortunes."

Pressing moral, political and ecological considerations lead us to arrange human wants and desires on a scale of priorities. The kind of society we struggle for is one which *can* satisfy the most fundamental of these desires, those which any reasonable person would see as essential to human welfare under any modern political-economic arrangements, and *does so because it can*. On our scale, health care is not on the same level as private swimming pools. The most widely propagated critique of the recommendation to shorten work time is nicely expressed by the Berkeley economist Bradford DeLong, and illustrates the inability of mainstream analysis to take seriously the distinction between essential and luxury consumption:

> "[W]hat is our long-run economic destiny? Keynes looked forward to a time,

> perhaps 2050, when everyone (in England, at least) would be able to have the lifestyle of a Keynes. And, because he imagined that no sane person could want more of the necessities, conveniences, and luxuries of life than a Keynes had, the economic problem would be solved. We are wiser – and perhaps sadder – than Keynes. We know that we want hip replacements and heart transplants and fertility treatment and cheap air travel and central heating and broadband Internet and exclusive beachfront access." (http://www.project-syndicate.org/commentary/a-long-run--economic-destiny-of-mounting-inequality-by-j–bradford-delong)

It is bizarre to include advances in health care and "exclusive beachfront access" in a list of what "we" want. Egalitarian values lead us to ask first whether our society *can* provide a satisfying life for all. Do we have the human and nonhuman resources to provide every working person with a just, satisfying living wage? We do. Why, then, are the requirements of economic justice not met? Authorities as diverse as Marx, John Stuart Mill, Keynes and Thomas Piketty have demonstrated that the property arrangements definitive of capitalism preclude just outcomes. That productive capital is privately owned and put to use only to increase profits results in a distribution of wealth and income that denies the majority a *guarantee* of the essentials of a good life. But can we afford it? The 400 wealthiest Americans are worth just over $2 trillion, roughly equivalent to the GDP of Russia. (Forbes, September 16, 2013)

Inequality is not the only factor denying essential benefits to the majority. The vast resources absorbed by the military, artificial product differentiation, marketing, property law, divorce law and the luxury consumption of the wealthy are more than enough to cover "hip replacements and heart transplants."

A society run on democratic socialist principles would, as capitalism would not and cannot, produce no additional luxury goods until everyone was provided with the essentials of a good life. This is now economically practicable. The task is to make it politically possible. This cannot be done in a capitalist future. The system has reached the developmental point at which stagnation and austerity punctuated by financial bubbles are all that capitalism can promise. There are four types of demand that are candidates for restoring economic security for the majority. None can do the trick.

Why Investment Will Not Deter Austerity

There are four kinds of spending that can contribute to the growth of production and employment. These are the species of demand that generate the Gross Domestic Product. (GDP) There are investment demand, consumption demand, government spending and net (minus imports) export demand for US goods and services. Let's look at investment.

All developed capitalist economies are overripe; they are industrially saturated. This means that these economies have the existing means to reproduce and advance their material standard of living with little or no additional (net) capital or labor input. Put differently, net investment and additional productive workers are no longer required in order to augment society's productive potential. Detailed empirical research has established that new, productivity-enhancing investment can be and is financed from depreciation reserves set aside to replace existing equipment. (For a detailed empirical defense of this claim, see the 20-page statistical Appendix to James Livingston's *Against Thrift*.) These funds are untaxed and not counted as profit. One of the key justifications of the capitalist's need to appropriate profit, that it is necessary to fund investment and research, is now yesterday's papers. In

1995, Paul Sweezy, the distinguished and prescient editor of *Monthly Review*, calculated that "[T]he big corporate enterprises of today can and do finance a large and steady stream of innovations out of depreciation funds without any net investment at all." ("Economic Reminiscences," May 1995)

Two considerations, one more general and inherent in capitalism, the other specific to industrially mature capitalism, are relevant here. Capital must alweays seek to lower production costs. Productive equipment, physical capital, is a cost of production, and the capital-goods-producing industry has a built-in incentive to produce cheaper and more efficient equipment. And indeed capital costs have been in secular decline since the dawn of industrialization. With the emergence of industrially overripe capitalism, the digital revolution has produced technologies requiring relatively small investments compared to those required to get the railroad, steel and automobile industries off the ground. Increasingly, existing capital equipment has been enhanced or replaced by computerized and robotized innovations. The corresponding investments come to peanuts. They are typically financed out of depreciation reserves.

A few examples are typical of very many. A company that makes the steel crossbeams supporting the bodies of tractor/trailer rigs ordered a robotic welding system and developed its own automated tooling to customize the performance of a standard robotic welding cell to its specific needs. The company invested a measly $135,000 in the robotic welding cell, and approximately another $50,000 to $60,000 to develop the automated tooling and fixturing. With this investment, productivity was improved more than 300 percent. The entire project displaced many workers, and the robots never rest, take time out, ask for a raise, require health insurance, complain of unsafe working conditions or form a union. (Robotics Industries Association http://www.robotics.org/content-detail.cfm/Industrial--Robotics-Editorials/Purchasing-Your-First-Robotic-Welding-System/content_id/663)

Robots have greatly reduced production costs in the computer electronics industry. They do nearly all the work in making the most valuable part of computers, the motherboard, housing microprocessors and memory. Workers slip in the batteries and snap on the screen. These robots cost $20,000-25,000, a pittance. A long-time analyst of the industry predicts that "[Robots} will replace most of the workers, though you will need a few people to manage the robots." (Catherine Rampell, "When Cheap Foreign Labor Gets Less Cheap", The New York Times, Dec. 7, 2012.) In the auto industry robots cost $28,00-50,000, a fraction of the company's depreciation set-asides. The digital replacement of checkout clerks, travel agents, bank tellers and gas station attendants was just the tip of the iceberg.

Notable mainstream scholars have begun to broach these hitherto forbidden possibilities. Robert Skidelsky recalls that Keynes and his eminent American student Alvin Hansen forecast "that new inventions would require less capital than in the past. This has now come to pass… Kodak needed and built vastly more infrastructure than its digital successors Instagram and Facebook – and (of course) employed many more workers. The inventions of the future may well consume even less capital (and labor)" (Skidelsky, ibid.) Even Larry Summers avers that "Declines in the cost of durable goods, especially those associated with information technology, mean the same level of saving purchases more capital every year." ("Why Stagnation Might Prove To Be The New Normal," *Financial Times*, December 15, 2013)

Capital goods are like computers. Over time they become both more efficient and cheaper. Their acquisition -investment- does not require the tiniest fraction of the investment capital that brought the nation's industrial infrastructure to maturity. The existing stock of capital equipment has yielded record profits; new *private*investments would be money down the drain. Thus, both financial and nonfinancial corporations are presently sitting on trillions of dollars they have no incentive to lend or invest. They are using this cash to speculate in international currency markets, purchase high-yielding foreign bonds and buy back their own stocks, and they still have plenty left over.

The current crisis does not account for the origins of this development. Both private and public investment per worker dropped significantly from the Golden Age, 1947-1973 to the Age of Austerity, with its declining wages and growing inequality. During the period of relative prosperity, in the private sector capital equipment per worker grew at an average annual rate of 3.3 percent. From 1974-1990 the figure dropped to 1.9 percent. In the public economy the corresponding figures are 1.6 and 0.09 percent. (U.S. Department of Commerce, *Survey of Current Business*, January 1992)

The drop in private investment was due primarily to three factors, the exhaustion of the grand nationwide projects that stimulated output and employment in every major industry for thirty years after the war: the automobilization of the country, suburbanization, the construction of a system of interstate highways and roads, the buildup from scratch of the Military-Industrial Complex and the re-industrialization of Europe; the re-emergence of international competition after the restoration of Europe and Japan, which drove down profit rates at home and curtailed investment; the cheapening of the means of production resulting from technological advances in the capital goods industry. When this last element morphed into the full development of the "digital revolution," the atrophy of net investment was greatly accelerated as computerization and robotization became increasingly ubiquitous features of the production process.

The decline of private investment is not necessarily the danger sign that many commentators take it to be. The higher productivity and lower cost of capital goods in these times simply means that productive equipment offers more bang for the buck. Huge corporate savings no longer necessary for productive investment are now potentially available to increase living standards by raising wages, and to initiate public investment in infrastructure, green energy, education and health care. Instead these funds make their way into financial speculation. That would not happen if they were socially owned and controlled.

In sum, private investment on a grand scale will not avert secular stagnation. As noted above, three possibilities remain: private consumption, government spending and export demand.

Private Consumption and Exports as Non-Starters

General Electric CEO Jeffrey Immelt, two years before he was appointed head of The President's Council on Jobs and Competitiveness, reminded the Detroit Economic Club that "We all know that the American consumer cannot lead our recovery. This economy must be driven by business investment and exports…" (http://www.reliableplant.com/-Read/18494/american-renewal-immelt-addresses-detroit-econ-club) Immelt takes it as a no-brainer that wage-driven consumption is not in the cards. Wages have been in decline for 40 years, an astonishing development and politically impossible unless it is part of post-Golden-Age policy. Immelt's remarks identify one of the key connections between low wages and official policy. Not only must the economy be "driven by…exports," but "This country ought to be, and we can be, not just the world's leading market, but a leading exporter as well."

Obama expressed the same sentiments in his 2010 State of the Union address, in which he aimed at doubling the nation's exports by 2014. Since that address the increase in exports of goods and services has been only 30.9 percent. (U.S. Department of Commerce, Bureau of Economic Analysis) Obama's goal was hopelessly unrealistic. (Will we match German quality and Chinese wage levels?) We can imagine the administration's response: "This only shows that wages have not dropped enough." Competitiveness in exports means price competition, and this requires low wages. The fifty percent wage decreases in the auto industry tell us the magnitude of wage reduction perceived by elites as necessary in a global neoliberal order featuring a race to the bottom on the wage front. It is abstractly conceivable that the U.S. might become a leader in world trade, but this would be founded upon having created a nation of low-wage debt peons.

Technological labor-displacing developments supplement the politics of austerity. We have seen that the same innovations that reduce the cost of capital goods and tend to render net investment obsolete also displace labor. Net job loss is the New Future. In his new study of the economics of austerity and the corresponding irrelevance of Golden-Age faux-Keynesian remedies, James Galbraith argues that "The big function of the new technologies is to save labor costs… The ratio of jobs killed to jobs created in this process is high… The plain result of the new technology is unemployment." (*The End of Normal*, Simon & Schuster 2014, 133, 139, 141) Galbraith might have added "and continuing downward pressure on wages."

Private investment, private consumption and exports will not contribute to growth in the real economy that will greatly raise employment and wages. The only remaining source of a reversal in the fortunes of working people is public investment, government spending. The financialization of both the domestic and the global economy is premised on the cardinal tenet of neoliberalism, that government spending for social purposes is taboo. This is now a defining feature of post-Keynesian financialized capitalism.

The majority of economists know that massive public investment in employment-generating projects is possible. They prefer to be in tune with capital's current key signature, so they opt instead for the only alternative consistent with the imperatives of neoliberalism, the perpetuation of financial bubbles. Asset inflation is fine. Product-market inflation, an essential concomitant of a revived real economy, is the archenemy of banks and their chief lobyist, the Federal Reserve. Wage inflation is the worst of all. Capital has painted the rest of us into a corner. The only acceptable alternative is bubbles *ad aeternam*.

Summers and Krugman explain why.

The Perverse Case For Everlasting Bubbles (and Crashes)

In his 2013 speech which started the widespread discussion of secular stagnation, Summers centered his argument around the fact that a series of bubbles has been necessary to avert stagnation since the 1980s. Yet even with the excessive stimulus that bubbles provide the economy's growth and employment rates remained sluggish. And we never saw the mild-to-moderate inflation normal in times of robust growth. Secular stagnation had become visible with runaway thrift institutions and the commercial real estate bubble during the Reagan recovery, when low growth and employment improved somewhat but remained well below peak postwar rates. The dot.com bubble of the 1990s also buoyed growth and employment from very low to low, well below peak rates while inflation remained below target levels. Writing in the Financial Times (December 15, 2013) of the biggest bubble of all, Summers reminds us that "..manifestly unsustainable bubbles and loosening of credit standards during the middle of the past decade, along with very easy money, were sufficient to drive only moderate economic growth."

Summers concludes that "The implication of these thoughts is that the presumption that normal economic and policy conditions will return at some point cannot be maintained." "[T]he underlying problem," a chronic demand shortfall and secular stagnation, "may be there *forever* [my emphasis]," Summers forecasts. Beginning to restore healthy growth rates cannot be done "without the help of unconventional policy support." Since bubbles have been found to be necessary to sustain even moderate growth, the lesson, Summers maintains, is clear: central bank support of admittedly unsustainable bubbles must become normal "policy support."

The likes of Summers and Krugman are in accord that the deep-structural problem is a radical shortfall of demand. With private investment, wage-driven growth, government social spending and export demand ruled out as antidotes, the only alternative to secular stagnation envisioned by these economists is bubble-driven debt spending. Summers states, in a guarded way, that financial regulation is undesirable because it discourages the reckless borrowing and spending constitutive of bubbles. Krugman, a strong supporter of Summers's position, states Summers's position explicitly. "[Summers] says, a bit fuzzily but bravely all the same, that even improved financial regulation is not necessarily a good thing – that it may discourage irresponsible lending and borrowing at a time when more spending of any kind is good for the economy." (Krugman, "Secular Stagnation, Coalmines, Bubbles, and Larry Summers," *The New York Times*, November 16, 2013)

There is the bankruptcy of conventional economics writ large. We are told that "irresponsible lending and borrowing" is tolerable because it is "good for the economy"! Much as foreign policy strategists identify the "national interest" with what's good for Big Capital, our erstwhile liberals identify what's good for the economy with what benefits the wealthiest. The present crisis shows that what's bad for the majority is best for elites. This implication of Summers's and Krugman's recommendation is cleverly masked by their claim that a good economy would benefit all. It's just that acceptable policy measures have been unable to make the economy good. Even the huge bubbles of recent decades failed to bring about inflation, which, we are to believe, is a sign of restorative growth and would be good for the rich and the non-rich alike. But it is false that there has been no inflation, and it is false that inflation benefits all. The dot.com bubble produced great asset-price inflation, as did the housing bubble. Currently, household and corporate debt are once again rapidly rising, and subprime auto loans -the rate of car repossessions jumped 70.2 percent in the second quarter- are dangerously high and rising. **(**Tyler Durden, 'Car Repos Soar 70% As Auto Subprime Bubble Pops; "It's Contained" Promises Fed' *Zero Hedge* August 20, 2014)Predictably, stock prices have zoomed to record heights. It's heaven on earth for the very wealthiest and hell for many of the rest.

Asset inflation and increasing inequality will attend each of the alternatives identified by the economists, unsustainable bubbles and long-term stagnation. Heads they win, tails we lose. Bubbles always climax in a blow to the productive economy, whose secular stagnation makes the bubbles necessary in the first place. So secular stagnation is not really an alternative to unsustainable bubbles; it is the common denominator of both "alternatives" on offer. The logic gets increasingly perverse. Krugman infers from the failure of near-zero interest rates to stimulate production and employment that "the market wants a strongly negative interest rate." ("Secular Stagnation, Coalmines, Bubbles, and Larry Summers," *The New York Times*, November 16, 2013) One way to get there, Krugman suggests, is to "pay negative interest rates on deposits." Workers who can manage to save a bit in the face of hard times will be penalized by having their savings reduced by interest rates below the rate of inflation. Krugman anticipates the obvious objection and responds heartlessly:

> "Any such suggestions are…met with outrage. How dare anyone suggest that virtuous individuals, people who are prudent and save for the future, face expropriation. How can you suggest steadily eroding their savings either through inflation or through negative interest rates? It's tyranny! But in a liquidity trap saving [is] a social vice. And in an economy facing secular stagnation, this isn't just a temporary state of affairs, it's the norm. Assuring people that they can get a positive rate of return on safe assets means promising them something the market [AN: wealthy bondholders] doesn't want to deliver…"

How many nails can these guys hammer into the coffin of the working class? Five months earlier Krugman had apparently not yet resigned himself to the grisly side of secular stagnation:

> "I worry that a more or less permanent depression could end up simply becoming accepted as the way things are, that we could suffer endless, gratuitous suffering, yet the political and policy elite would feel no need to change its ways." ("On the Political Economy of Permanent Stagnation," Krugman's New York Times blog, July 5, 2013) And about the "we" that would "suffer endless, gratuitous suffering" under secular stagnation, this is the same "we" that permitted Krugman to "include hedge fund managers and CEOs among the workers" when he began studying income distribution. ("Rise of the Robots," The New York Times, December 8, 2012)

High Wages and Short Hours, or Barbarism

Technological innovations in these digital times generate ongoing efficiencies in the production of capital goods, cheapening them and leaving corporations "sitting on a huge hoard of cash" (Krugman, "Secular Stagnation, Coalmines…") far in excess of existing and prospective investment opportunities. These same innovations promise to mechanize/automate/robotize increasing numbers of workers out of their jobs.

This is the outcome of a secular tendency of capital, to expel workers first from agriculture, then from the production of capital goods, then from the production of consumer goods and finally from the provision of services. The number of employed workers shrinks and their wages decline; labor's share of GDP (same as Gross National Income) declines. Inequality increases and the rich become richer, absolutely and relative to the rest. Intense international competition makes export demand sufficiently great to resurrect the productive economy a pipe dream.

Industrial maturity has rendered the private productive economy unable to bring about the returns demanded by investors. What has misleadingly been called the "investment-seeking surplus" is directed into financial activity by investors who see speculation as more remunerative than widget production. Financialized capitalism is more intensely opposed to government social investment than was industrial capital, which reluctantly tolerated a modicum of "Keynesian" public spending.

Thus, neither consumption, private investment, government social spending nor exports will avert long-term stagnation.

The upshot of these combined developments is that capitalism has reached an overripe state in which workers are suffering slow-motion but inexorable obsolescence and pauperization and are forced to rely increasingly on borrowing to make ends meet, while the system is now capable of producing unparalleled private profits which cannot be profitably invested in private production, lent to cash-strapped households or entirely consumed. This surplus comes to be increasingly composed of interest payments under the financialized regime. An ever-larger portion of the national income goes to those whose contribution to material production is zilch.

We are left with a superfluity of both workers and funds representing potential purchasing power and/or investment, and a paucity of profitable investment opportunities in the private sector. This is typical of capitalist crisis, in which we have too much capital and too many workers. At the same time, the system is now capable of delivering the means of a decent and just living for all working people.

The diagnosis of the current malaise points to the only workable prescription. No one thinks that an entirely automated economic system is possible or desirable. There is always work to be done that can and should be done by people. Since there are too many workers for the work that needs to be done, if what work there is were to distributed among all workers, all workers would be employed, and at much shorter hours.

Leisure time would increase greatly. This is what Keynes cleverly called "spreading the bread thin on the butter." Wages could under these circumstances be increased by directing to workers the revenue gains from ever-increasing productivity, and no less importantly, by turning the uninvestible trillions held by financial and nonfinancial corporations over to working people.

There you have it: full employment, less work, more leisure and higher incomes.

The economic surplus must be directed to *public-investment- and (household) consumption-seeking* if working people are to have the well-being that is objectively within reach. The need for large-scale government spending to create jobs for infrastructure projects, education, health care, green technologies and more, is acknowledged by just about everyone. These are not just better ideas. They appear to be the sole means of averting persistent stagnation and creating the kind of society we want to live in.

By the way, this option is unavailable under an economy organized along capitalist lines. We have here to my mind a very powerful rationale for an explicitly anti-capitalist politics. More-or-less democratic capitalism cannot deliver a workable alternative to secular stagnation. An institutional structure capable of accomodating the Marx-Keynes prescription is the order of the day.

We have real-world examples that can serve as a starting point for a working model of a democratic socialist economy. Mondragon leaps to mind. For about twenty-five years Yugoslavia under Tito had an economy in which workers leased productive facilities fron government, organized production themselves and determined the distribution of the firm's revenues between wages and reinvestment in the firm. In *After Capitalism* (Rowman and Littlefield, 2011), David Schweickart offers a refined and realistic model of what a practicable democratic socialist economy would look like, based in part on the Yugoslav experiment. Gar Alperovitz (*What Then Must We Do?*, Chelsea Green, 2013) and Michael Albert (*Parecon: Life After Capitalism*, Verso, 2003) have also contributed to the discussion. There's plenty of grist for our mill.

The historical determinists who thought capitalism was programmed for extinction are now rightly dismissed. There is no reason to think that capitalism's days are limited. What we do have good reason to believe is that *democratic*capitalism cannot be sustained. Keynes argued, correctly, that the labor market could reach equilibrium, with the supply of and demand for labor equal, at *any* level of unemployment. But what is economically possible would be politically catastrophic. Keynes offered his prescription partly as a response to his conviction that the history of the 1930s in the US, the UK and Europe demonstrated that prolonged crisis under capitalism breeds either socialist revolution or fascism. He took the one to be as bad as the other. He would not be surprised at the rise of far-Right tendencies in Europe and the US during this crisis. Were socialist movements to be in evidence, Keynes would be no less distressed. Here we depart from Keynes.

In the US, the present prospects for the revival of organized resistance in the form of socialist politics are grim. But prolonged hardship for the majority will surely breed unorganized resistance in the form of social dislocation of all kinds. The apparatus of State repression, already in full evidence, would come down like a sledgehammer. That's barbarism. The times have never made radical activism more imperative.

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