

Can Liberal Capitalism Survive?

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Abstract: *For a long time, economic growth has been seen as the most promising source of funds to use toward reducing economic inequality, as well as a necessity if we are aiming at achieving full employment. But one of the most troubling aspects of the recent exponential rise in economic inequality is that this rise has occurred despite continued economic growth. Increases in national income have gone almost exclusively to the super-rich, while real wages for almost everybody else have stagnated or even declined. And while the unemployment rate dropped significantly before the coronavirus pandemic hit, good, permanent, high-wage jobs with benefits had by then often been replaced by temporary, part-time, low-wage jobs without benefits, leaving even the employed feeling economically insecure. And now, of course, unemployment is again skyrocketing, and it is unclear how long it might take to come down. As a result, we have now arrived at a point of reckoning: can we continue to believe that liberal capitalism is the most promising combination of economic and political ideologies for securing a prosperous and just future? If not, what might replace it? Is the problem capitalism, or is it liberalism? Are we up against economic forces that we cannot influence or control, or is it our political will and the liberal values we endorse that are being tested? This paper looks at all these questions, and suggests how we might think about the prospects for a liberal future.*

Keywords: *Fascism; Populism; Democratic Socialism; Illiberalism; Schumpeter; Piketty; and Gordon*

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Introduction

In *Capitalism, Socialism, and Democracy*, the Austrian-born Harvard-based economist Joseph Schumpeter asked, “Can Capitalism Survive?”¹ That was in 1942, and Schumpeter, as well as many like-minded theorists at the time, saw the threat to the continued viability of capitalism as coming from the left, from state-sponsored socialism. While Schumpeter viewed that threat as more serious than it turned out to be, there is reason to take his worry seriously today. This time, however, the threat is not that capitalism will be replaced by socialism, and all the supposedly unpalatable, even demonic, totalitarian baggage that socialism is claimed to bring along with it. No, this time the threat is that liberal capitalism, which seeks to limit the operation of bias, prejudice, privilege, and unfettered greed, and direct the energies that capitalism can release to create a society which is just and fair for everyone, will be replaced by *illiberal* capitalism, a system designed simply to further the interests of the already rich and powerful. Indeed, we might think of illiberal capitalism as a twenty-first century version of fascism, which while not as dark as twentieth-century fascism (perhaps), or twentieth-century communism (what Schumpeter and those like him saw in the headlights when they saw socialism coming), is pretty dark nonetheless.²

The reason why we should worry that liberal capitalism may be in real danger this time is that it seems to have evolved into a form where it is unable to satisfy anyone. Those who had hoped that capitalism would deliver substantial benefits to everyone, at least under the moderating restraints imposed by liberalism, have seen these benefits instead go almost exclusively to the super-rich.³ Economic inequality is soaring in the most established liberal capitalist democracies (and in many of the less established ones as well), good jobs are disappearing, poverty is increasing, opportunities for economic mobility are dwindling, and economic security for even the employed is all but vanishing into thin air.⁴ These people—those who considered themselves on the moderate left—are accordingly taking a fresh look at socialism, hoping it might be implemented with a

¹ See Joseph A. Schumpeter, *Capitalism, Socialism, and Democracy* (New York: Harper & Brothers, 1942), pp. 59-163.

² For expressions of similar concerns, see e.g., Martin Wolf, “Why Rigged Capitalism Is Damaging Liberal Democracy,” *Financial Times* (September 17, 2019); William, H. Janeway, “Can Capitalist Democracy Survive?” *Project Syndicate* (September 20, 2019).

³ See, e.g., Joseph E. Stiglitz, “The Economy We Need,” *Project Syndicate* (May 3, 2019).

⁴ The empirical literature supporting these claims is enormous. For extensive reference to and discussion of this work, see Mark R. Reiff, *In the Name of Liberty* (Cambridge: Cambridge University Press, 2020); Mark R. Reiff, “Two Theories of Economic Liberalism.” *The Adam Smith Review* 10: 189-214 (London: Routledge, 2017); Mark R. Reiff, *On Unemployment, Volume I: A Micro-Theory of Economic Justice* (New York: Palgrave Macmillan, 2015); Mark R. Reiff, *On Unemployment, Volume II: Achieving Economic Justice after the Great Recession* (New York: Palgrave Macmillan, 2015); Mark R. Reiff, *Exploitation and Economic Justice in the Liberal Capitalist State* (Oxford: Oxford University Press, 2013). See also Editorial, “The Jobs We Need,” *The New York Times* (June 24, 2020); Richard Reeves, “Capitalism Used to Promise a Better Future. Can It Still Do That?” *The Guardian* (May 22, 2019); Richard Reeves, “The Middle Class: Does Size Really Matter?” *The Guardian* (April 13, 2019).

smiley face rather than an iron fist despite its historical association with illiberalism.⁵ The super-rich themselves, even though they are flourishing as never before, have become convinced that if they are to continue to satisfy their ever-increasing appetite for even more obscene amounts of money and power and privilege and especially quietude from those they need and, in any event, want to continue to exploit, the moderating restraints that liberalism imposes on capitalism must come off.⁶ A large segment of the white working poor seems to mistakenly think that other segments of the working poor—that is, minorities, immigrants, and women, whom they have been relentlessly encouraged to see as being unjustly coddled under liberalism—are to blame for their own economic troubles, and are therefore looking for government to stop trying to re-engineer society, deny “those people” benefits that they don’t deserve, and put the interests of “real” Americans (or Englishmen or Germans or what have you) first again.⁷ And of course, there are those who have embraced illiberal values all along but were for a time insufficiently emboldened to come out, but now feel free, in the midst of this rising tide of dissatisfaction with liberalism, to express themselves openly and forcefully once again.⁸ In other words, what we have now is a kind of perfect storm, one that is subjecting liberalism to a battering on all sides. It may therefore simply collapse into itself, until its only option is to lie down on the floor and curl up into what we might rightly describe as the political fetal position and die.

Of course, Schumpeter was not only wrong about capitalism being doomed, he was so wrong that his concern now seems to have been completely unwarranted. Not only did capitalism survive for fifty years, which is the time frame Schumpeter set for determining what “survival” meant, it has so far survived for almost thirty years more, and effectively out-lived state-sponsored socialism, which now lies wrecked on the shores of utopia. The chances of existing liberal capitalist nations turning to state-sponsored socialism are now so small that to worry openly that this might occur sounds like something of a joke. And while expecting democratic socialism to suddenly arise in the midst of the dramatic turn toward the right that is occurring almost everywhere may not be quite so inconceivable, this nevertheless seems pretty unlikely too. But I will say more about this later. Right now, I want to focus on the reason for my current worry: why the odds have

⁵ See Lauren Gambino, “We’re Here to Win’: US Democratic Socialists Move to Center Stage,” *The Guardian* (August 6, 2019); Gary Young, “Socialism Used to Be a Dirty Word. Is America Now Ready to Embrace It?” *The Guardian* (September 6, 2019).

⁶ See George Monbiot, “From Trump to Johnson, Nationalists Are on the Rise—Backed by Billionaire Oligarchs,” *The Guardian* (July 26, 2019); Alex Kotch, “Death and Destruction: This Is David Koch’s Sad Legacy,” *The Guardian* (August 27, 2019); Shane Goldmacher, “How David Koch and His Brother Shaped American Politics,” *The New York Times* (August 23, 2019); Nathan Robinson, “The Koch Brothers Tried to Build a Plutocracy in the Name of Freedom,” *The Guardian* (August 28, 2019); Jane Mayer, *Dark Money: The Hidden History of the Billionaires Behind the Rise of the Radical Right* (New York: Doubleday, 2016).

⁷ See, e.g., Trip Gabriel, “There’s No Boom in Youngstown, but Blue-Collar Workers Are Sticking with Trump,” *The New York Times* (May 20, 2019) (“He’s allowing these workers to say, ‘I don’t have a good job because of these immigrants’”).

⁸ See, e.g., Jess Singal, “Undercover with the Alt-Right,” *The New York Times* (September 19, 2017); Mark Potak, “The Trump Effect,” *Intelligence Report* (Southern Poverty Law Center, February 15, 2017); Sasha Polakow-Suransky, “White Nationalism Is Destroying the West,” *The New York Times* (October 12, 2017).

now reached no less than even that liberal capitalism will be replaced by illiberal capitalism, first in the form of oligarchy and kleptocracy, then in the form of kakistocracy (rule by the very worst among us), and ultimately with illiberal capitalism in its purest form, that of self-proclaimed outright and open fascism. Indeed, there is a case to be made that we have proceeded fairly far along this road to fascism already.⁹

Accordingly, what I intend to do in this paper is to examine whether the battle to stop liberal capitalism from being overtaken by some form of illiberalism has effectively already been lost, and if not, what the chances are of its survival. I shall begin by saying something more about what I mean by liberal capitalism, for there is a large potential for misunderstanding here. I shall then address a claim that has become more and more a piece of conventional wisdom: that capitalism is inherently *illiberal*, a view that was once almost exclusively associated with those who held hard-core Marxist views, but which now seems to be picking up a significant number of adherents among soft Marxists and those on the liberal left as well.¹⁰ Next, I shall discuss the rather depressing views contained in two recent and very powerful books from two otherwise very different economists, one French (Thomas Piketty) and one American (Robert Gordon). Both books have caught the popular imagination, and each suggests that we are in the grip of historically irresistible economic forces, pushing most of us toward even greater economic disappointment if not hardship, and there is little and perhaps nothing we can do about this, at least nothing that is realistically achievable. And finally, I shall return to Schumpeter, and show that while he was wrong about the future of capitalism when he first wrote about this back in 1942, his approach actually shows how the current gloom among these contemporary economists is also wrong, or at least why their predictions are not as pre-ordained and unalterable as they seem to suggest and would have us all believe. What I intend to show it is that while Schumpeter was looking at the right thing but drew the wrong conclusions, our contemporary doomsayers are looking at the wrong thing and missing the real issue altogether.

I. WHAT IS LIBERAL CAPITALISM?

When I speak of liberal capitalism, I am referring to states that employ capitalism as their economic system and democracy as their political system, but then also apply, to either a greater or lesser but in any case to a meaningful extent, the restraints of political liberalism to moderate what would be the harsher effects of *laissez faire* capitalism and otherwise instantiate liberal principles and practices. There are accordingly several different names for what I have in mind when I am referring to liberal capitalism. The most common form of

⁹ See Avi Selk, “Kakistocracy, a 374-Year-Old Word that Means ‘Government by the Worst,’ Just Broke the Dictionary,” *The Washington Post* (April 13, 2018); Norm Orenstein, “American Kakistocracy,” *The Atlantic* (October 9, 2017); Lloyd Green, “The Best People Review: How Trump Flooded the Swamp,” *The Guardian* (June 16, 2019).

¹⁰ See, e.g., Maria Svart, “Capitalism Isn't 'Broken'. It's Working All Too Well - and We're the Worse for It,” *The Guardian* (June 12, 2019).

liberal capitalism is usually described as “welfare-state capitalism,” where various kinds of inequalities and other morally objectionable products of unfettered capitalism are ameliorated or at least moderated by various forms of regulation. These usually include the imposition of some kind of compensatory transfers from the rich to the poor, as well as various forms of regulation designed to prevent invidious discrimination and open opportunities for advancement to the less advantaged and thereby reduce the need for *post-hoc* measures.

But this is not the only form of liberal capitalism. What some theorists call a “property-owning democracy,” which is primarily rather than incidentally focused on leveling out the playing field *ex ante* and thereby eliminating the need for *post-hoc* adjustment, is a form of liberal capitalism too.¹¹ What is often called “social democracy,” a form of government that was once very popular in Western Europe and still has a significant number of supporters there, is also a form of liberal capitalism.¹² Even what is often referred to as “liberal” or “market” or “democratic” socialism can be a form of liberal capitalism, depending on which particular conception of this supposedly hybrid form of economic organization is being employed. Indeed, the great twentieth-century American political philosopher John Rawls thought that only a property-owning democracy or liberal socialism could fully satisfy his quintessentially liberal principles of justice as fairness. Rawls saw the difference between these two forms of liberalism, in turn, as being who owned the means of production, and felt that even public ownership would not undermine liberalism as long as it did not in practice effectively lead to the replacement of a free market with a command economy.¹³ There are reasons to doubt that instantiating such a blended economic system within liberalism is as easy to accomplish as Rawls and many other theorists seem to assume,¹⁴ or that even if we were to accomplish this, we would not still have to enact further reforms on how businesses could operate,¹⁵ but as I said, I shall say more about this at the end of this paper.

What I want to emphasize here is that while the word “liberal” is usually used in the Anglo-American world to refer to a collection of views on the moderate left, that is not how I am using the term. I am using it to refer not only to views on the moderate left, but also to views that might be more commonly characterized as being in the center or even on the moderate right. In short, I am using it to refer to all the various political viewpoints embraced by those who take their sense of political morality from the Enlightenment.¹⁶ Liberals

¹¹ See John Rawls, *Justice as Fairness: A Restatement* (Cambridge: Harvard University Press, 2001) pp. 135-140; Martin O’Neill and Thad Williamson (eds), *Property-Owning Democracy: Rawls and Beyond* (Oxford: Wiley-Blackwell, 2012).

¹² Daron Acemoglu, “Social Democracy Beats Democratic Socialism.” *Project Syndicate* (February 17, 2020).

¹³ See Rawls, *Justice as Fairness*, p. 138.

¹⁴ See, e.g., Alan Thomas, *Republic of Equals: Predistribution and Property-Owning Democracy* (Oxford: Oxford University Press, 2017); Acemoglu, “Social Democracy Beats Democratic Socialism.”

¹⁵ See, e.g., John Wilesmith, “Why Size Matters: Property-Owning Democracy, Liberal Socialism, and the Firm,” *Journal of Political Philosophy* 0 (2020): 1-21.

¹⁶ See, e.g., Patrick J. Deneen, *Why Liberalism Failed* (New Haven, CT: Yale University Press, 2018) (defining liberalism similarly); Charles J. Sykes, “As a Conservative, I Despair at Republicans’ Support for Trump. His Vision Is Not Conservatism,” *Guardian* (July 22, 2018).

can accordingly be for or against abortion, for or against greater regulation of business and greater redistribution of income and wealth, for or against greater restrictions on immigration, for or against foreign military intervention, and on either side of a wide variety of other issues of the day. But at a higher level of abstraction, liberals all share a commitment to certain fundamental presuppositions that provide a moral framework within which a certain kind of political and social life can take place. I initially presented this list of presuppositions in a 2007 paper, and I have been working on a book-length defense of my choices here on and off ever since,¹⁷ but I will present my list only in summary fashion here. Those wanting to read more about how my list was derived should consult those other works. But the list should be uncontroversial enough to frame our discussion here. All that I am trying to do here, remember, is give a general sense of what I mean by “liberal” capitalism, so we can distinguish this from capitalism that is illiberal. Quibbles about what should be included on the list or how any of the items on the list should be further specified will not affect any of the points I go on to make in this paper.

In any event, the fundamental presuppositions that describe the moral framework within which political morality can be debated within liberalism, as I am using that term here, include the following:

- Society should be tolerant of unconventional and unpopular views about what personal values to embrace and how to live one’s life, and respect reasonable dissent.
- The state should be neutral between competing reasonable conceptions of the good.
- Society should favor liberty over authority, distrust concentrations of private power, and believe that the role of government should be strictly limited, even though those within society may disagree dramatically on where these limits should be placed.
- Individuals have rights, and while the borders of these may often need to be more precisely defined, once they are they cannot be violated even when doing so might further some conception of the common good.
- No one is above the law.
- People are individually responsible, not collectively responsible, for their wrongs, and punishment should be proportional to each individual’s personal wrongdoing.
- Religious authority and political authority should not be formally or even informally joined.
- The state should provide for the public education of the masses, and all members of society should have an opportunity to participate in political decision-making under conditions of full information.

¹⁷ See Mark R. Reiff, “The Attack on Liberalism,” in *Law and Philosophy*, ed. Michael Freeman and Ross Harrison (Oxford: Oxford University Press, 2007), pp. 173-210; Mark R. Reiff, “Trump and the End of Liberalism: Some Hard Truths About The Degradation Of American Democracy,” *The Critique* (January 15, 2017) (<http://www.thecritique.com/articles/trumpanliberalism/>); Mark R. Reiff, *The Unbearable Resilience of Illiberalism* (Forthcoming).

- Facts and not ideology should be paramount in forming beliefs and determining what actions by the government are appropriate.
- All people have equal moral worth and must accordingly be treated with equal concern and respect, and the distribution of the burdens and benefits of social cooperation must in some meaningful sense be fair and just.

Of course, liberals may refine what these presuppositions mean and therefore what they aspire to achieve in different ways; that is how they can come to opposing conclusions about what liberalism requires. But liberals would all reject the idea that either unregulated *laissez faire* capitalism, or the replacement of capitalism by state-sponsored socialism, would be an appropriate response to the social and economic problems that any economic system can often create or at least fail to address.¹⁸ In some cases, of course, those who reject liberalism may advocate the same policies that liberals do. But often they will not and in any event they will ask different questions when determining what political morality requires, for they embrace a different set of fundamental presuppositions. The presuppositions that perfectionists embrace are effectively the opposite of the ones that liberals embrace, but even more importantly, the liberal version of these presuppositions is *aspirational*, while the perfectionist version is a comprehensive and detailed set of fixed requirements about our collective life. On the perfectionist side, perfect compliance is accordingly what is sought, expected, and relentlessly enforced, whereas on the liberal side, perfect compliance is viewed as neither possible nor desirable. In practice, we often characterize perfectionists as being on the far left or the far right and liberals as being somewhere in between, and while I have argued elsewhere that there is better way of describing the difference between liberalism and illiberalism,¹⁹ the distinction between the center and moderate left and right on the one hand, and the extreme left and right on the other, will do here.

I do want to acknowledge, however, that even in the best of times, no society has ever managed to fully live up to its liberal aspirations. At best, some societies have managed to instantiate what might be called “segmented” liberal capitalism. That is, pretty good liberal capitalism for some parts of society but not all parts, especially minorities and women. Stripped of the baggage that the growing anti-liberal movement has inflicted on it over the last 30 to 40 years, however, it is still meaningful to say that liberal capitalism had its clearest expression so far during the immediate post-War period, from 1945 to about 1970, depending on the particular liberal capitalist nation we are looking at. What has happened since is a slow, but seemingly relentless, one-step forward and two-steps back move away from liberal capitalism and toward illiberal capitalism in one of its various forms. These would include fascism, authoritarianism, radical political religious

¹⁸ See, e.g. Edmund Fawcett, *Liberalism: The Life of an Idea* (Princeton: Princeton University Press, 2d ed. 2018); James Traub, *What Was Liberalism? The Past, Present, and Promise of a Noble Idea*(New York: Basic Books, 2019).

¹⁹ See Reiff, “The Attack on Liberalism;” Reiff, “Trump and the End of Liberalism: Some Hard Truths About the Degradation Of American Democracy;” Reiff, *The Unbearable Resilience of Illiberalism*.

fundamentalism, racial and ethnic and other forms of ultra-nationalism, right-wing populism, and so on.²⁰ There are forms of illiberalism on the far left too, of course—communism, state-sponsored socialism, totalitarianism, and left-wing populism would be the most prominent examples. But with the possible exception of left-wing populism, these are each also anti-capitalist, so they represent a different kind of threat to liberal capitalism than the one posed by the various right-wing forms of illiberalism. I shall spend some time in this paper talking about the threat posed by the far left too, but since the threat posed by the far right at the moment is far greater, that is the threat on which I shall focus.

To ensure that there is no confusion with regard to where I am drawing the line between liberal and illiberal capitalism, however, I will say something about certain forms of capitalism I have not yet specifically mentioned. In certain countries that I would call liberal capitalist states—Germany being one prime example—they have a different understanding of what the labels “liberal” and “liberalism” mean. For them, these terms are generally understood to refer exclusively to that collection of views that are typically labeled “libertarian” in the Anglo-American world or, more precisely, right libertarian. Indeed, even some Anglo-American right libertarians now identify themselves as “classical liberals.”²¹ In my view, this is simply a use of rhetoric to misleadingly suggest that their particular form of libertarianism (right libertarianism as opposed to left libertarianism) is somehow the original and therefore “truest” form of liberalism when this is not remotely so.²² But for the purposes of the distinctions I am making here, nothing turns on whether my assessment is correct. For while right libertarianism is not the only or the “truest” form of liberal capitalism in the sense in which I am using the term, it can be *a* form of liberal capitalism nonetheless. But this is only the case if we distinguish between right libertarianism and what I call *faux* libertarianism.

Right libertarianism, *à la* Robert Nozick,²³ is a principled right-liberal view. Right libertarians believe that everyone has the same rights, and therefore embrace the principle of equality, just like other liberals do. And they embrace the same particular liberties—such as freedom of contract, free speech, freedom of association, and so on that all liberals embrace, even if they may assign them a somewhat different scope. They all also reject the idea that there is a general right to what Isaiah Berlin called “negative liberty.”²⁴ Right libertarians see the fundamental principle from which all other rights arise as self-ownership, not negative liberty.²⁵ While government may not interfere with self-ownership, even right libertarians agree that

²⁰ See Reiff, “The Attack on Liberalism;” Reiff, “Trump and the End of Liberalism;” and Reiff, *The Unbearable Resilience of Illiberalism*

²¹ See, e.g., James Buchanan, “The Soul of Classical Liberalism,” in *Why I, Too, Am Not a Conservative* (Cheltenham, UK: Edward Elgar, 2005), pp. 52-61, 53.

²² See Mark R. Reiff, “Left Libertarianism for the Twenty-First Century” (Forthcoming); Reiff, *The Unbearable Rise of Illiberalism*.

²³ See Robert Nozick, *Anarchy, State, and Utopia* (New York: Basic Books, 1974).

²⁴ See Isaiah Berlin, “Two Concepts of Liberty,” in *Liberty* (Oxford: Oxford University Press, 2002,) pp. 166-217, 167.

²⁵ See Nozick, *Anarchy, State, and Utopia*; Hillel Steiner, “Compensation for Liberty Lost: Left Libertarianism and Unconditional Basic Income,” *Juncture* 22 (2016): 293-297 (“virtually all types of libertarianism, left and right . . . regard self-ownership as a fundamental moral right”); Reiff, *In the Name of Liberty*, pp. 55-59.

government can interfere with negative liberty, if it has a sufficient reason for doing so. Right libertarians do reject the idea that some conception of equality can be used to override the existing distribution of holdings *if those holdings were justly acquired*, but to the extent that current holdings were not justly acquired, right libertarians agree with other liberals that redistribution is required as a matter of rectification. Like all liberals, then, right libertarians have a meaningful conception of distributive justice. Right libertarians may give property rights more importance than other liberals do, but all liberals believe in private property, so this is a difference in degree, not over whether property can be privately held. I don't deny that these differences may be important, but it would still be misleading to think of right libertarianism as not being part of the same family of political theories that I am categorizing as being types of liberalism.

Faux libertarianism, in contrast, is simply an unprincipled collection of biases and prejudices. *Faux* libertarians simply use “defending liberty” as an excuse for attacking both government and private action that the self-proclaimed libertarian does not like. Unlike true libertarians, *faux* libertarians believe that negative liberty *is* a general right, or at least act as if they do when this is convenient. They therefore treat negative liberty like money—the more one has the better. But thinking of it like money does not tell you how negative liberty should be distributed, and therefore how it may be maximized. At one extreme, where you focus on the individual, negative liberty would be greatest where it is completely unfettered, and you end up with anarchism. At the other, where you focus on society as a whole, I do not see how you could believe that total liberty is *necessarily* greatest when everyone has an equal amount of it. It could be true that total negative liberty is greatest on a collective basis when it is distributed in a pyramid structure, where those at the pinnacle have unfettered negative liberty, those at the next level have a little less, and so on down to those at the bottom who have none. And if you believe this, you end up with fascism. To end up with something in between, you have to have a principle for determining when negative liberty may and when it may not be infringed on an individual basis. But then you would have to accept the idea that the fundamental right from which you think everything descends—negative liberty—may sometimes be permissibly infringed. And this is totally inconsistent with the Nozickean idea that libertarian rights are side constraints; they are absolute, and cannot be traded off to advance other interests or even other rights no matter how strong the reason is for doing so. So in this case, you either have to accept the very un-libertarian position that even the most fundamental right is not absolute, or simply proceed without worrying about this and so embrace a view that is *ad hoc*, inconsistent, and incoherent.²⁶

Many and perhaps even most politicians and members of the public who think of themselves as libertarians are really *faux* libertarians. But because they claim to be right libertarians, it may not be immediately apparent what kind of libertarian they are. But here are some examples. Right libertarians who embrace the principle of rectification in theory but not in practice, for example, or reject it outright, would

²⁶ See Reiff, “Left Libertarianism for the Twenty-First Century.”

more accurately be described as *faux* libertarians, as would right libertarians who are concerned only about the protection of liberty from infringement by the government and not at all by private parties, even though the liberty being interfered with is the same in each case. Libertarians who want to maximize neither negative liberty nor self-ownership, but rather some controversial conception of positive liberty, something that is ruled out by the liberal principle of neutrality, are also *faux* libertarians. As are libertarians who reject the principle of equality, because again, they would be rejecting one of the fundamental principles of liberalism. And libertarians who are willing to recognize that the principle of equality imposes limits on negative liberty need to explain why it is equality, not negative liberty, that is to be given priority if maximizing negative liberty is supposedly the overriding goal. Without a plausible libertarian explanation for this, which is what real libertarians provide when they argue that self-ownership, not negative liberty, is fundamental, these libertarians are best characterized as *faux* libertarians too.

Another tell-tale sign that someone is a *faux* libertarian is that they consider themselves an economic neoliberal. Many people think economic neoliberalism is entailed by a commitment to right libertarianism and *vice versa*, but I disagree.²⁷ Even if I am wrong about this, however, neoliberalism is not a form of liberal capitalism, despite confusingly portraying itself to be exactly this. Neoliberalism advocates unregulated *laissez faire* capitalism, and therefore is *not* an example of capitalism that is moderated by political liberalism. Indeed, it is the antithesis of it. It elevates a particular conception of economic good (economic efficiency) above all other values. Liberals, however, reject the idea that economic efficiency is a moral value, and therefore contend that efficiency should be subservient to real moral values, not superior to them.²⁸ And while neoliberalism has now morphed from being a purely economic theory into a political theory with a wide range of views about social and political rights, I think it is safe to say that when we consider these views, neoliberalism becomes even more clearly illiberal, not less so.²⁹

Indeed, even as a purely economic claim, neoliberalism is highly controversial. It is not at all clear that the kinds of deregulation that neoliberals propose would actually increase economic efficiency. Many neoliberals, for example, are opposed to the antitrust laws, and it is hard to see how a market where one or a small number of firms can charge monopoly prices and exclude new entrants could be considered “free” or “efficient” in any meaningful sense of either term.³⁰ It is also telling, I think, that as an economic view, neoliberalism is often the view embraced by political neoconservatives, which is itself not a liberal view but an illiberal one, for despite its self-branding, it is not actually a form of conservatism, which is a form of

²⁷ See Reiff, “Two Theories of Economic Liberalism.”

²⁸ See, e.g., Ronald Dworkin, “Is Wealth a Value?” and “Why Efficiency?” in *A Matter of Principle* (Cambridge: Harvard University Press, 1985), pp. 237-266 and pp. 268-289; Jules L. Coleman, “Efficiency, Utility, and Wealth Maximization,” *Hofstra Law Review* 8 (1979-1980): 509-552.

²⁹ For further discussion of this, see Reiff, “Two Theories of Economic Liberalism.”

³⁰ See Mark R. Reiff, “The Just Price, Exploitation, and Prescription Drugs: Why Free Marketeers Should Object to Profiteering by the Pharmaceutical Industry,” *Review of Social Economy* 77 (2019):108-142.

liberalism. Traditional conservatives feel there is value in tradition; they think that if something has been done a certain way for a long period of time, this is a *pro tanto* reason to continue doing it, or at least to proceed with change cautiously. True conservatives “prefer the actual to the possible, the limited to the unbounded, the near to the distant, the sufficient to the superabundant, the convenient to the perfect, present laughter to utopian bliss.”³¹ As long as one is open to the possibility that these preferences can be overcome in certain cases, there is nothing illiberal about having them.

Neoconservatives, in contrast, are not simply concerned about having a good enough reason to abandon a now settled tradition. They want to wind the clock back to the 1950s, or the 1850s, or, in some cases, all the way back to a form of life that they think existed in ancient Greece or Rome. In most of these cases, this supposedly “better” form of life is a complete fantasy, and in any event was only better for those who were a certain kind of person—white men who had the “correct” national, ethnic, religious, and class pedigree. In other words, neoconservatism does not respect tradition. For the concept of preserving tradition to have any meaning, it must not be treated as equivalent to resurrecting long-dead practices that have been rejected by society for generations if not centuries or millennia. In the current context, neoconservatism is a radical right-wing view, as radical as any revolutionary movement on the left. And while not as radical as Trumpism, which has by and large overtaken neoconservatism on the right and is obviously not a form of liberalism either,³² for our purposes, neoconservatism is only just a little further in from the most extreme illiberal end of the scale.

Finally, note that the fundamental presuppositions that I have identified as being common to all forms of liberalism should not be treated as a list of necessary and sufficient conditions. Every liberal society meets them to some extent and none meet them completely, but some societies are more successful in this than others. But what we aspire to be is important, not merely what we achieve. The thicker the description we use of liberalism, the richer and more variegated this distinction becomes. It allows us to construct a vertical *y* axis for liberalism to illiberalism that is as complex and nuanced as the horizontal *x* axis typically used to distinguish left from right. One can be on either the left or the right and anywhere in between and be a liberal or illiberal or anything in between. To fully understand a political theorist, party, or society, one has to graph their views along both axes. Under my approach, determining this is not an either/or proposition. Until we reach the extremes, the distinction between a liberal capitalist society and an illiberal capitalist one should not be thought of as having a bright line between them. This is always a matter of degree. My concern here, accordingly, is not that we have crossed some line already, but that we are already inside what is in truth a

³¹ See Michael Oakeshott, “On Being Conservative,” in *Rationalism in Politics and Other Essays* (Indianapolis, IN: Liberty Fund, new and expanded ed. 1962), pp. 407-437, 408.

³² See Peter Wehner, “For Conservatives to Have Any Hope, Trump Has to Lose,” *The New York Times* (August 24, 2020).

fuzzy borderland and that at some point soon we might firmly and unambiguously find ourselves on the other side.

II. IS CAPITALISM INHERENTLY ILLIBERAL?

The argument that capitalism is inherently illiberal—that it inevitably puts the needs of the rich and powerful above the needs of everyone else or, to express it slightly more charitably, provides the tools the rich can use to continuously dominate the poor without providing the tools the poor would need to resist this to any significant degree—is usually attributed to Marx. This criticism actually predates him considerably, however, for socialism was in the air for some time before he came upon the scene.³³ In any event, what Marx and the early socialists claimed was not that capitalism was inherently illiberal, for their vision of society was not of a liberal one either. Indeed, at that time socialism came out upon the world, it was not even clear what liberalism would entail. Instead, the socialist complaint was that the hierarchical structure of a capitalist economy and the division between capital and labor that such an economy entailed led inevitably to the domination and exploitation of one segment of society by another. This would occur, they believed, regardless of what legal safeguards might be put in place to prevent this, for we could not count on these safeguards being consistently enforced. Even if enforced, these safeguards were likely to be grossly insufficient given the inherent domination by the rich of the political and social order that capitalism enabled. Marx accordingly thought that capitalism could ultimately produce a tolerable life only for the few and widespread misery for everyone else, something that its inherent shortcomings would eventually reveal, and would therefore bring on its own collapse. In the meantime, he argued, those who were committed to the socialist revolution ought not try to ameliorate capitalism's harsher effects, but rather hurry them along, and therefore expedite the moment of capitalism's downfall.³⁴

Of course, as Karl Polanyi noted in *The Great Transformation*,³⁵ the most likely effect of the kind of extreme economic inequality and other economic distortions that are alleged to be inherent in capitalism and, in any event, are what we are experiencing today as a matter of at least contingent fact, is not socialism, as Marx thought, but fascism.³⁶ In either case, however, it is illiberalism and not liberalism. And even if it were socialism, the course of history has by now provided us with ample evidence that a socialist society is not

³³ See generally Russell Keat and John O'Neill, "Socialism" in *Routledge Encyclopedia of Philosophy* (London: Routledge, 2011).

³⁴ See David Miller, *Market, State, and Community* (Oxford: Oxford University Press, 1989), p. 5.

³⁵ Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (New York: Farrar & Rinehart, 1944).

³⁶ See Robert Kuttner, "The Man from Red Vienna," *The New York Review of Books* (December 21, 2017) (reviewing Gareth Dale, *Karl Polanyi: A Life on the Left*). See also Bret Stephens, "Democrats Are Walking into a Trumpian Trap," *The New York Times* (December 14, 2017); David Leonhardt, "A Time for Big Economic Ideas," *The New York Times* (April 22, 2018).

necessarily any freer of domination and exploitation than a capitalist society. It's just that in a socialist society, the demographics of who occupies which position is different. In a socialist society, rather than run with income and the private ownership of capital, opportunities for domination and exploitation run directly with power, which is distributed just as arbitrarily and unequally in a socialist society as it is in a capitalist society. This suggests that the choice as to which economic system a society will employ is not determinative of and maybe not even very influential on the overall degree of domination and exploitation that either kind of society might experience.

Although I recognize that I am battling embedded views as to what political effects the adoption of one economic system or the other are likely to have, I hope that what I have said so far is at least enough to lead some people—like the shockingly glib academic who in response to my question “can liberal capitalism survive?” reflexively quipped “why would we want it to?”—to be willing to reconsider their view that the solutions to our political problems can be found in simply switching from one economic system to another. On almost any other topic, such a dismissive attitude would be ridiculed, but because it requires accepting the possibility that illiberalism, not capitalism, is preventing our progression to a more liberal society, many of those on the left, even those who do not think of themselves as being on the far left, seem ideologically incapable of entertaining it. But the truth is that liberalism, not socialism, is the guarantor of what most of those who consider themselves egalitarians or prioritarians or sufficientarians or “caring conservatives” or just plain decent people want to accomplish, as Rawls himself expressly noted just before he died.³⁷ Socialism, like capitalism, is merely an economic system, and the idea that one economic system is inherently more liberal or illiberal than another is simply an attempt to advance the myth that there is a ghost in the machine.

But the truth is, no economic system cares about people. This is simply not something that an economic system is designed to do, despite Marx's admittedly impressive efforts to argue to the contrary. Care can be expressed *through* economic policies, but those policies are driven by views as to what political morality requires, not by economic views. Ownership of the means of production does little and perhaps nothing to limit the degree of domination that workers can experience—it is *management*, not ownership, that gives those in control the power to dominate. Even a socialist society is full of managers, despite state ownership of the means of production. And in a capitalist society, where assets are predominantly privately owned, experience reveals that shareholders, who are technically the true owners, have almost no real power over corporate decision-making and practices, and the wishes of even major shareholders are often overcome by management. Hence the rise of the highly-compensated manager as the most common entrant into the top 0.01% of the income distribution from the end of the last though most of the current century.³⁸ By assigning

³⁷ See Rawls, *Justice as Fairness*, p. 138.

³⁸ See Thomas Piketty and Emmanuel Saez, “Income and Wage Inequality in the United States, 1913-2002,” in *Top Incomes over the Twentieth Century*, ed. A.B. Atkinson and T. Piketty (Oxford: Oxford University Press, 2006), pp. 141-225, at

all capital to “the people,” in turn, socialism effectively assigns it the state, which now becomes the arch oppressor through its managers and apparatchiks unless this danger is moderated by the introduction of political liberalism, just as those at the very top of the wealth and income distribution become arch oppressors under capitalism absent the introduction of political liberalism to moderate the danger there as well. Surely history has left no doubt that this is true. Even collective management simply puts the collective and its most outspoken busybodies in the position to dominate the individual, as anyone who has ever worked in a collective has ultimately discovered. Economic systems are simply ways of managing resources, production, labor, and pricing. Caring about people, which includes moderating the heartlessness and harshness that can be produced by either kind of economic system, is the role of political morality.

For those who remain unconvinced about this, they can find a much longer defense of this argument in my prior work. There, in three books over four volumes, I explain in much greater detail why capitalism is not necessarily exploitive and how liberalism can and to a large extent already does provide the tools necessary to prevent economic exploitation and widespread unemployment without violating any of capitalism’s underlying principles, if we could only muster the political will to use them.³⁹ I do not deny, of course, that both economic systems have become loaded with much social baggage along the way as the result of a long series of instances of guilt by association and conceptual analytical mistakes. Much confusion has been created and continues to persist from the failure to distinguish the realms of the economic and the political. As Lionel Robbins famously said, economics offers technical solutions to problems that are impeding the accomplishment of moral ends that have been previously identified by others.⁴⁰ Accordingly, before they can do their job, economists need a pre-existing moral view, whether they realize this or not (and today, despite Robbins’ warning, they usually do not). The development of such moral views, in turn, is the province of political theorists, not economists, for there are many possibilities on offer and it is political theorists and not economists who have been trained in the development and application of moral principles. The exploration of political morality is a humanistic endeavor, not a mathematical one.

Many people are to blame for this confusion of economics and political morality. But one who deserves a lot of it is Milton Friedman, who in 1968 argued forcefully (against Keynes, in effect) that sensible monetary policy set by independent economic “experts” was all that was needed to control the economy: resort to fiscal policy, which required the use of tools in the hands of the political branches of government, tools these not-to-be-trusted elected officials looked to political philosophy to develop and provide, was unnecessary.⁴¹ Unfortunately, Friedman’s argument proved very persuasive, no doubt because it was exactly

pp. 150-52, 163; Eric Dash, “Executive Pay: A Special Report: Off to the Races Again, Leaving Many Behind,” *The New York Times* (April 9, 2006).

³⁹ See Reiff, *Exploitation and Economic Justice in the Liberal Capitalist State*; Reiff, *On Unemployment, Volume I*; Reiff, *On Unemployment, Volume II*; Reiff, *In the Name of Liberty*.

⁴⁰ See Lionel Robbins, *An Essay on the Nature and Significance of Economic Science* (London: Macmillan, 1932), pp. 23-27.

⁴¹ See Milton Friedman, “The Role of Monetary Policy,” *American Economic Review* 58 (1968): 1-17.

what other economists who thought very highly of themselves and their profession wanted to hear, and because it appealed to technocrats of all persuasions by providing them a justification for fencing out those with more accessible and humanistic ideas.⁴² But the subsequent hegemony of economics he invited has repeatedly led us analytically astray. If it was not sufficiently clear before that monetary policy cannot alone manage the economy,⁴³ the coronavirus-driven economic crisis has made this abundantly clear now. Those who find it in their interests to maintain their faith in Friedman, however, continue to argue for the primacy of economics and ignore the importance of political theory even now, finding the necessary role that political theory plays in managing the economy too frightening to acknowledge. Even those who are willing to acknowledge it now seemed poised to revert to the Friedman view as soon as the apex of the current crisis has passed.

Yet even Hayek, who did much himself before Friedman to create this problem by encouraging economists to see themselves as not only competent but actually more competent than anyone else to speak on issues of political philosophy, said “political philosophy can never be based exclusively on economics or expressed mainly in economic terms.”⁴⁴ It is accordingly the height of foolishness to frame the debate about our political future as a debate over which basic economic system we should choose rather than how we should instantiate whatever system we have chosen. Socialism can be just as illiberal as capitalism at its worst, and capitalism can be just as liberal as socialism at its best. It depends on how the economic and the political are combined. Only liberalism ensures that a wide range of the population and not just the elite of one kind or another are properly respected. And if what we want is liberalism, one needs to separate the economic and the political and stop letting the former cloud our view of the latter. Indeed, if one system is inherently illiberal, then both undoubtedly are, and if both systems are inherently illiberal, and unstopably so, then there is little point in even talking about political morality. We should all just stop complaining and learn to grin and bear it. The point being that the inherently illiberal argument proves too much—we do not need to rebut it, just like we do not need to rebut determinism to make it worth our while to engage in discussions about morality.

Nevertheless, to satisfy the skeptics, I will point out that there is good reason to believe that capitalism is likely to be more liberal than socialism, and not just in the non-economic sphere. While it is true that the range of wealth and income distributions is likely to be narrower under socialism, this is largely because there is typically less wealth and income to distribute under socialism. So even when the percentage

⁴² For a similar view of Friedman’s responsibility here, see Binyamin Appelbaum, *The Economists’ Hour: False Prophets, Free Markets, and the Fracture of Society* (New York: Little Brown, 2019); Liaquat Ahamed, “The Rich Can’t Get Richer Forever, Can They?” *The New Yorker* (August 26, 2019).

⁴³ See, e.g., Lawrence Summers and Anna Stansbury, “Whither Central Banking,” *Project Syndicate* (August 23, 2019); Robert Skidelsky, “The Monetarist Fantasy Is Over,” *Project Syndicate* (February 17, 2020).

⁴⁴ F. A. Hayek, “Opening Address to a Conference at Mont Pèlerin,” in *Studies in Philosophy and Economics* (London: Routledge & Kegan Paul, 1967), pp. 148-159, 150.

differences between people do not change, the absolute amounts under socialism are often smaller and so seem to be less concerning, even though they are really not. Moreover, to the extent these percentage differences are further suppressed in socialist societies, this is largely through the process of leveling down, not through boosting those at the bottom, and most liberal theorists consider leveling down illiberal. Finally, while a greater spectrum of economic outcomes is possible under capitalism, this does not mean that the resulting inequalities are necessarily unjust. They can be just or unjust, depending on their extent and on how they arise. More importantly, given a wider variety of possible economic outcomes under capitalism, real economic mobility is possible, something that is generally absent under socialism, at least not from economic effort alone. Indeed, as I have argued elsewhere,⁴⁵ in one of the great misapprehensions of human nature in political theory, the left has continuously assumed that people want economic equality, which socialism seems to offer. But people do not want economic equality—at least they do not want *synchronic* economic equality. Under most conditions, or at least under the conditions that liberal capitalism is likely to produce, what they want is synchronic *inequality* plus economic mobility. Even when economic mobility is not likely, as long as individuals perceive its probability as sufficient (see my prior work on when this probability would be so perceived), they will put up with a great deal of inequality, for they hope that they will one day be able to enjoy the privileges such inequality brings with it for themselves.⁴⁶

Of course, some real economic mobility is required to maintain the illusion that its probability is sufficient. The real battle between liberal and illiberal capitalism is therefore over the degree to which economic mobility is a realistic possibility or merely an illusion. When things are as stagnant for as long as they have been now, however, the claim that a sufficient degree of economic mobility is available begins to look not credible. The irony is that if most people's lives were improving just a little more than they are now, and just a little more regularly, they would tolerate the fact that the lives of a few are rapidly improving so much more. It is no doubt the proverbial blindness of unfettered greed that has made those who are now on top unable to see this,⁴⁷ and therefore unwilling to provide any real opportunities for mobility. For when the lives of the 99% are not improving at all, while the top 1%, and especially the top 0.1% and 0.01%, are seeing

⁴⁵ See Mark R. Reiff, "The Politics of Masochism," *Inquiry* 46 (2003): 29-63.

⁴⁶ See also Christina Starmans, Mark Sheskin, and Paul Bloom, "Why People Prefer Unequal Societies," *Nature: Human Behaviour*, 1:82 (2017): 1-7; Dani Roderick, "Populism and the Economics of Globalization," *Journal of International Business Policy* 1 (2018): 12-33, 18.

⁴⁷ There are, of course, a few exceptions. Some of the super-rich are now claiming to be at least "concerned" about growing inequality, and some have even gone so far as suggesting that government should do something about this, although they mostly do not seem ready yet to do anything about it themselves. See Dominic Rushe, "Blackstone CEO Blames Gap between Rich and Poor on Income 'Insufficiency,'" *The Guardian* (April 18, 2019); Dominic Rushe, "The Kings of Capitalism Are Finally Worried About the Growing Gap between Rich and Poor," *The Guardian* (April 24, 2019); Greg Jaffe, "Capitalism in Crisis: U.S. Billionaires Worry about the Survival of the System that Made Them Rich," *The Washington Post* (April 20, 2019); Eli Broad, "I'm in the 1 Percent. Please Raise My Taxes," *The New York Times* (June 25, 2019); David Yaffe-Bellany, "Shareholder Value Is No Longer Everything, Top C.E.O.s Say," *The New York Times* (August 19, 2019); Marc Benioff, "We Need a New Capitalism," *The New York Times* (December 14, 2019).

their lives improve exponentially,⁴⁸ something has got to give. Schumpeter, because he was an economist and therefore saw the world through an economist's eyes, naturally thought that it was the economic system that was at risk. Being a political philosopher, and therefore seeing the arrangements under which we live as ultimately decided by politics and morality, not economics, I am afraid that it is our political system that is at risk. Indeed, I am firmly convinced that to a large extent, illiberal capitalism has already arrived. So, even if we look at the political through the eyes of the philosopher rather than the economist, things still look pretty grim. But they do not look as far beyond our ability to influence and control as they seem to look from the economist's point of view. Indeed, it is within liberalism, not some economic system, that we are most likely to find the resources to provide a fully satisfying life for the great bulk of the population. For the resources we need are not economic—these are by and large already available. There is enough money in the world that if properly deployed, life could be better for many, many people without making it noticeably worse for anyone. The resources we need more of are not the ones to be found in yet another productive oil well, but those found in the well of social justice and political will. We accordingly need to reorient ourselves from the economic back to the political—we need to see it is the political that really matters, stop trying to influence the political as a side effect, and begin treating it as the main event.

III. IF NOT INHERENTLY ILLIBERAL, ARE ECONOMIC CONDITIONS NOW SUCH THAT LIBERAL CAPITALISM IS DOOMED?

a. *The Ominous Clouds on the Horizon*

Unfortunately, several major works have been published lately which argue, in one form or another, that substantial improvement in the economic lives of everyone but the rich—say those who are already in the top 10% or 1% or even the top 0.1% or 0.01%, is unlikely under capitalism. The first, and probably the most notable, is Thomas Piketty's *Capital in the Twenty-First Century* (2014).⁴⁹ The second is Robert Gordon's *The Rise and Fall of American Growth* (2016).⁵⁰ I do not intend to “review” either work here—others have done that job already. I simply want to comment on some general ideas that both works have in common, as they relate to the concerns I am expressing in this paper. For example, both authors recognize that there was substantial improvement in the economic situation of the bottom 90% between the end of World War II and about 1970, when these improvements started to regress, first slowly and then more rapidly, until we have now returned to a point similar to where we were just before the Great Depression. At that time, inequality was so extreme

⁴⁸ See Lawrence Mishel and Jori Kandra, “Wages for the Top 1% Skyrocketed 160% Since 1979 While the Share of Wages for the Bottom 90% Shrunk,” *Economic Policy Institute* (December 1, 2020).

⁴⁹ See Thomas Piketty, *Capital in the Twenty-First Century* (Cambridge: Harvard University Press, 2014).

⁵⁰ See Robert J. Gordon, *The Rise and Fall of American Growth* (Princeton: Princeton University Press, 2016).

that it seemed like there was nothing anyone could do about it short of destroying the existing order, which, indeed, was exactly what ultimately occurred. Neither author claims that these regressions are irreversible, but both think that the odds of reversing them are long. If liberal capitalism is going to survive, we accordingly need to have some reason to believe that despite the thoughtfulness and thoroughness of their respective works, both Piketty and Gordon have got the matter wrong.

Gordon thinks that we are unlikely to experience the kind of growth we experienced in the immediate post-War years, growth that fueled a reduction in economic inequality and resulted in widely distributed prosperity for many and at least the promise of this for the rest. He thinks this primarily because he believes we have already discovered and applied the most productive new technologies that were available to be discovered. Those remaining to be discovered are much less significant, where significance is measured in terms of offering dramatic improvement to our lives rather than simply producing ever more-engrossing forms of entertainment. Gordon is therefore what is often called a “techno-pessimist.” But Gordon sees other headwinds blowing against economic growth too. These include: demographic changes that necessarily limit the labor participation rate and therefor make growth per capita more limited; declining educational attainment, which limits the number of skilled workers the economy can produce; the high degree of economic inequality that now already obtains, which makes the growth that is needed to reduce inequality even more limited than it would otherwise be; growing public debt, which raises the cost of government and has to be repaid sometime, thereby diverting funds from investment and putting further downward pressure on growth; globalization, which makes it harder to control our own economic environment; climate change, which threatens to divert massive amounts of funds from making things better to ameliorating what climate change makes worse; and finally, in America, the continuing insistence on making the availability of health care depend on employment instead of recognizing that it is a right derived from citizenship.⁵¹ In other words, Gordon not only sees the territory we are now crossing as already having been deprived of its low-hanging fruit in terms of achieving higher rates of economic growth, he also sees various obstacles to our attempting to offset this (to the extent it can be offset) by reaching higher and higher. Increasing growth to what it was in the not-so-distant past would now take the kind of Herculean effort that our actual circumstances make almost impossible to muster.

Of course, various techno-optimists think that Gordon’s view of the importance of technology yet to be discovered is risible, primarily because in the past, techno-pessimists have always turned out to be wrong. I do not find this a very convincing repost, however, because it simply argues that things are going to turn out the way they always have without really responding to the impressive amount of evidence that Gordon cites

⁵¹ See Robert J. Gordon, “The Demise of U.S. Economic Growth: Restatement, Rebuttal, and Reflections,” NBER Working Paper No. 19895 (February 2014); Robert J. Gordon, “Secular Stagnation: A Supply-Side View,” *American Economic Review* 105 (2015): 54-59; Gordon, *The Rise and Fall of American Growth* (Princeton: Princeton University Press, 2016), pp 605-640.

indicating that this time there is good reason to think that things will turn out differently. And Gordon's critics say almost nothing about the various other headwinds he sees blowing, headwinds that make turning new discoveries into life-changing advancements for the lower reaches of the income distribution difficult even if there were such technological discoveries still to be had. I suppose they fail to do this because they see the potential growth resulting from the discovery and application of new technologies as so massive that it can overcome even the stiffest headwinds, although they do not say this expressly. In any event, Gordon comes across as even more pessimistic than Piketty, because Gordon thinks the drag on improving our position is largely (although not exclusively) the result of the laws of physics, or at least the relationship between those laws and the potential for technology to increase the benefits and reduce the burdens of social cooperation, and only secondarily because of the unfortunate state of our existing social and economic realities.

Piketty is pessimistic too, of course, but at least on first glance for reasons that seem not quite as insurmountable as the laws of physics. What has got Piketty discouraged is what he claims to be certain laws of economics. Of course, if these laws are indeed laws, they are just as immutable as the laws of physics, although I concede that for some reason it is intuitively more difficult to think of them in this way. In any event, these laws tell him that in the conditions we now find ourselves, significant improvements in the distribution of wealth and income are not likely absent some pretty dramatic changes in our economic policies and approaches, changes that as a practical matter are not anywhere close to being on the horizon. Like Gordon, Piketty claims that placed in its proper historical context, the growth rates of 3 to 5% or more that were characteristic of liberal capitalist economies between 1945 and 1970 were an anomaly, and that what has happened since is a return from the exceptional to the normal, which means growth of 1 to 1.5%, the standard rate of growth (he claims) European economies enjoyed from roughly 1800 to 1945. We would therefore be ill-advised to expect anything in the near to mid-future but more of that kind of very modest growth. Indeed, expecting anything else might be properly characterized as magical thinking.

Enter, then, the first of the economic laws that have got Piketty so depressed. This law expresses the relationship between the share of income that accrues to capital and the product of the rate of return on capital and the size of capital stock. The point here is that the larger the ratio of capital income to total income, the greater the percentage of national income that is going to result from returns to capital rather than labor. Mathematically correct, of course, but even so, I am not sure that this law tells us anything important. What this ratio depends on is what one ascribes to the category "capital," and this can be a controversial matter. How one sorts this out is what does all the work, not the ratio itself. For example, Piketty seems to treat self-employment income as a return on capital.⁵² But in a world where gig work is

⁵² See Thomas Piketty, "Course Notes: Measuring Factor Shares & Wealth-Income Ratios: Illustration Using French National Accounts," Paris School of Economics, Academic Year 2010-2011

rapidly replacing traditional employment,⁵³ this does not seem to be the most sensible place to put it. Piketty's point, I think, is that simply owning capital assets rather than working is becoming the more important part of our economy, but this suggests that self-employment income should *not* be treated as a return on capital, even in part, not that it should. Moreover, this ratio is also affected—affected dramatically, in fact—by simply increasing the market value of capital assets.⁵⁴ And this is what happens not only when the value of these assets increases because of changes in economic fundamentals, it is also what happens when people have a lot of cash and the returns on investment look so unattractive that the managers of all this cash start searching for something else to do with it.⁵⁵ Bidding up the price of assets, thereby inflating asset bubbles, is one thing that commonly results; buying back stock,⁵⁶ thereby artificially increasing the company's share price, is another. While such behavior and its ramifications are indeed concerning, the concern is not that this means labor is becoming a pointless way to try to get ahead. It means that too little capital is being used for productive endeavors, the kind of endeavors that could make labor the source of riches, or at least a decently well-appointed life.⁵⁷ When capital is not being used to increase demand and is simply being saved in cash or cash equivalents because liquidity preferences are high, or, even worse, is being wasted on repurchasing stock or bidding up the price of assets, no one is ultimately going to be made better off.

On the other hand, Piketty himself admits that there was a period—which now seems to have ended—during which receiving excessive executive compensation was the most likely way for new entrants to obtain admission to the top tenth of one percent of the income distribution.⁵⁸ But he largely dismisses the significance of this because it is not a route to admission to the top of the income bracket that was available to many people.⁵⁹ Nevertheless, viewed in context, the fact that income from wages (or more broadly, from compensation for labor) and not returns on capital was responsible for most of the recent rise in economic inequality is significant. After any period in which excess compensation brings a new cohort into the upper echelons of wealth and income there is naturally going to be a period where passive income from investments is likely to increase as those who worked their way up to the top now reap the rewards of having done so. This does not show that income from capital is more likely to be greater than income from labor forever; it

([http://piketty.pse.ens.fr/files/oldfichiers051211/enseig/econeg/EcoIneg_fichiers/CourseNotes\(FactorShares\).htm](http://piketty.pse.ens.fr/files/oldfichiers051211/enseig/econeg/EcoIneg_fichiers/CourseNotes(FactorShares).htm));

Piketty, *Capital in the Twenty-First Century*, pp. 53, 276, fig. 8-3.

⁵³ See E. Tammy Kim, "The Gig Economy is Coming for Your Job," *The New York Times* (January 10, 2020); Reiff, *In the Name of Liberty*, p. 160 (citing additional sources).

⁵⁴ See James K. Galbraith, "Kapital for the Twenty-First Century?" *Dissent* 61 (Spring 2014): 77-82.

⁵⁵ There are \$3.4 trillion of savings in the EU financial system, for example, that refuse to be invested productively, even though the European Central Bank's deposit interest rate is *negative* 0.4% (see Varoufakis 2019).

⁵⁶ See, e.g., Jack Nicas, "Apple's Plan to Buy \$75 Billion of Its Stock Fuels Spending Debate," *The New York Times* (April 30, 2019).

⁵⁷ See Robert Rowthorn, "A Note on Piketty's *Capital in the Twenty-First Century*," *Cambridge Journal of Economics* 38 (2014): 1275-1284.

⁵⁸ See Piketty, *Capital in the Twenty-First Century*, pp. 298-300.

⁵⁹ *Ibid.* at pp. 300-303.

simply shows that income from wages and not returns on capital can at times be an effective way to join the super-rich, and if it can be so once it can be again. So in the end, I'm not sure that Piketty's first law tells us anything at all, descriptively or predicatively, and therefore has no real ramifications.⁶⁰

The second law, however, is more consequential. This one, which has Piketty even more worried, says essentially that the lower the rate of growth, the lower the percentage of national income that will go to labor rather than capital. And this is where Piketty's work reinforces Gordon's. If the rate of growth is now very modest and is going to be for the foreseeable future and possibly forever, then the existing state of economic inequality, according to Piketty's second law, is only going to get worse given the current rates of human reproduction. The only way to do something about this is to continuously redistribute capital so that it does not remain in the same hands, or so Piketty claims. Piketty, in this sense, is an inverse-Malthusian—his concern arises not because the poor are having too many children, but because the rich are having too few. Piketty uses this to argue for a more robust inheritance tax, and even a wealth tax, and he is not alone in this.⁶¹ Indeed, the current head of the Institute for Fiscal Studies believes that wealth is now so concentrated “inheritance is probably the most crucial factor in determining a person's overall wealth since Victorian times.”⁶²

But thanks to the coronavirus pandemic, the outlook for the future could be even worse than this. Not only have we failed to get the public health effects of the pandemic under control, the recession that the pandemic triggered could go on for quite some time. The US economy shrank by 3.5% in 2020, its worst performance since the end of the Second World War.⁶³ The UK did even worse than this, suffering a 9.9% decline, its worst economic slump since the Great Frost of 1709.⁶⁴ German economic performance was among the best in Europe, and the German economy still shrank by 5%.⁶⁵ Japan's economy shrank by 4.8%, its first contraction since 2009, and its worst performance since 1955, when Japan first began using GDP to measure its economy.⁶⁶ In light of the development and release of several coronavirus vaccines and the resulting reopening of most economies, a return to growth is expected for 2021, but almost everyone concedes that these optimistic predictions are laced with an unprecedented degree of uncertainty.⁶⁷ If the

⁶⁰ See James K. Galbraith, “Unpacking the First Fundamental Law,” *Real-World Economics Review* 69 (2014): 145-148.

⁶¹ For a more recent example, see Lily Batchelder, “Tax the Rich and Their Heirs,” *The New York Times* (June 24, 2020).

⁶² Aditya Chakraborty, “Britain Is in the Grip of an Existential Crisis that Reaches Far Beyond Brexit,” *The Guardian* (May 29, 2019).

⁶³ See Dominic Rushe, “US Economy Shrank by 3.5% in 2020, the Worst Year Since Second World War,” *The Guardian* (January 28, 2021).

⁶⁴ See Elliot Smith, “UK Suffers Worst Annual Economic Slump Since the Great Frost of 1709, a 9.9% Decline,” *CNBC* (February 12, 2021).

⁶⁵ See Richard Partington, “German Economy Shrank by Just 5% in 2020 amid Covid-19,” *The Guardian* (January 14, 2021).

⁶⁶ See BBC, “Japan's Economy Shrinks 4.8% in 2020 Due to Covid,” *BBC* (February 15, 2021); Ben Dooley and Makiko Inoue, “Japan's Growth Rebounds, but Virus-Related Weakness Looms,” *The New York Times* (February 14, 2021).

⁶⁷ See International Monetary Fund, “World Economic Outlook” (April 2021), p. 14.

virus mutates in a way that allows it to evade the vaccine, or ongoing problems with the rollout of the currently available vaccines are not overcome, the dire predictions of a full-blown depression of 1930s depth and duration that were being made in mid-2020 could still come to pass.⁶⁸

In any event, rather than reducing economic inequality, this economic catastrophe has so far only driven economic inequality even higher,⁶⁹ for the poor are suffering most and the rich less or not at all, just as Piketty's law predicts. While 26 million Americans lost their jobs between March 18 and April 22, 2020, for example, the wealth of the richest Americans grew by an astounding 10.5%, or \$308 billion.⁷⁰ By September 3, 2020, 50 million Americans had lost their jobs, and the wealth of the richest Americans had grown by \$970 billion.⁷¹ By November 2020, more people were at risk of going hungry in the United States than at any time since 1998, when the Census Bureau first began collecting data about a household's ability to get food.⁷² Yet between April and July 2020, the world's billionaires increased their wealth by a staggering 27.5%, to a record high of \$10.2 trillion.⁷³ By the market close on November 9, in the midst of the worst economic crisis since the 1930s, the wealth of American billionaires had increased by a full third.⁷⁴ Jeff Bezos, the world's richest man, added \$13 billion to his fortune in just one day, and a total of \$74 billion to it as of September 2020, bringing his total fortune to \$189 billion.⁷⁵ Over the same period, the number of people living in poverty in the US increased by eight million.⁷⁶ So the "secular stagnation" that already had Piketty and Gordon and others especially worried has turned out to be something far worse—a "secular wind shear," precipitating a dramatic dive into the negative reaches of the economic atmosphere, making the need for strong intervention if we are going to do something about economic inequality even more pressing than it was.

The problem is that Piketty has really not made a moral case for doing what he thinks is necessary if we are to reverse economic inequality, no matter how severe it becomes. If the demographics of reproduction

⁶⁸ See Russell Berman, "The Economic Devastation Is Going to Be Worse Than You Think," *The Atlantic* (March 21, 2020); Ezra Klein, "How the Covid-19 Recession Could Become a Depression," *Vox* (March 23, 2020); Nouriel Roubini, "The Coming Greater Depression of the 2020s," *Project Syndicate* (April 28, 2020).

⁶⁹ See Dani Roderick, "Will COVID-19 Remake the World?" *Project Syndicate* (April 6, 2020); Dominic Rushe, "Making Billions v Making Ends Meet: How the Pandemic Has Split the US Economy in Two," *The Guardian* (August 16, 2020).

⁷⁰ See Dominic Rushe and Mona Chalabi, "'Heads We Win, Tails You Lose': How America's Rich Have Turned Pandemic into Profit," *The Guardian* (April 26, 2020); Chuck Collins, Omar Ocampo, and Sophia Paslaski, "Billionaire Bonanza 2020: Wealth Windfalls, Tumbling Taxes, and Pandemic Profiteers," *Institute for Policy Studies* (April 23, 2020) (<https://inequality.org/wp-content/uploads/2020/04/Billionaire-Bonanza-2020-April-21.pdf>); William D. Cohan, "Who's Profiting from the Coronavirus Crisis?" *The New York Times* (April 29, 2020).

⁷¹ See Inequality.org, "Updates: Billionaire Wealth, U.S. Job Losses and Pandemic Profiteers" (<https://inequality.org/billionaire-bonanza-2020-updates/>) (check site to get most current updates); Rupert Neate, "Wealth of US Billionaires Rises by Nearly a Third During Pandemic," *The Guardian* (September 17, 2020).

⁷² See Todd C. Frankel, Brittney Martin, Andrew Van Dam, and Alyssa Fowers, "A Growing Number of Americans Are Going Hungry," *The Washington Post* (November 25, 2020).

⁷³ See Rupert Neate, "Billionaires' Wealth Rises to \$10.2 Trillion Amid Covid Crisis," *The Guardian* (October 6, 2020).

⁷⁴ See Farhad Manjoo, "Even in a Pandemic, the Billionaires Are Winning," *The New York Times* (November 25, 2020).

⁷⁵ See Rupert Neate, "Jeff Bezos, the World's Richest Man, Added £10bn to His Fortune in Just One Day," *The Guardian* (July 21, 2020); Neate, "Billionaires' Wealth Rises to \$10.2 Trillion Amid Covid Crisis."

⁷⁶ See Jason DeParle, "8 Million Have Slipped into Poverty Since May as Federal Aid Has Dried Up," *The New York Times* (October 15, 2020).

were really the crux of the problem, as Piketty suggests they are, another and indeed far more direct fix would be to simply take steps to ensure the rich reproduce at higher rates than everybody else. Indeed, while there is a moral objection to Malthus's suggestion that we starve the poor to reduce their rate of reproduction, there does not seem to be anything morally objectionable in requiring the rich to reproduce more. I suppose we could reject this solution because it would take a while and perhaps "too long" once implemented to have its intended effect, but the real problem is that the source of our concern here is not that society has been the victim of insufficient fertility among the rich, but that the current over-concentration of wealth and income at the top is the product of a series of long-standing and ongoing violations of political morality. Focusing exclusively on the mathematics of dispersion through reproduction simply misses the point. Forcing the rich to divide their fortunes more finely and more frequently would do the job, yes, but this would leave the underlying forces that have produced these great fortunes at the top fully intact. And as long as these underlying problems of political morality remain they will no doubt continue to operate according to Piketty's second law even once the immediate crisis is over and we return to the norm of very modest growth. Perhaps this is why Piketty seems to be so disheartened. For what Piketty's second law seems to be telling us is that absent a sea change in what is happening here, one that does not seem to be on the horizon even now, the über-rich have won, and things are only going to get continuously worse for everybody else. The only question is whether the inevitable further decline will be fast or slow.

There are two additional ways, however, in which both authors actually paint a rosier picture than the facts deserve, even if we do manage to put a stop to any further economic contraction. First, even in the highly unlikely case where growth rates return to levels that both Piketty and Gordon characterize as exceptional, our recent experience suggests this would not reduce income inequality or improve wealth distribution either. The fact that the already rich have been able to capture such astounding proportions of the additional income generated by growth in recent years gives us good reason to expect that increasing growth would simply make the already rich even richer and do nothing for anybody else. Neither author claims there is any economic law that results in this—in fact, they claim the opposite, for they claim the larger the amount of growth the greater the percentage that goes to labor and not capital. But their approach—using long-term economic history to establish the equilibrium to which everything must return—suggests that when this is true it is not normal but exceptional. After all, for most of history there was almost no economic growth, and once economic growth did become somewhat standard there were long periods when it merely served to create economic dynasties. Even when others benefited too, the relative portion of the benefits going to the bulk of the income distribution, even if large from their own perspective, could be fairly thought of as comparatively slight.

The second way in which things might be even worse than they appear is even more disturbing than the first. Let's call it "the appetite for improvement among the rich" instead of using a more colloquial

description like “blind, insatiable, self-destructive greed.” In any event, the richer the rich get, the greater their appetite for more becomes. Money, neuroscientists now tell us, operates on the brain just like cocaine.⁷⁷ And this means that the rich are unlikely to be satisfied with even 100% of the additional income generated by growth, especially if growth remains relatively unremarkable but even if it manages to become “exceptional” again. If the political power of those who have this appetite remains constant, and it is plausible to think that it will do if not increase, then the only way to feed this appetite is to engage in increasingly large transfers of wealth from the poor to the rich. And the need to do this is even greater from the perspective of the super-rich if we enter a period of sustained economic contraction.

Indeed, this process has already begun. From 1949 until 1980 the bottom 90% of the income distribution never enjoyed less than 55% of the income gains. The worst they ever did before that was 20%, in the period 1982 to 1990, and they managed 27% in the period 1991 to 2000.⁷⁸ But from 2001 through the 2007 economic bubble, the top 10% secured 98% of the income gains, and the top 1% secured 76%.⁷⁹ Then, between 2009 and 2012, the top 10% captured a stunning 116% of the income gains, the extra 16% coming as a result of transfers from the poor to the rich.⁸⁰ The top 1% captured 95% of these gains.⁸¹

What these figures reveal, among other things, is highly disturbing in two ways. First, the share of new income going to the bottom 90% has been generally trending downward for many decades now, accompanied by a rising share going to the top 10%. Indeed, one study estimates the difference between what the bottom 90% would have received between 1975 and 2018 had their share of national income remained constant during this period and what the top 10% actually received given that their share of national income was increasing at an astounding \$47 trillion.⁸² In other words, had the shares going to each respective group

⁷⁷ See, e.g., Joe Pinsker, “The Reason Many Ultrarich People Aren’t Satisfied with Their Wealth,” *The Atlantic* (December 4, 2018); Kate Santichen, “What Money and Cocaine Have in Common in Your Brain,” *Money* (June 9, 2016).

⁷⁸ See Neil Irwin, “The Benefits of Economic Expansion Are Increasingly Going to the Richest Americans,” *The New York Times* (September 26, 2014); Pavlina R. Tcherneva, “Reorienting Fiscal Policy: A Bottom-up Approach,” *Journal of Post-Keynesian Economics* (2014): 43–66, 56.

⁷⁹ See Irwin; Tcherneva.

⁸⁰ See Irwin; Tcherneva; Estelle Sommeiller and Mark Price, “The Increasingly Unequal States of America,” *Economic Analysis and Research Network* (February 19, 2014), p. 5; Estelle Sommeiller and Mark Price, “The New Gilded Age,” *Economic Policy Institute* (July 19, 2018); Floyd Norris, “Young Households Are Losing Ground in Income, Despite Education,” *The New York Times* (September 12, 2014); Anna Bernasek, “The Typical Household, Now Worth a Third Less,” *The New York Times* (July 26, 2014); Nelson D. Schwartz, “Recovery in U.S. Is Lifting Profits, but Not Adding Jobs,” *The New York Times* (March 3, 2013); Lawrence Mishel and Nicholas Finio, “Earnings of the Top 1.0 Percent Rebound Strongly in the Recovery,” *Economic Policy Institute* (January 23, 2013); Edward N. Wolff, “The Asset Price Meltdown and the Wealth of the Middle Class,” NBER Working Paper Series, Working Paper 18559 (National Bureau of Economic Research, November 2012).

⁸¹ See Irwin, “The Benefits of Economic Expansion Are Increasingly Going to the Richest Americans;” Tcherneva; “Reorienting Fiscal Policy: A Bottom-up Approach;” Annie Lowrey, “The Rich Get Richer through the Recovery,” *The New York Times* (September 10, 2013).

⁸² See Carter C. Price and Kathryn A. Edwards, “Trends in Income from 1975 to 2018,” *RAND Working Paper WR-A516-1* (September 2020) (https://www.rand.org/pubs/working_papers/WRA516-1.html); Nick Hanauer and David M. Rolf, “The Top 1% of Americans Have Taken \$50 Trillion From the Bottom 90%—And That’s Made the U.S. Less Secure,” *Time* (September 14, 2020).

just stayed at what they were in the early 1970s, the bottom 90% of the income distribution in the US would be \$47 trillion richer than they are today and the top 10% (and mostly the top 1%) would have been \$47 trillion poorer. Second, as if this were not disturbing enough, the trend has now reached the point where even capturing 100% of income gains is not enough for those already at the top of the income distribution. When growth is lower, or becomes negative, they have to supplement their gains or derive them entirely by obtaining transfers from the poor. So while continuing economic growth may be necessary if we are to reduce economic inequality, it is clearly not sufficient. Those who think that increasing economic growth alone is going to enable us to answer the problem of economic inequality are sadly mistaken. Even exceptional amounts of economic growth may not make things better at all. Indeed, the fight may now not be about trying to improve things, but about trying to slow down the speed at which they get worse.

One way to capture what we are experiencing is to look at what has recently been anointed as “the Palma Ratio,” after José Gabriel Palma, the Cambridge economist who recently developed it.⁸³ The ratio is described (very uninformatively, I’m afraid) as measuring “distance from distributional challenges.” But meaningfully characterizing what it represents is not as important as understanding that it measures economic inequality in a different and more illuminating way than existing econometric measures, such as the Gini coefficient, an equally difficult to explain but nevertheless widely used mathematical measure of inequality. In any event, one of the insights the Palma ratio reveals is that over time, inequality tends to exponentially increase at the tail end. That is, the higher it gets, the faster it gets higher. Another is that it tends to become higher first by the top 10% capturing ever increasingly large proportions of economic growth, and then increasing even further through transfers of wealth from bottom 40% to the top 10%. We do not have enough information to determine as a matter of economic history where it goes from there, although not surprisingly, what information we do have seems to suggest this is followed by increasing transfers from the middle 50% to the top 10%. But what it does tell us clearly is disturbing enough, for as a way of describing what has been happening, it applies with equal force to nations that are widely considered to be liberal capitalist democracies as to nations that already employ some form of illiberal capitalism, even if things are already worse and moving faster in the wrong direction in those cases.⁸⁴ Which, of course, does not bode well for the future of liberal capitalism.

If there is even more reason to be pessimistic than Gordon and Piketty suggest, however, this makes it even harder to see how liberal capitalism can survive. To accomplish ever greater transfers of wealth from the poor to the rich, liberal capitalism will have to give way to illiberal capitalism to a greater extent than it has already. For liberal capitalism to survive, in contrast, four things must be accomplished. First, the benefits of

⁸³ See Jayati Ghosh, “The Exploitation Time Bomb,” *Project Syndicate* (July 16, 2019).

⁸⁴ See José Gabriel Palma, “Behind the Seven Veils of Inequality. What If It’s All about the Struggle within Just One Half of the Population over Just One Half of the National Income?” *Development and Change* (2019): 1-81 (<https://onlinelibrary.wiley.com/doi/epdf/10.1111/dech.12505>).

growth, however modest these turn out to be, must from now on be distributed overwhelmingly to the lower 90% of the income distribution, with distribution within that group being increasingly progressive (meaning a higher percentage goes to the lower quintile than the upper quintile, and so on). Among other things, this will require the return to vigorous enforcement of the antitrust and securities laws, the imposition of actual prison time on executives who allow their companies to engage in violations of these laws, more effective prohibition of economic exploitation, an end to the imposition of externalities and the corresponding misallocation of resources this creates, and a rethinking of how public education is to be financed so that a good education once again becomes accessible to all without regard to family income.

Second, any further transfers of wealth from the poor to the rich must cease and we must make some serious inroads toward increasing the amount of redistribution from the rich to the poor, at least until the vast transfers of wealth from the poor to the rich that were accomplished through the Bush and Trump tax cuts and from similarly regressive policies and practices enacted elsewhere are reversed. This means a restoration of real progressivity in the income tax, the closure of various loopholes currently being exploited by rich individuals and corporations, the imposition of a modest accumulated wealth tax (something like 1 to 3%) on those that have reaped the greatest benefits from decades of government giveaways, and the enactment of a significant *idle* wealth tax (up to 50%) on those who refuse to reinvest their substantial gains but instead insist on holding them in cash or cash equivalents.

Third, real wages must go up significantly for most of the income distribution and go down for those at the very top. This requires the enactment of a maximum wage, widespread increases in the minimum wage, the setting and enforcement of reasonable wage ratios between the highly compensated and the average workers, and probably most importantly, the restoration of levels of unionization we last saw in the 1950s.

Fourth and finally, we must make real progress in recreating the potential for economic mobility that characterized the American experience for most of the country's lifespan, but has now become mostly an illusion, and do more to see that such mobility is available in all liberal capitalist democracies.

I have set forth the arguments for each of these proposals in detail elsewhere,⁸⁵ and others have as well,⁸⁶ so I will resist the urge to repeat the details here. But I will acknowledge that even though it is not anywhere near as difficult to know what we have to do as those who have a vested interest in the *status quo* like

⁸⁵ See, e.g., Reiff, "The Politics of Masochism;" Reiff, *Exploitation and Economic Justice in the Liberal Capitalist State*; Mark R. Reiff, "How to Pay for Public Education." *Theory and Research in Education* 12 (2014): 4-52; Reiff, *On Unemployment, Volume I* and II; Reiff, "Two Theories of Economic Liberalism;" Reiff, "The Just Price, Exploitation, and Prescription Drugs: Why Free Marketeers Should Object to Profiteering by the Pharmaceutical Industry;" Reiff, *In the Name of Liberty*.

⁸⁶ See, e.g., Joseph E. Stiglitz, Todd N. Tucker, and Gabriel Zucman, "The Starving State: Why Capitalism's Salvation Depends on Taxation," *Foreign Affairs* (January/February 2020); Larry Elliot, "IMF Boss Says Raise Taxes on the Rich to Tackle Inequality," *The Guardian* (January 7, 2020); Paul Krugman, "Big Money and America's Lost Decade," *The New York Times* (December 26, 2019); Yaffe-Bellany, "Shareholder Value Is No Longer Everything, Top C.E.O.s Say;" Steven Pearlstein, et al., "How to Fix Capitalism: Nine Expert Solutions for America's Broken System." *The Guardian* (May 8, 2019).

to claim, it will be exceedingly difficult to get it done. History tells us that we will encounter tremendous resistance to any attempt at greater redistribution—indeed we will be lucky if we even manage to keep further transfers for the poor to the rich at bay. Increasing real wages significantly while imposing a maximum wage on corporate executives and hedge fund managers is also going to be politically and logistically difficult, to say the least.⁸⁷ So I am not optimistic about any progress toward reform happening in anything but small, incremental, time-consuming steps. Which means that the promised land lies down a long and winding road and will be difficult to reach.

b. Where the Sunshine Lies within the Storm

Difficult as that road may be, however, it is important to recognize that our problems are not the product of irresistible economic forces too complex to manage much less control. There are no laws of nature in either physics or economics that prevents us from doing a better job realizing the aspirations of liberalism. The failure to do more to address our problems is not a failure of capitalism, our economic system, or even a failure of economics in the sense that the profession has not yet attained the technical skill to allow us to achieve what we want to achieve within the economy. We actually know quite a lot about what effect specific economic policies will have in a wide variety of circumstances. There is some uncertainty present in many cases, of course, but this uncertainty is not what is behind our failure to make the economy do a better job of instantiating the values of liberalism. The mistakes in economic policy that we have made and continue to repeat are primarily driven by the triumph of illiberalism over liberalism in politics, in setting our priorities, not by any lack of economic predictive power.⁸⁸ Or, to rephrase this slightly, what often passes for disagreement about how to manage the economy is more accurately categorized as disagreement about who the economy should benefit, a political disagreement not an economic one. It is not our technical economic skills that have been lacking but our political will and morals.⁸⁹ Capitalism is generating wealth, as it should do, and at a faster pace than we have reason to believe socialism could do; it is just that there is nothing engraved

⁸⁷ For discussion of how we might justify imposition of maximum wage, and a discussion of some of the practical concerns that would arise in connection with trying to do so, see Reiff, *Exploitation and Economic Justice in the Liberal Capitalist State*, pp. 204-210; Mark R. Reiff, “Setting a Maximum Wage for CEOs Would be Good for Everyone.” *Aeon* (September 19, 2018) (<https://aeon.co/ideas/setting-a-maximum-wage-for-ceos-would-be-good-for-everyone>); Mark. R. Reiff, “Why We Need to Set a Maximum Wage.” *The Rift* (May 27, 2019) (<https://therift.eu/index.php/2019/05/27/should-there-be-a-maximum-wage/>).

⁸⁸ See Justin Fox, “Can We Trust Economists?” *The New York Times* (October 4, 2019); Binyamin Appelbaum, *The Economists’ Hour: False Prophets, Free Markets, and the Fracture of Society* (New York: Little Brown, 2019).

⁸⁹ See David Graeber, “Against Economics,” *New York Review of Books* (December 5, 2019); Robert Skidelsky, *Money and Government: The Past and Future of Economics* (New Haven, CT: Yale University Press, 2018); William Arthur Galston, “Yes, Contemporary Capitalism Can Be Compatible with Liberal Democracy,” *The Guardian* (August 21, 2019); Anat Admati, “There is No Economics without Politics: Every Economic Model Is Built on Political Assumptions,” *Economics* (December 6, 2019).

in the stone of capitalism to say who gets it. This is the job of liberalism, and it is therefore liberalism, not capitalism, that is now being tested. The answer to the question “can liberal capitalism survive?” will accordingly be determined by our political and moral preferences and will power, not by any laws of economics.

Which is why the books of Piketty and Gordon should not be taken as describing barriers that we cannot penetrate or climb. Their works are works of economics, and while they both have ramifications for political theory and public policy, they display very little engagement with and not even much interest in the methods, claims, history, or aspirations of political philosophy. Because both works are filled with facts and figures, facts and figures that I have no reason to doubt are correct, they have the patina of works of science, whose claims are subject to technical criticism but not ideological or moral criticism, for there are no *moral* facts (they and many others seem to think) and therefore nothing but empirical facts can be used to refute them. Given their (perfectly understandable) discipline-centric bias, both Gordon and Piketty (as well as many, many other economists) see economics as existing on a plain above morality, as studying the complex intra- and inter-societal forces that give content to an almost infinite set of individual exchanges, which in turn produce or diminish economic welfare, an end result that is perhaps subject to influence in some small way but which is so complex that it is certainly not open to control by our moral values, whatever these may be. Indeed, both Piketty and Gordon look at economic history as existing completely independently of politics and morals.

This, of course, is the only thing they could do if they want to see historical periods where our sense of political morality was much different than it is now as instructive when projecting what might be likely to happen economically going forward. Even if it were true, however, that 100-year averages were pretty constant despite variations in the values of political morality to be employed, why should that discourage us from seeking to buck the average now? Clearly, no matter what long-term averages might hold constant, tumultuous volatility can occur at any moment, certainly for the bad, given civil, international, and world wars, national and global economic depressions and recessions, and so on, but also for the good. Otherwise, the long-term average would not remain constant. Indeed, Piketty himself points this out in a short piece published after his book appeared in English and in which he expresses some concerns about how his work was being understood.⁹⁰ The point being that no matter how useless we might believe this to be from a long-term 100-year perspective, why should we not still try to work toward short to mid-term improvements? The period between 1945 and 1970 may have been an anomaly, but it was an anomaly that resulted from changes in our political and moral attitudes and approaches. Things improved dramatically for many people by most economic measures during this period, not because of historical and technological and economic

⁹⁰ See Thomas Piketty, “About *Capitalism in the Twenty-First Century*,” *American Economic Review: Papers and Proceedings* 105 (2015): 48-53.

forces that were unusual or even unique, or at least not *only* because of this, but because we decided to take a new approach to the management of society after having reduced a good part of it to rubble. For the first time, we actually began to take seriously the demands of political liberalism and the various values this political theory advanced, and actually began to apply them, albeit in a neither sufficiently committed nor competent nor consistent manner. This period was different than the periods that came before because our practice of political morality was different.

Of course, the degree to which any particular society has instantiated liberalism is very difficult to measure, and economists naturally shy away from taking seriously what they cannot measure. But we do have a way of measuring the effect of liberalism on economic performance on a macro level. Take, for example, the experience of Germany, the nation-state where we performed as close to an (unintentionally) controlled experiment on this as we are ever likely to be able to construct. Germany's turn to illiberalism in the form of Nazism at a time of economic crisis, when its commitment to liberalism was young and weak and fettered by the payment of war reparations and otherwise incompetently pursued, did not make things sustainably better, economically or otherwise—it made them catastrophically worse. But then, out the rubble of what was left, Germany turned to liberalism again. And a kind of liberalism with teeth, one that was not afraid of its own shadow, one that actually recognized that the liberal principles of toleration and neutrality were not unlimited and sought to enforce them. The new West German state ruled various fascist parties illegal, imposed real restraints on illiberal behavior by businesses, institutionalized unions, enacted and enforced antitrust laws, and recognized that various forms of government intervention was often necessary to protect freedom and did not always represent an infringement of it.⁹¹ It then experienced remarkable growth, rebuilding an economy that became the envy of the world.

I know this indisputably impressive accomplishment is usually explained by reference to the fact that the War had left a need to rebuild the entire country's infrastructure almost from scratch and the large amount of investment that doing this required created the opportunity for vast and rapid improvement. But here is where the controlled experiment comes in. East Germany faced the same problems after the War that West Germany faced. But its performance was pitiful when compared to that of the West, even though it might have been impressive by Eastern European standards. There are no doubt many causal factors behind this, but it should be uncontroversial to point out that West Germany's turn to liberalism and East Germany's failure to turn in the same direction was one of them. East Germany turned to communism, which is simply a different form of illiberalism than fascism.⁹² The fact that West Germany thrived while East Germany floundered and eventually collapsed is no doubt in part a testament to how much political liberalism can affect economic performance. And when the West German economic miracle started to fade, this was

⁹¹ See generally Reiff, "Two Theories of Economic Liberalism."

⁹² See Reiff, "The Attack on Liberalism;" Reiff, *The Unbearable Resilience of Illiberalism*.

because neoliberal economic ideas and neoconservative political ideas, their political counterpart, began to infiltrate from the US.⁹³ All of a sudden these neoliberal/neoconservative critics managed to convince others that despite its success, the West German government was too big, too intrusive, too tax happy, and too interventionist; and not only with regard to economic affairs, but with regard to everything else as well.⁹⁴ The result was to start a retreat from liberal capitalism into yet another form of illiberalism.⁹⁵ And this, in turn, led to various decisions that weakened West Germany's commitment to the very political principles that had served it so well up until then.

Of course, this last bit is a controversial statement, and therefore needs to be more extensively defended. But for our purposes a fuller defense is not necessary. The point here is simply that we do not have to look back at 150 years of history and ignore the enormous changes in political attitudes and approaches that happened during this period if we want to make some inferences as to what standard rates of economic growth might be. We can instead look to the comparative performance of the Western and Eastern Block. This does not merely illustrate the difference between capitalism and socialism. Indeed, it may not illustrate this at all if I am right and what really matters here is how these economic systems are combined with the various political programs on offer. What it actually demonstrates is the difference between two different political approaches—that is, liberalism and illiberalism, which, by the way, is exactly what those in capitalist societies were claiming at the time, and how much more important this is with regard to economic performance than the differences between economic systems alone.

Even before the grip of liberalism loosened in Germany, however, it began to loosen in the United States, where economic neoliberalism and political neoconservatism began.⁹⁶ We ceased enforcing the antitrust laws.⁹⁷ We deregulated the financial industry.⁹⁸ We blocked and even rolled back repeated efforts at campaign finance reform.⁹⁹ We embraced supply-side economics, despite overwhelming evidence that it did

⁹³ See Norman P. Barry, "Political and Economic Thought of German Neo-Liberals," in *German Neo-Liberals and the Social Market Economy*, ed. Alan Peacock and Hans Willgerodt (London: Macmillan, 1989), pp. 105-124.

⁹⁴ See Reiff, *Unemployment, Volume I and II*; Reiff, "Two Theories of Economic Liberalism."

⁹⁵ For an extensive discussion and defense of this claim, see Reiff, "The Attack on Liberalism;" Reiff, *The Unbearable Resilience of Illiberalism*.

⁹⁶ See generally Reiff, "Two Theories of Economic Liberalism;" Reiff, "The Just Price, Exploitation, and Prescription Drugs;" Roberto Romani, "Varieties on Neoliberalism: On the Populism of Laissez-Faire in America, 1960-1985," *Global Intellectual History* (2019).

⁹⁷ See Stacy Mitchell, "The Rise and Fall of the Word 'Monopoly' in American Life," *The Atlantic* (June 20, 2017); Tim Wu, "The Supreme Court Devastates Antitrust Law," *The New York Times* (June 26, 2018).

⁹⁸ See, e.g., Brooksley Born, "Deregulation: A Major Cause of the Financial Crisis," *Harvard Law and Policy Review* 5 (2011): 231-244; Raghuram G. Rajan, "Has Financial Development Made the World Riskier," NBER Working Paper 11728 (Cambridge, MA: National Bureau of Economic Research, 2005).

⁹⁹ See generally Walter Shapiro, "A Way Forward on Campaign Finance Reform?" *Brennan Center for Justice* (March 4, 2019).

not work.¹⁰⁰ We gutted public education, and have done little since to salve the great sucking wound this gutting left behind.¹⁰¹ Except for the initial moments after the 2008 crash when everybody acted like a Keynesian,¹⁰² we practiced austerity when sensible economists called for deficit spending,¹⁰³ and then began deficit spending once the circumstances changed and we should have begun paying down our debt.¹⁰⁴ We failed to punish people who had committed fraud on a massive scale and produced the greatest economic crisis since the Great Depression.¹⁰⁵ Even more disturbingly, we failed to punish those who led us into an unjust war and destabilized the Middle East, which in turn produced the continuous flow of refugees that is destabilizing liberalism now.¹⁰⁶ We turned the courts from a force for social progress into one for social regress and retrenchment.¹⁰⁷ We started gerrymandering on a massive scale.¹⁰⁸ And we retreated from liberalism in other ways as well.¹⁰⁹ And we did all this for political reasons, not economic ones. We have been regressing toward the mean economically because we have been regressing toward the mean (if not even further toward illiberalism) politically, not because there have been economic forces in play that were not subject to the control of politics. At least, I can see no reason to dismiss this as a possibility. But it is a possibility that neither Piketty nor Gordon seriously considers; they merely note this is passing and then proceed as if it did not render their purely economic historical analyses potentially misleading. Even Palma, who actually argues outright that rising inequality is the result of policy choices, not irresistible economic forces, merely ascribes these choices to the increased lobbying power of the rich and not to some larger systemic decay in our commitment to liberalism. Accordingly, even he fails to draw a robust connection between our governing political philosophy and economic policy, or to see that real changes in political

¹⁰⁰ See Morris Pearl, "Why Are We Still Pretending 'Trickle-Down' Economics Work?" *The Guardian* (June 13, 2019); Mark R. Reiff, "Even If You Build It, the Poor Can't Come: Against Supply Side," *Aeon* (June 5, 2018) (<https://aeon.co/ideas/even-if-you-build-it-the-poor-cant-come-against-supply-side>).

¹⁰¹ See Reiff, "How to Pay for Public Education;" David Smith, "Betsy DeVos: The Billionaire Republican Destroying Public Education," *The Guardian* (December 27, 2019).

¹⁰² See Justin Fox, "The Comeback Keynes," *Time Magazine* (October 23, 2008) (quoting Robert Lucas, the Nobel-prize winning University of Chicago economist, who noted that "everybody is a Keynesian in a foxhole").

¹⁰³ See generally Robert Booth, "UN Report Compares Tory Welfare Policies to Creation of Workhouses," *The Guardian* (May 22, 2019); Philip Alston, "Report of the Special Rapporteur on Extreme Poverty and Human Rights on His Visit to the United Kingdom of Great Britain and Northern Ireland," (April 23, 2019) (<https://undocs.org/A/HRC/41/39/Add.1>); Reiff, *On Unemployment, Volume I and II*; Isabel Ortiz and Matthew Cummins, "The Insanity of Austerity," *Project Syndicate* (October 11, 2019); Wolfgang Münchau, "Austerity, Not the Populists, Destroyed Europe's Centre Ground," *Financial Times* (December 22, 2019).

¹⁰⁴ See Paul Krugman, "The Economics of Donald J. Keynes," *The New York Times* (May 6, 2019).

¹⁰⁵ See Reiff, "Punishment in the Executive Suite."

¹⁰⁶ See Ross Barkan, "The Blood on George W. Bush's Hands Will Never Dry. Don't Glorify This Man," *The Guardian* (October 20, 2017); Javier Solana, "Lessons from the Iraq War after 15 Years," *Project Syndicate* (March 22, 2018); Ajay Singh Chaudhary, "Iraq is a Reminder: US Crimes against Humanity Predate Trump," *The Guardian* (March 29, 2018).

¹⁰⁷ See, e.g., Jason Zengerle, "How the Trump Administration Is Remaking the Courts," *The New York Times* (August 22, 2018).

¹⁰⁸ See Anthony J. McGann, Charles Anthony Smith, Michael Latner, and Alex Keena, *Gerrymandering in America* (Cambridge: Cambridge University Press, 2016); Michael Tomasky, "Ratfucked Again," *The New York Review of Books* (June 7, 2018).

¹⁰⁹ See, e.g., Paul Mason, "The End of Capitalism Has Begun," *The Guardian* (July 17, 2015).

morality and not merely an increase in effectiveness by the rich in pursuing their self-interest are what is threatening the continued viability of liberal capitalist democracy. And unless we see this, everything still boils down to saying it is all about economics—once the rich get rich enough there is no stopping their power to control our political reality.

But what about *Capitalism and Ideology* (2020), Piketty’s latest attack on inequality?¹¹⁰ Does not this work do exactly what I say needs doing? Not really. While Piketty expressly notes in the opening of this work that “inequality is neither economical or technological; it is ideological and political” and urges us to start “taking ideology seriously,”¹¹¹ the discussion that takes place over the next 1,000 plus pages almost never delves into the ideological or political other than in a non-analytical, strictly historical, descriptive sense. Piketty says, “All human societies need to justify their inequalities.”¹¹² I agree, but those on the illiberal right do not, and Piketty offers no moral argument in support of the liberal position. Ideologies are identified, but they are characterized purely by the collection of policy positions they promote, which are set forth in excruciating detail, not by the moral thinking that drives them. Piketty’s own ideology, which he calls “participatory socialism,” is presented in a single sentence: “A just society organizes socioeconomic relations, property relations, and the distribution of income and wealth in such a way as to allow its least advantaged members to enjoy the highest possible life conditions.”¹¹³ But does Piketty really contend we should dramatically level down the standard of living of almost everyone in society just to make the least advantaged slightly better off? And even if we were to try to do this, how could we be sure that the least advantaged actually *will* end up better off? Predicting the future economic effects of current economic policies is notoriously difficult to do; we therefore need a moral principle that tells us which risks we should take and which we should eschew.¹¹⁴ Piketty never discusses what this principle might be. Even more importantly, aren’t there moral reasons we might want to reduce the current degree of inequality from its currently obscene levels even if this has *no* effect on the standard of living of the least advantaged? And how is giving lexical moral priority to the least advantaged consistent with the liberal idea that government should treat everyone with equal concern and respect?¹¹⁵

Piketty notes in passing the similarities between his view and the Rawlsian difference principle, and does spend parts of about six pages making what might be considered an argument in defense of his own position.¹¹⁶ But mostly he just argues for his view by claiming that the particular economic policies he wants

¹¹⁰ Thomas Piketty, *Capital and Ideology* (Cambridge: Harvard University Press, 2020).

¹¹¹ Ibid. at p. 7.

¹¹² Ibid. at p. 966.

¹¹³ Ibid. at p. 968.

¹¹⁴ See Mark R. Reiff, “The Difference Principle, Rising Inequality, and Supply-Side Economics: How Rawls Got Hijacked by the Right,” *Revue de Philosophie Économique/Review of Economic Philosophy*13:2 (2012): 119-173.

¹¹⁵ See Ronald Dworkin, “Liberalism,” in *Public and Private Morality*, ed Stuart Hampshire (Cambridge: Cambridge University Press, 1978).

¹¹⁶ See Piketty, *Capitalism and Ideology*, pp. 966-972.

us to adopt are required by (or perhaps just consistent with, this is not clear) his principle without defending this or explaining why at least many of them would not also be consistent with or required by other liberal egalitarian principles, none of which he mentions, that we could adopt instead. Without ever saying that this is what he is doing, he seems to be making a purely consequentialist argument for his view, but he does not defend why we should think that his conception of the good, which is what tells us which consequences are “best” and therefore what we should do, is the one we should embrace. Nor does he explain why we should treat consequences as decisive rather than what rights people naturally have or which have been granted to them, something that different ideologies answer very differently. Do not get me wrong—I greatly admire Piketty and his work, and I am profoundly grateful (as we all should be) for the ammunition his work and that of his colleagues has provided to those of us who want to defend liberal capitalism. But despite his claims to the contrary, Piketty’s latest is *not* an ideological argument about which of the many competing attitudes toward political morality on offer we should embrace. It does not put ideology first—it mostly leaves it off the table. Instead, the desirability of certain ends are assumed and economics and economic policy are once again portrayed as what really matters.

Which means that the effect (even if not the intent) of both Piketty’s and Gordon’s work is to suggest that what we are experiencing is the product of economic forces working on us that as a practical matter we can do little or nothing to deflect. Of course, this is itself an ideological view. Marx called this “the silent compulsion of economic relations,” the supposedly inescapable reality that led workers to see their domination by capitalists as the product of irresistible natural laws against which resistance was futile.¹¹⁷ If anything, *Capitalism and Ideology* reinforces this fatalistic attitude, for in it Piketty concedes that implementing some of his most important proposals in the US, where economic inequality is worse than anywhere else in the liberal capitalist world, would require amending the Constitution,¹¹⁸ an almost impossible and in any event extremely dangerous and utterly impractical objective to pursue. And this makes Piketty’s view, and to a lesser extent Gordon’s too, actually pretty comforting to illiberals on either the right or the left.¹¹⁹ Even the liberal critics of both men don’t point out that each has failed to account for the tremendous influence that political morality can have on economic performance. The few liberal political theorists who have engaged with either of their works seem to treat each author with such reverence that they come off more as cheerleaders than critics, albeit ones that are mostly depressed by the news these authors bring.¹²⁰ And most of the liberal

¹¹⁷ See Karl Marx, *Capital Volume I* (London: Penguin Books, 1976), p. 899.

¹¹⁸ See Piketty, *Capitalism and Ideology*, p. 995.

¹¹⁹ For a similar criticism, albeit from an economic point of view, see Yanis Varoufakis, “Egalitarianism’s Latest Foe: A Critical Review of Thomas Piketty’s *Capital in the Twenty-First Century*.” *Real-World Economics Review* 69 (2014): 18-35.

¹²⁰ See, e.g., Jordan Weissmann, “The Most Depressing Economic Idea of 2012: The (Near) End of Growth,” *The Atlantic* (December 31, 2012) (on Gordon); Martin O’Neill, “Philosophy and Public Policy after Piketty,” *Journal of Political Philosophy* 25 (2017): 343-375.

economists who have criticized this work have focused on what they see as technical errors and have simply ignored the assumption of the irrelevance of political morality underlying all this work.

But this is exactly the point that needs to be made. For if we want to reject the norms of illiberal capitalism in favor of the norms of liberal capitalism, the norms we at least began to seriously apply between 1945 and 1970 and in some places up to 1980, there is no reason why we cannot do so. And if we do reawaken the thoughts and dreams that were behind this period of economic history, and pursue the policies that we began to pursue in earnest during this period but have since abandoned *because we turned away from the liberal principles of political morality that drove them*, there is no reason to believe that the experience of our ancestors from much older illiberal times will have any bearing on what we are capable of accomplishing.

IV. BACK TO SCHUMPETER

This is where we come back to Schumpeter. While Schumpeter thought that capitalism would not survive, this was not because he saw it as a failure, but because he saw it as a success. He thought that:

“The actual and prospective performance of the capitalist system is such as to negate the idea of its breaking down under the weight of economic failure, but that its very success undermines the social institutions which protect it, and 'inevitably' creates conditions in which it will not be able to live and which strongly point to socialism as the heir apparent.”¹²¹

In other words, he thought that the kinds of economic advancements made possible by capitalism would bring on a new, deeper concern for social welfare, and that this deeper concern would ultimately alienate and then frustrate the individuals and institutions that supported capitalism,¹²² much as Nietzsche saw the pursuit of truth that Christianity promoted as leading eventually to the death of God.¹²³ Specifically, Schumpeter thought that a number of factors would combine and lead to capitalism’s destruction.¹²⁴ First, the lack of support for capitalism among those he labelled “intellectuals,” and their growing infatuation with socialism, which was an intellectualist creation and thereby enjoyed some natural loyalty from those who saw themselves

¹²¹ Schumpeter, *Capitalism, Socialism, and Democracy*, p. 61. See also pp. 139, 143.

¹²² See Richard Swedberg and Joseph A. Schumpeter, “Can Capitalism Survive? Schumpeter's Answer and Its Relevance for New Institutional Economics,” *European Journal of Sociology* 33 (1992): 350-380; Joan Robinson, “Review: *Capitalism, Socialism, and Democracy*,” *The Economic Journal* 53 (1943): 381-383, 382. Many of Schumpeter’s concerns, of course, were echoed by others as well. For concern over the attitudes toward capitalism and socialism of most “intellectuals,” for example, see F. A. Hayek, “The Intellectuals and Socialism,” in *Studies in Philosophy, Politics and Economics* (London: Routledge & Kegan Paul, 1967 [1949]), pp. 178-194; Ludwig Von Mises, “The Anti-Capitalistic Bias of American Intellectuals,” in *The Anti-Capitalist Mentality* (Auburn, AL: Ludwig Von Mises Institute, 2016 [1956]), pp. 15-18.

¹²³ See Friedrich Nietzsche, *On the Genealogy of Morality* (Cambridge: Cambridge University Press, 1994).

¹²⁴ See Schumpeter, pp. 142, 144, 145, 147, 148, 151, 155, 153, 170; Seymour Martin Lipset, “Reflections on Capitalism, Socialism, and Democracy,” *Journal of Democracy* 4 (1993): 43-55, 43-49.

as high-minded. Second, the degradation of the family and the short-termism this would bring on because no one would have reason to care about the next generation and the next anymore, but only about themselves. Third, the lack of loyalty to capitalism from the bourgeoisie, who despite being created by it seemed temperamentally incapable of loyalty. But these were all social, or what we might more accurately describe as political forces, not economic ones. Indeed, he expressly rejected the argument that it was economics that really mattered. He thought that socialism could be made as economically efficient as capitalism, and therefore offered a feasible alternative and would be widely viewed as attractive on that basis.¹²⁵ But even if socialism were less economically efficient than capitalism, he thought the social and political forces that were then at work would still bring on socialism, for these would grow in strength over time and capitalism simply could not satisfy them.¹²⁶

While Schumpeter may have been wrong with regard to his assessment of how people were likely to react to the change in social practices and political ideals that capitalism enabled, he may have nevertheless been right about where the forces that threatened capitalism were coming from. The threat was not from economic forces that roamed independently about the world, or from the allegedly “superior” economics associated with socialism, but from illiberalism, just as he thought it would be. He merely got the *kind* of illiberalism that was coming wrong—this turned out not to be illiberal socialism, but illiberal capitalism, or what the political philosopher Michael Harrington liked to call “anti-social socialism,” that is, capitalism unfettered by all the aspirations of political liberalism, where instead of facilitating transfers from the rich to the poor, the system is designed to facilitate transfers from the poor to the rich.¹²⁷

But it would be a mistake to as a result think of illiberal capitalism as amoral, and as in that way unlike liberal capitalism, to think of it as a creature born exclusively out of economics and independent of morality. Illiberal capitalism is not purely economic, despite the fact that many people tend to see it that way. It is tethered to morality, just not a kind of morality that any liberal would find attractive. The moral values that illiberal capitalism enshrines are wealth, power, success, beauty, strength, longevity of one’s line, and so on.¹²⁸ Moreover, these ends are valued independently of whatever means are used to get them. In other words, illiberalism does not just set forth unattractive ends and claim that the ends justify the means. It claims that means are not subject to moral evaluation, and this is quite a different proposition. While it also claims

¹²⁵ See Herbert Gintis, “Why Schumpeter Got It Wrong in *Capitalism, Socialism, and Democracy*,” *Challenge Magazine* (August 1990).

¹²⁶ See Fritz Machlup, “Capitalism and Its Future Appraised by Two Liberal Economists,” *American Economic Review* 33 (1943): 301-320, 314-320.

¹²⁷ See also Robert Reich, “Trump Offers Socialism for the Rich, Capitalism for Everyone Else,” *The Guardian* (February 11, 2019); Jonathan Aldred, “‘Socialism for the Rich’: The Evils of Bad Economics,” *The Guardian* (June 6, 2019); Gracy Olmstead, “Trump Wants to Take From the Poor and Give to the Wealthy,” *The New York Times* (December 10, 2019).

¹²⁸ For a similar point about the moral values behind illiberalism, see Isaiah Berlin, “The Originality of Machiavelli,” in Isaiah Berlin, *Against the Current* (Princeton University Press, 2001), pp. 25-79.

supremacy for the goal of increasing economic efficiency through globalization, this is just a ruse—it hardly matters to those who make this claim whether it is true or not, for the real objective of many of these people is simply their own self-advancement through the evasion of various restraints that liberalism imposes on capitalism, restraints on things such as environmental pollution, the treatment of labor, and taxation, which have become so embedded in most liberal capitalist democracies that they cannot be evaded any other way.¹²⁹ The greed that illiberalism makes possible will accordingly be the undoing not of capitalism, but of liberalism. With this revision, Schumpeter’s fears were well-founded and may now be coming true.¹³⁰

V. A FINAL NOTE ON DEMOCRATIC SOCIALISM

I want to end by making a few comments about democratic socialism, and how its apparent resurrection relates to the attack on liberal capitalism. Part of the problem here is one of definition, in the sense that politicians and even political theorists who identify themselves as democratic socialists are often nothing of the sort. That is, they do not believe that the great bulk of the means of production, including at the very least all heavy industry, should be owned by the government, that prices should be set centrally by government command rather than by a largely but not necessarily perfectly competitive free market, that firms should be abolished and replaced by worker collectives, and so on.¹³¹ They simply believe that capitalism should be moderated by a concern for the poor and disadvantaged, that everyone should have access to quality health care and public education, that even the most unskilled workers should be paid a living wage and skilled workers should be paid correspondingly more than this, and that the levels of compensation at the top of some non-productive occupations are currently excessive.¹³² These are the same things that liberal capitalists believe. There may be some programs—like universal basic income—that democratic socialists are more likely to support than other kinds of liberals, but even here what is at stake are details. Both groups have a similar vision of the kind of society in which they want to live. Most of those who currently claim to be accordingly not democratic socialists, they are social democrats in the Scandinavian tradition, and this is a form of life that is clearly compatible with liberal capitalism.¹³³ It is not an alternative to liberal capitalism; it is a version of it.

¹²⁹ For further discussion of this point, see Roderick, “Populism and the Economics of Globalization,” at 27.

¹³⁰ For an example of the degradation of the family, see David Autor, David Dorn, and Gordon Hanson, “When Work Disappears: Manufacturing Decline and the Falling Marriage Market Value of Young Men,” March 2017 (http://www.fas.nus.edu.sg/ecs/events/seminar/seminar-papers/17-09-05_2.pdf).

¹³¹ See, e.g., Sheri Berman, “Five Myths about Socialism,” *The Washington Post* (March 1, 2019); Alan S. Blinder, “Democrats, Stop Pretending to Be Socialists,” *The Washington Post* (March 14, 2019); Reid J. Epstein and Linda Qiu, “Fact-Checking Trump’s Claims That Democrats Are Radical Socialists,” *The New York Times* (July 20, 2019).

¹³² See, e.g., Reid J. Epstein and Sydney Ember, “Bernie Sanders Delivers Defense of His Democratic Socialist Philosophy,” *The New York Times* (June 12, 2019).

¹³³ See Acemoglu, “Social Democracy Beats Democratic Socialism;” Paul Krugman, “Bernie Sanders Isn’t a Socialist,” *New York Times* (February 13, 2020).

This is not to say that all democratic socialists really are liberal capitalists. Socialism and communism are not the same thing, either as a technical matter or in practice with regard to the degree of micro-management they endorse in our social and political lives.¹³⁴ But some of the people who self-identify as democratic socialists really *are* socialists in the economic sense.¹³⁵ That is, they really do believe that most productive assets should be publicly owned, and that firms should be run as worker collectives, with production and pricing decisions made or at least coordinated by the government, rather being based on the information the market provides through application of the price mechanism, even if they do not embrace the kind of totalitarian rule that communism typically entails. This does not make them communists, but it does mean they are not capitalists. Piketty himself claims to be a socialist at the end of *Capitalism and Ideology*, and he does argue for a very different kind of regime of property ownership. But all of his other suggestions are totally consistent with liberal capitalism. Political theorists who claim to and might actually be democratic socialists rather than liberal egalitarians in disguise do exist, and they are scattered throughout history and are still around today, but I will focus exclusively on just one: the contemporary political philosopher David Miller, for my remaining space is short.

Despite describing something that sounds an awful lot like traditional socialism, Miller claims that by embracing some rather vaguely defined, centrally guided but nevertheless somehow still “free” market, in which worker collectives compete with each other, he is advocating something which is different than traditional state-sponsored socialism in kind and not just in degree.¹³⁶ But even if these two forms of socialism are different, I find the idea that there could be a truly socialistic form of democratic socialism that was not illiberal dubious at best, and others do too.¹³⁷ Certainly no truly socialistic version of democratic socialism has ever existed out in the real world. In any event, even if a truly socialistic version of democratic socialism were possible, such a system would actually pose no threat to liberal capitalism for the same reasons that traditional socialism was not a threat when Schumpeter was worrying about. The truly socialistic aspects of democratic socialism have no chance of being implemented in the United States, given the reflexive paranoia that the use of the word “socialism” routinely invokes there. And even in Europe, which has for some time been more receptive to these ideas, outright socialist policies and practices are unlikely to be implemented given the steady move away from socialism throughout the continent over the last several decades.

What this means is that if a turn toward democratic socialism were a possibility to be taken seriously, this is only to the extent democratic socialism really is just another form of liberal capitalism. In any case, to

¹³⁴ See, e.g., Robert J. Van Der Veen and Philippe Van Parijs, “A Capitalist Road to Communism,” *Theory and Society* 15 (1987): 635-655, 636-637.

¹³⁵ See, e.g., Radoslav Selucký, *Marxism, Socialism, Freedom* (New York: St. Martin’s Press, 1979); David Miller, “A Vision of Market Socialism,” *Dissent* (Summer 1991): 407-414; John Romer, “Market Socialism Renewed,” *Catalyst* 4 (2020).

¹³⁶ See Miller, “A Vision of Market Socialism.”

¹³⁷ See, e.g., Thomas, *Republic of Equals*, pp. 216-254; Acemoglu, “Social Democracy Beats Democratic Socialism.”

the extent that there is a version of democratic socialism that is both liberal and meaningfully non-capitalist, it would need to be accompanied by some pretty convincing arguments that it would be easier to install than liberal capitalism would be to reinforce and maintain in order for democratic socialism to present a reasonably feasible alternative. But I see no such argument being made today, nor can I imagine that one could be made with a straight face and without including within it some outlandish assumptions that are at best pure speculation and at worst a form of ideologically-driven self-deception. In any event, it is within liberalism that any hope for the future must reside, not in any economic system, no matter what it may be called.¹³⁸

¹³⁸ Earlier versions of this paper were given at the 2019 meeting of the Association for Political Theory, the University of Pennsylvania Collegium Institute's conference on the Philosophy of Finance, and at colloquia and workshops at the University of Dortmund, the University of Edinburgh, and the Neubeuern Summer Academy on The Role of the Economy in a Liberal Society. My thanks to everyone attending those events for their helpful comments and suggestions. My special thanks to Lisa Herzog, Christian Neuhäuser, John Buchmann, Mike Kane, and Russell Keat for arranging and participating in these events and for their own extensive, insightful, and stimulating comments on earlier versions of the manuscript. Thanks also to the editors of this journal, and especially to Andrew Keltenr, for his helpful comments and suggestions and for bringing the manuscript to publication.

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