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SAHRA WAGENKNECHT

HOW TO SAVE OURSELVES FROM CAPITALISM

PROSPERITY WITHOUT GREED

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WITHOUT
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How to Save Ourselves from Capitalism

Translated from the German by Andreas Pickel

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TRANSLATOR'S FOREWORD

Sahra Wagenknecht is a prominent figure on Germany's political stage. Since 2009 she has been a member of the federal parliament and the party leadership of *Die Linke*. She appears regularly on public affairs talk shows and is frequently in the news. She is one of Germany's intellectually strongest and economically most knowledgeable politicians. While these are not the only, or even main, characteristics of a successful politician, they are all too rare in the country's political class.

Like Chancellor Angela Merkel, Wagenknecht grew up in the former GDR (East Germany). She became politically active just prior to the fall of the Berlin wall in 1989. She is in the leadership of *Die Linke*, currently an opposition party in the German Bundestag with a feminist and socialist orientation. Wagenknecht may well earn a place in the German government, if not after the next elections in the fall of 2017, then at some future time.

Prosperity without Greed is in equal parts political analysis and reform program. It explains in clear and jargon-free terms how today's capitalist economy really works, demonstrating how it runs afoul not only of basic ideas of social justice, but of the principles of a free market economy itself. She shows how today's dominant financial sector functions and how "the one percent" end up with most of society's wealth, for which they do not have to work.

Most importantly, Wagenknecht sketches a vision of an alternative economy, a more genuine market economy without the dominance of private capitalists. While private wealth can still be earned in firms in which the owner remains personally liable, the own-

ership system of private shareholding, which she characterizes as “neo-feudalism”, will be largely replaced by enterprises that are “self-owned”—employee-owned and common-good companies. Wagenknecht’s brand of socialism has significant elements of “market radicalism”, though clearly not of the neoliberal type which uses market ideology to disguise an anti-market and inegalitarian corporate order.

It is clear by now that successful solutions for climate change-induced problems will need to transcend the capitalist logic of limitless private capital accumulation. The significance of Wagenknecht’s work emerges in this context with particular force—a guide for progressive organizations, movements and activists for how the existing economy could be transformed. The book comes at what seems like an inauspicious time for radical reform ideas, with a reactionary U.S. President recently installed in office. But political dynamics tend to be unpredictable, which is why the prospects for radical change of a progressive kind cannot and should not be discounted.

Andreas Pickel, February 2017

PREFACE

*The time is out of joint; O curs'd spite,
That ever I was born to set it right!*
Hamlet, in Shakespeare's famous tragedy,
surveying the state of his kingdom

Hamlet's attempt to set things right ends in major bloodshed, suggesting that such attempts ought not be imitated. Yet the lesson is not that we should simply accept society's dissolution. Instead, we need to approach the problem in a way that rises to the challenge. Hamlet yearns to return to the good old days. But the future lies in what is new and has never existed before. Ideas for change should be assessed in terms of their plausibility and persuasiveness, not for whether they have a track record of success.

And isn't our own time *out of joint*? Isn't this what the news we hear and read on a daily basis, the online flood of information, tells us? The truth is, we all feel that things cannot and will not continue the way they are. The big question therefore is: what comes next?

Civilization in retreat

In many regions of the world, civilization is in retreat. Wars and civil wars have turned the Middle East and parts of Africa into a blazing firestorm. Public order is collapsing. Clan leaders, war lords, and terror militias are taking control. Fear, chaos, atrocities and arbitrary killings are the result. Pretty much everywhere, the United States and European countries are involved in these conflicts. It's

about raw materials and markets, profits and geostrategic advantages, pipeline routes and the competition for power with the West's old opponent, Russia.

More than 60 million people worldwide have lost their homes and have become refugees as a result of such conflicts. Some of them make it to Europe. The majority survive in camps and tent cities located just outside their countries of origin: without work, without a future, without hope, relying on others to feed them and keep them alive.

Even in the advanced industrialized countries—*islands of wealth with a comparatively high standard of living*—life has become tougher rather than better for many people. Financial bubbles, economic crises, unemployment, dying industrial regions, squalid bedroom communities, jobs that don't pay a living wage, poverty in old age, insecurity—all threaten our daily lives and frighten us.

After us the flood

Who is willing to find new solutions for our time, who has the ability, the courage and the right ideas? And who, conversely, has a secret or not so secret interest in keeping things just the way they are? “Après nous le déluge!”—“after us the flood”—in the words of the legendary mistress of French King Louis XV, Madame de Pompadour, in 1757 when bad news threatened to disrupt one of their lavish court celebrations. For the majority of French people at the time, on the other hand, life was no party—which is why the royal house of Bourbons would experience its own flood thirty years later.

“After us the flood” is not a particularly attractive slogan for those who are up to their necks in water. That was true in the eighteenth century. Is it not true in the same way today? What are we waiting for?

The richest 1 percent of the world population now has more wealth than the other 99 percent. 62 multi-billionaires own more assets than half of humanity combined¹. At the same time, the in-

equality of incomes and assets continues to grow, not only on a global scale, but also and especially in the old industrialized countries. Over the past twenty years, the exploding wealth at the top has ceased to pull up the middle class, let alone the poor. Their standard of living does not simply lag behind economic growth, it has become completely disconnected.

The tide that was once supposed to raise all boats now only carries luxury yachts. Since the 1980s, average wages in the United States have stagnated, while lower wages have gone into free fall. In the meantime, Europe has adopted the same model. The upper classes are sitting in their penthouses, elevators on hold and ladders pulled up. The rest are lucky if they manage to continue living on one of the lower floors—which many don't. This is the case not only in crisis-ridden Southern Europe, but also in wealthy Germany with its booming export economy.

Neither hard work and qualifications nor second or third jobs nowadays offer any guarantee of a relatively comfortable existence. Prosperity in the “middle of society”, to which political hypocrites like to appeal, has become fragile. Whereas in earlier years individuals were able to rise—if not from dishwasher to millionaire, then at least from a working class background to the middle class—nowadays the typical experience is one of decline. Rarely do children today fare better than their parents, while the opposite is often the case.

The inheritance club

One exception is the exclusive club of heirs who can expect a large inheritance that will insure a good life regardless of their own contributions. The promise of social betterment, a main reason for the popularity of capitalism in the second half of the twentieth century, sounds hollow and has lost credibility. Once again it is social origin rather than talent and personal initiative that determines whether

one will reach the upper echelons of society's income and property hierarchy.

Admittedly, jobs with good incomes that afford the classic standard of living of the middle class still do exist. However, for the most part, a high price has to be paid in return: extreme performance pressure, round-the-clock availability, a life devoted to work with little room for family, friends, and leisure. Even for skilled workers and academics, sufficient incomes are no longer standard. A university degree does not protect you from low wages or the permanent insecurity of contract jobs and precarious self-employment. In Southern Europe, young people with top educational credentials face the choice between emigrating or remaining unemployed at home.

The number of people experiencing humiliating poverty in prosperous Europe is increasing. More and more people put only the cheapest products into their shopping carts, spend winters in under-heated apartments, and can only dream of occasionally going to a restaurant or taking a vacation. Perhaps what's even worse is to see your children grow up in run-down apartment complexes such as the banlieues of Paris, where in chronically under-financed schools they learn about violence and crime rather than receiving a good education.

How do we want to live?

Do we really want to keep living this way? Do we want a society in which individuals are becoming increasingly ruthless because everyone is always worried about crashing and joining the army of losers—an army from which all too often there is no return? Do we want that insecurity and fear of the future shape our daily lives while it is sold to us as the new freedom? And if we do not want this, why don't we resist? Why do we tolerate so much—all the imposition, humiliation, and hypocrisy that we see for what they are: simply lies? Why do we accept lives that are so much worse than what, with

a fairer distribution of society's wealth, current technology would permit? We only have one life to live.

Do we really think it's normal that a majority is forced to struggle under increasing pressure just to maintain its standard of living, while a few crisscross the oceans in ever more luxurious yachts? Why do we accept the fact that in spite of universal suffrage time and again a political process prevails which at best serves the interest of the upper 10 percent, and often just the richest 1 percent?

Less competition, more market power

Political decisions are responsible for having altered the face of our economic order in the transition from the twentieth century to the twenty-first—decisions made under the banners of more market, more competition, more freedom, more personal initiative, more growth. Their results are as easily summed up: less market, less competition, more speculation, more dependence and less growth.

Essentially, changes have occurred on three levels in particular. First, a framework of rules for economic life that was created in light of painful earlier crises has been demolished in the name of the free market. The most obvious, though by no means only, example for this is the financial sector. As a consequence, risky business models have multiplied, while the supposedly liberated market was flooded with products that were profitable simply because the finance industries were allowed to externalize most of their cost. In the financial sector, this applies to almost all forms of investment banking, to most so-called derivatives, and high frequency trade. It applies equally to the business idea of corporate raids and bankruptcy speculators, or to global tax savings models through which Amazon, Ikea, etc., unlike smaller firms, dodge their obligations to society. All the cunning tricks and techniques that those at the top of the wealth pyramid use successfully to evade taxes would not work without preceding deregulation and the removal of capital controls.

Among the burdensome rules that were eliminated during the waves of deregulation were anti-trust laws, to the extent that they had retained any authority to curtail economic power in the first place. As a result of all this, from the world of banking to the digital economy, giant global corporations dominating markets and societies were set up whose business decisions now determine the course of the global economy. These corporations do not feel committed to anything but shareholder value. On account of their concentrated economic power, they are able to prevail in almost any industry and at the expense of other market participants. Instead of more competitive pressure, decades of deregulation and market euphoria have produced a greater concentration of economic resources in far fewer hands.

Labour protection as market rigidity

The power of a handful of global corporations was increased in the name of the market within their industry and vis-à-vis suppliers and customers. They have become more powerful also vis-à-vis those whose labour power creates their wealth and that of their shareholders. This is the second level where changes have occurred. Laws designed to protect workers and employees from hire-and-fire practices of reckless profiteers were now referred to as “labour market rigidities.” When “structural reforms” are discussed in Europe, this is what is at stake. Social benefits, which in many countries were legally regulated as part of a decent wage and once considered to help preserve human dignity in the face of illness, old age, or unemployment, nowadays are seen only as cost factors that put an excessive burden on businesses and need to be minimized.

Former German Social Democratic Chancellor Gerhard Schröder, supported by the Green Party’s Joseph Fischer, as well as current Christian Democratic Chancellor Angela Merkel, in this sense did create a *New Middle Class*. Thanks to the reforms of “Agenda 2010”, employees who in the past worked in regular full-time jobs with

decent wages and belonged to the middle class, nowadays work as temporary workers, contract workers, pseudo self-employed, limited term workers or part-time. Often their incomes have been cut in half in jobs with uncertain prospects; such workers are found in logistics, on the assembly line at BMW, as cashiers in a drug store chain, or at home in front of a computer. Part of the experience of the *New Middle Class* is the fear of being fired in case of illness or of having to deal with large expenses, as well as the prospect of not receiving a sufficient pension after a long working life. Instead of boosting personal initiative and freedom, this is resulting in dependency and disenfranchisement.

New playgrounds for profiteers

The third level of so-called market orientation has affected areas previously served by public welfare organizations and the government that have become playgrounds for private profiteers. This trend started in housing, the postal service, telecommunications, energy supply, and the railways. It was subsequently extended to formerly municipal utilities such as water works, local transport and garbage removal, and finally reached schools, universities, care facilities, and hospitals. In most of these areas there is not, and cannot be, any real competition. As a result, no new markets were created. Instead, welfare agencies and public suppliers who had not exploited their monopoly position for profit maximization were merely replaced by those whose primary goal is precisely that.

The revenue of the affected enterprises has tended to develop in two directions: steeply upward for management, significantly downward for employees. No one with a minimum of social conscience would find even barely acceptable the principle that those who pay the most are entitled to receive the best product when we are dealing with basic services such as health care, education, or housing. Privatization has contributed to increasing inequality and social

polarization in many ways, without creating more competition or strengthening the market.

Twenty-first century economic feudalism

The distribution of wealth and power in today's capitalism, even if at a much higher level of productivity and prosperity, resembles the period when Louis XV and Madame de Pompadour celebrated their lavish parties. As was the case in the Middle Ages, in the eighteenth century about 1 percent of the population belonged to the upper class. They owned the then important economic resources of arable land, grazing grounds, and forests. They dominated public life, jurisprudence, and the application of law. It goes without saying that they did not pay any taxes. The remaining 99 percent of the population directly or indirectly worked for the richest 1 percent. Assets along with the corresponding social status were passed on from one generation to the next according to the principle of inheritance based on blood relation. The son of a peasant became a peasant; the son of a baron became a baron unless he decided in favour of a career in the clergy or in the military, which would allow him to remain in the upper class.

At the start of the twenty-first century, the richest 1 percent control the most important economic resources, with the difference that in addition to agricultural land and real estate, these include industrial facilities, technological know-how, digital and other networks, servers, software, patents, and much more. Ownership of these resources continues to be passed on unchanged from one generation to the next by inheritance. Nowadays, the transfer of these assets is in many cases virtually tax-free, affording a lifestyle far exceeding any working income. Once again, 99 percent of the population for the most part work, directly or indirectly, for the wealth of this new financial aristocracy.

One might object that the decisive difference consists in the fact that, in the feudal era as well as in the period of absolutism, the

economy progressed very little since there were few incentives to increase productivity and improve production methods. In contrast, it might be argued that capitalism has created today's enormous wealth, which lifts the life of even the poorest inhabitants of industrialized states way above the level of their ancestors in previous centuries. This is correct as far as the past is concerned. But is it true for the present and the future? Admittedly, production continues to be transformed, digitalization promises enormous productivity increases, new processes are introduced, and new products appear on the market. But who benefits from a dynamic economy if the economic dynamic for the majority points downward? And how innovative is our economy really?

“This economy kills”

Outside the global centres of wealth, the situation is almost hopeless. On our prosperous planet, which thanks to today's technological potential could feed a world population of 12 billion, one billion people suffer from malnutrition and another one billion are starving. The UN warns that in the coming 15 years another 70 million children will die from preventable or treatable poverty-related diseases before reaching the age of 5. 70 million human beings whose lives will be extinguished before they really had a chance to start it, simply because their fate is of no interest to the most powerful political decision-makers and their economic allies. Incidentally, these are the same people who like to justify their wars with the hypocritical claim of protecting human lives and human rights and with the argument that we can't just stand by and watch as people are dying. Yet according to Jacques Diouf, General Secretary of the UN Organization for Food and Agriculture, it would take no more than 30 billion dollars per year in order to end hunger and malnutrition globally—a small fraction of the funds spent on militarization and wars.

The UN has issued many warnings, but little has changed, and change that did occur was often for the worse. Poor countries were

forced to sign so-called “free trade agreements”, which destroyed their domestic production and opened their markets to Western agricultural and industrial corporations. Millions of small farmers and businesses were wiped out in this way. When in despair people try to make their way to the wealthy countries, they are dismissed as economic refugees. Yet our economy and our corporations are the ones destroying their economic existence and driving them to migrate.

“This economy kills”, Pope Francis has reminded the Church and the world. Evidence to back up this statement can be found every day in the countries of the so-called Third World, parts of the world that have been abandoned by the First World. It is true that in earlier centuries people died of hunger when there were extreme droughts or when other natural disasters destroyed crops. But that in a world of plenty in which a significant part of food is not even consumed but thrown out, year after year millions of people should die a cruel death because they have no food—this is a perversion generated by the capitalist world order.

Ruled by organized money

One question is becoming increasingly urgent: do we still need capitalism today in order to have a better life in the future? Or isn't it precisely this form of economic life that keeps us from improving our lives? Do we need the profit motive as an incentive to improve our technologies, so that production stops destroying our planet and with it our basis for survival, or is it the profit-oriented logic of growth itself that ties our hands? What would a better alternative look like? What economic structures are needed for turning good ideas into good products quickly? Where do the incentives to develop new production methods come from—methods that can really move us forward since they will not require us to run our economies by progressively exhausting our natural environment? How can we take advantage of the productivity-enhancing effect of digitalization and industry 4.0 without at the same time generating additional un-

employment? How can we achieve a dynamic of innovation that increases not only the wealth of corporations and their owners but of everyone?

Surprisingly, it is not that difficult. We simply have to overcome the economic feudalism of the twenty-first century. Markets should not be abolished but, on the contrary, need to be saved from capitalism. We need what neoliberals claim to achieve but in reality systematically destroy: freedom, individual initiative, competition, performance-based pay, protection of property of one's own creation. Whoever is in favour of change and is serious about it has to end rather than uphold a situation in which the important economic resources and wealth are owned by a tiny upper class that automatically benefits from any additional profit. An upper class that has the power to decide on investments and jobs, and with its major influence on the media, with its think tanks and lobbyists, with its ability to launch campaigns, and with its enormous capital can dominate or buy any government in the world. "Government by organized money is just as dangerous as Government by organized mob"², President Roosevelt cautioned in a speech as early as 1936.

What socially useful things do the billions of dollars pay for that in the form of dividends and other gains end up in the pockets of the top 1 percent? And even more important, on what grounds can they claim decision-making power over ever-expanding economic wealth and thus over the development of society as a whole—a privilege they enjoy on account of current property law? The standard justification for capital returns is supposed to be the risk that capital owners take when they make investments.

Limited liability, unlimited profit

How great is this risk really? Limited liability for capital invested in the economy is one of capitalism's original contributions to property rights. In almost all large firms today, liability in case of bankruptcy is limited to no more than the capital initially invested.

And how great is the risk of bankruptcy in established markets dominated by a few large firms? Bankruptcies do occur, as was recently the case with two German retail giants, Karstadt and Schleck-er. However, these cases were ruinous mainly for the former employees who lost their jobs rather than for the former owners who lost some of their assets. But is the risk of being demoted from billionaire to millionaire sufficient justification to keep collecting ex-orbitant incomes? Or is the real threat for a market economy and a democracy that a firm's assets, created by the work of tens of thousands of employees, end up automatically in the bank accounts of capital owners?

What is more, large firms in particular have perfected the art of shifting risks onto others. In the financial sector, the gap between private profit and public liability for losses became all too evident in the banking crisis of 2008. Subsequent cosmetic corrections in banking regulations have not changed the situation. Yet in the real economy government is also regularly called upon to intervene when it comes to risks: tax incentives, different forms of subsidies, and other kinds of public support for the private sector are always gladly accepted. In the end it is tax-financed innovations that make private enterprises rich. Google, Apple, and the entire pharmaceutical industry are prime examples.

Limited liability, automatic transfer of newly created assets to capital owners, and transfer of losses and risks to the state are the main driving forces behind the growing inequality in property distribution and ownership.

Government funds finance private property

True, we would not be better off but significantly poorer if the government were to remove itself completely from economic life. If all struggling banks in 2008 had been left to slide into uncontrolled bankruptcy, the effects on the supply of credit to the economy would have been even more dramatic than they were, and deposit insurance