

Capital gains: My reply to Alyssa Battistoni

 glineq.blogspot.com/2021/05/capital-gains-my-reply-to-alyssa.html

In an excellent review of “Capitalism alone” Alyssa Battistoni very correctly summarizes the book and makes a number of very good points; I would certainly recommend to read her review. There are however three points on which Alyssa disagrees with the ideas presented in the book.

Only two capitalisms, what about the rest?

The first is the fact that the book deals with two capitalisms only, namely liberal capitalism exemplified by the United States and political capitalism where China is considered as the best example. The book does not discuss where in this particular framework would other countries, especially Latin America, some countries in Africa, and Russia, fit. Now my objective in the book was not to make a taxonomy of capitalism although I do start by drawing distinction between classical capitalism, social-democratic capitalism and meritocratic/liberal capitalism. When it comes to West European countries and the United States I think that they belong to the same species of liberal capitalism with some, *but diminishing*, differences. It seems that in Western Europe in the past thirty years the movement has been in the direction of the American type of capitalism. The proofs are not only increased inequalities in almost all OECD countries, but also lower marginal tax rates, reduced trade union density, and very high concentration of wealth ownership in Nordic countries. Further, even countries that used to be considered social-democratic like Israel and Sweden have registered high increases in inequality over the past thirty years, in percentage terms higher than those of the United States.

Why other parts of the world are not included in the discussion has to do with a very particular way in which I wanted to define and study political capitalism. My objective in Chapter 3 was to give a genealogy of political capitalism, and by doing so to propose a general historical role of communism. I start with a significant change in policy that occurred after the Russian Revolution, and was embodied in the so-called “Eastern Turn” in 1920 when, at the instigation of Lenin and M N Roy the decision was made to broaden the anti-imperialist struggle so as to include not only the working class but national bourgeoisies in the colonized countries.

That was a big change which made anti-imperialist struggle an integral part of communist movement worldwide. I argue in the book that this put in front of the communist parties two goals: national independence and the destruction of feudal or quasi-feudal growth-retarding institutions. To achieve these two goals and then to create a domestic, autochthonous capitalism was the global historical role of communism which we can appreciate only now. Communist and other left-wing parties played in non-Western (and colonized) countries functionally the same role that domestic bourgeoisies played in the West. China, Vietnam, Tanzania, Algeria, Angola, Ethiopia, Singapore even Malaysia fit that pattern closely. India and Indonesia to some extent only although in both countries, the left-wing and communist organizations were strong (Indonesia had the second most

numerous communist party in the world) and they pushed the revolution in the decidedly left-wing direction. In Indonesia that came to an end with the coup which led to the destruction of the PKI and the death of almost million people. But in India the left-wing and communist influence continued, was reflected in early nationalizations and planning, and without that influence it is very likely that Indian and British bourgeoisies might have come to an understanding which would have kept India in a "soft" colonized relationship.

What I just said clearly shows that political capitalism has its roots in national liberation struggles conducted by left-wing parties. I did not think it useful to discuss other political capitalisms that exist today and whose roots are different. That of course includes Russia which in this reading of history takes a secondary role in the sense that the meaning of the Russian Revolution, as an event of global political significance, lies in that it launched colonized countries on their way to freedom and creation of a new capitalism.

Since my objective was not simply to slap together and to study political capitalism and liberal capitalism regardless of their genealogy I did not engage in the discussion of other political capitalist countries. Clearly if I wanted to do so I could have selected a number of them including in Europe; Russia, Belarus, Hungary, Serbia, Montenegro and Turkey would probably fit the ideal-typical view of a political capitalist system.

Multi-tiered citizenship

The second critique that Alyssa Battistoni makes is one that was made by a number of reviewers and it relates to the proposed multi-tiered citizenship. As many readers know, I have proposed that foreign workers come to the rich countries only if they have jobs, that they can stay in those countries up to a certain number of years (say, five), and that they can stay in that particular job only, where indeed they would enjoy all the same conditions as domestic workers in terms of pay, advancement, protection from accident, health care etc. However they would *not* have an open path to citizenship and would be required to return to their countries of origin at the expiration of the agreed period. The critique of this approach is manifold including that it might create a sort of an underclass. Moreover, in Alyssa Battistoni's opinion that particular "contortion" to placate right-wing anti-immigrant parties would not achieve anything because the people who are xenophobic or against migration would remain so regardless.

However to understand my proposal it is wrong to simply focus at the very end point of that proposal without looking at how I came to it. I come to that proposal first by pointing out the incontrovertible fact that the free circulation of labor, like the free circulation of capital, must lead to an increase of global income and lower global poverty. It seems to me that this can be easily proven *ad absurdum* since if movement of labor internationally were not income-enhancing then we would also have to stop movement of labor within countries. In other words, if workers coming from Mexico to California are not good for the economy, then workers from California moving to New York must also not be good for the economy. This is obviously false: so free movement of labor worldwide must be overall economically good.

The lack of acceptance of migration among some people is due to the existence of what I have defined as the “citizenship rent”. Citizenship rent is the income gain that accrues to people who are born in rich countries compared to people who are born in poor countries even if their levels of education and effort are the same. This is very similar to the rent that, within the same nation, people born to richer families enjoy compared to identical people born in poor families. For many people in rich countries the increase of immigration means the dilution of the citizenship rent because they are afraid of losing easy access to some services (free health or education), they are afraid that their wages would be reduced, they are afraid that their unemployment benefit may be lower, and they are afraid of losing their jobs. Thus they resent migration—even if it is globally speaking beneficial—because they believe that migration might have negative impact on their own welfare. Other people resent migration for cultural and ethnic or religious reasons and that resentment is unrelated to economics. But it has to be taken into account.

I fear that the rejection of migration on these two grounds, economic and non-economic, might lead recipient countries (the European Union and the United States) to shut their doors; this may not be good for the world and probably would not be even economically good for the recipient countries themselves. How to avoid that outcome? I then come to the last point of the argument: is there a trade-off between the willingness to accept migrants and the number of political rights they are given. So my argument is to ask metaphorically people whether they would be willing to accept an additional migrant if that migrant is not given full array of rights that a citizen receives. If domestic people are willing to accept more migrants only if these migrants are given fewer rights and are obliged to return to their countries I thereby establish the negative correlation between the willingness to accept migrants and extent of their political rights. This is how I come to the idea of multi-tiered citizenship. It is an attempt to save migration and all the positives that come with it.

I fully agree and admit that this multi-tiered citizenship should be discussed and criticized, and possibly improved. But I think it is not fair to take the end point of the discussion and focus only on it as if all the previous points had not been made. It would be better to have discussed each (or at least some) of the points and establish whether they seem reasonable, and whether my recommendations follow from them or not.

I think that the idea should also be considered in the context of the current departure from the traditional view of citizenship where historically citizens were “grounded” in their nation-states. By “grounding” I mean that citizens normally lived in their country of citizenship, they worked there, and they made their income from the work or investment in that country. But nowadays an increasing number of people not only live outside their countries of citizenship but also receive income which is earned outside their countries of citizenship. For example, an American living in France and receiving social security benefits from the United States might have this benefit being paid out of taxes paid by an American company investing in China. Income is thus created in China, delivered and consumed in France; it just transits through the United States. This shows citizenship to be an “ideal” commodity, a fictitious commodity, a piece of paper. If the standard “grounded” citizenship is mostly dead, and it is now just a piece of paper which gives the

right to a number of benefits, this reinforces my argument that such a fictitious commodity can also be converted into a commodity-light which yields fewer benefits; in other words, it can easily accommodate several layers of citizenship.

This last argument is important because some people like Robert Kuttner in his review of “Capitalism, Alone” in The New York Review of Books take me to task for not understanding what citizenship really means. They have in my opinion an old-fashioned view of citizens sharing some ineffable bonds with each other. But that bond is getting weakened by the day and it now consists of financial advantages to which citizenship gives rise. A very good example of how strong that bond is was provided during the early stages of Covid-19 when many Americans scrambled to get a second citizenship so that they would be able to travel across the world at the time when American passports were not accepted by many European countries. If their bond was so strong, as Kuttner implies, they would have been less eager to replace American passport with another one, and thus not to share their fate with the rest of their co-citizens.

Capitalism and climate change

The third critique that Alyssa Battistoni makes is in my opinion the easiest to answer. She criticizes the absence of discussion of climate change in “Capitalism, Alone”, calling such absence “irresponsible”. This is because development of capitalism is hitting the planetary limits and might lead to substantial catastrophes through the change in climate and loss of livelihood for many people, especially in Africa. I find this critique relatively easy to answer because it is based on a misunderstanding or even sloppy thinking. What is responsible for climate change is economic growth, not capitalism as such. Economic growth in turn comes from our desire, in poor and rich countries alike, among poor and rich people alike, to lead better lives and to have more goods and services. It is the production and consumption of these goods and services that is responsible for climate change. So if one wants to stop the climate change one needs to reduce the production of goods and services that are CO2 emission-intensive. But doing so through a combination of taxes and subsidies does in no way change capitalism.

No partisan of climate change, however radical, whether it be Alexandria Ocasio-Cortez, Bernie Sanders, or Greta Thunberg has suggested that large oil companies be nationalized, or that many of the companies responsible for emissions be run by worker councils; they have not suggested that profits of “bad” companies be confiscated. All such movements would indeed spell the end of capitalism in at least some sectors. Yet such ideas are never mentioned. No partisan of struggle against climate change is ever advocating policies that would effectively stop capitalism even in one small part of the economy. What they are advocating is a specific combination of taxes and subsidies, discouragement of consumption, carbon permits, and moral suasion (or moral shaming) which would result in the reduction of emissions.

But whether electricity or oil companies or meat producers or a person using air conditioning are working within one set of incentives, where the products that are responsible for climate change are cheap or expensive, they are still working within the capitalist framework. The company is still privately owned, the objective of the company is

still maximization of profit, the objective of individuals is still maximization of wealth. It is just taking place under a different structure of prices. Differently structured prices may, one hopes, curb climate change but they have really nothing to do with eliminating capitalism. Since my book is about capitalism, I have very little to say about proposals which have nothing to say about capitalism as a mode of production. Despite much “noise”, capitalism, as accurately defined, and climate change, even in the words of their most vocal opponents, are really orthogonal. Whatever policies are adopted regarding climate change—even if they are of the most radical kind currently on offer—will have very little impact on capitalism as an economic system. Such policies can reduce profit rates of some companies or some branches of production but they will simply redistribute profits within the capitalist sector, not end capitalism as a system. To be blunt: capitalism and greed would be pursued under different relative prices.