The background of the entire cover is a dark field filled with numerous green dollar bills, shown in various orientations and slightly out of focus, creating a sense of movement and abundance.

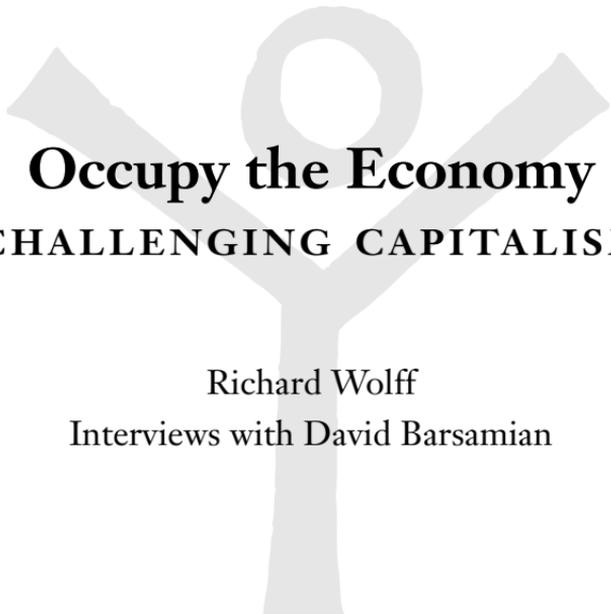
# OCCUPY

the ECONOMY

## CHALLENGING CAPITALISM

**Richard Wolff**

In Conversation with  
**David Barsamian**



**Occupy the Economy**  
**CHALLENGING CAPITALISM**

Richard Wolff  
Interviews with David Barsamian

City  
Lights



Open Media Series

City Lights Books

© Copyright 2012 by Richard Wolff

© Copyright 2012 by David Barsamian

All Rights Reserved

The Open Media Series is edited by Greg Ruggiero and archived by the Tamiment Library, New York University.

eISBN 978-0-87286-568-6 (ebook)

Library of Congress Cataloging-in-Publication Data

Wolff, Richard.

Occupy the economy : challenging capitalism / by Richard Wolff ; interviews with David Barsamian.

p. cm. — (Open media series)

ISBN 978-0-87286-567-9 (paper)

1. United States—Economic conditions—2009- 2. United States—Economic policy—2009- 3. Capitalism—United States. 4. Income distribution—United States. 5. Occupy movement. I. Barsamian, David. II. Title.

HC106.84.W65 2012

339.20973—dc23

2012006793

City Lights Books are published at the City Lights Bookstore,  
261 Columbus Avenue, San Francisco, CA 94133.

[www.citylights.com](http://www.citylights.com)

## Contents

Introduction 7

1. Preoccupations 13

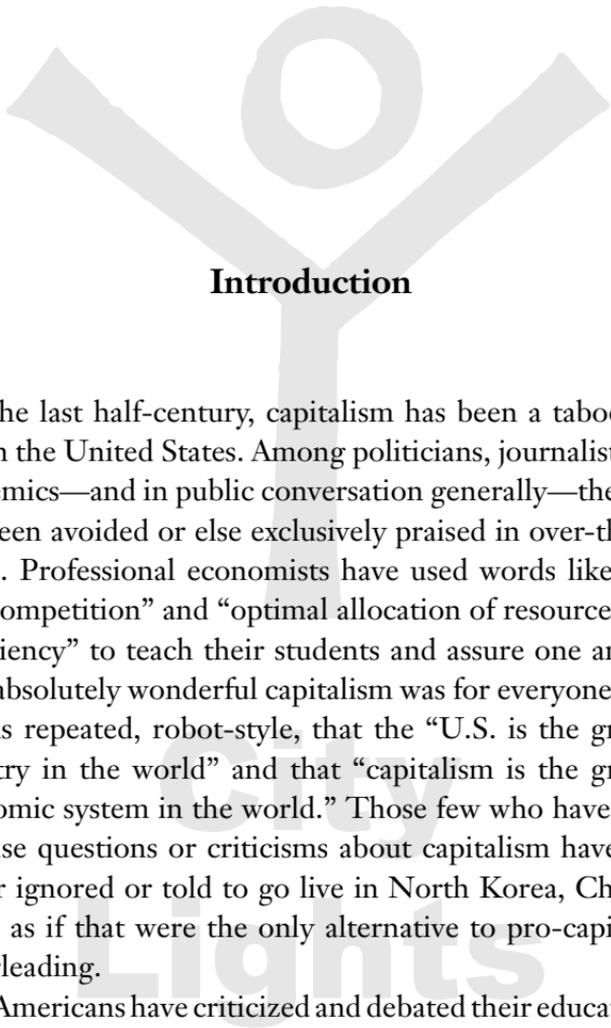
2. Occupy and the Economic Crisis 57

3. Occupy the Economy 87

Manifesto For Economic Democracy and  
Ecological Sanity 177

About the Authors 187

City  
Lights



## Introduction

For the last half-century, capitalism has been a taboo subject in the United States. Among politicians, journalists, and academics—and in public conversation generally—the word has been avoided or else exclusively praised in over-the-top prose. Professional economists have used words like “perfect competition” and “optimal allocation of resources” and “efficiency” to teach their students and assure one another how absolutely wonderful capitalism was for everyone. Politicians repeated, robot-style, that the “U.S. is the greatest country in the world” and that “capitalism is the greatest economic system in the world.” Those few who have dared to raise questions or criticisms about capitalism have been either ignored or told to go live in North Korea, China or Cuba as if that were the only alternative to pro-capitalism cheerleading.

Americans have criticized and debated their educational, medical, welfare, transportation, mass media, political, and many other institutions and systems. They have questioned

and at least partly transformed such traditional institutions as racism, sexism, the heterosexual family and the state. They have even sometimes challenged this or that aspect of the economy such as prices, Federal Reserve actions, and so on, but almost never the particular economic system.

Questioning and criticizing capitalism have been taboo, treated by federal authorities, immigration officials, police and most of the public alike as akin to treason. Fear-driven silence has substituted for the necessary, healthy criticism without which all institutions, systems, and traditions harden into dogmas, deteriorate into social rigidities, or worse. Protected from criticism and debate, capitalism in the United States could and has indulged all its darker impulses and tendencies. No public exposure, criticism and movement for change could arise or stand in its way as the system and its effects became ever more unequal, unjust, inefficient and oppressive. Long before the Occupy movement arose to reveal and oppose what U.S. capitalism had become, that capitalism had divided the 1 percent from the 99 percent.

The importance of the Occupy movement was and is positioning its challenge to capitalism front and center among its concerns and passions. No oppositional mass movement of the last fifty years—one drawing broadly inclusive participation—has been similarly daring in going beyond single-issue focus to make economic injustice for the 99 percent *and* the ruling economic system central, defining issues. Despite the power of pro-capitalism ideology, Occupy has been able to contest it in amazingly profound ways in an amazingly short time and for an amazing number of Americans.

Of course Occupy is a first step. Nothing of comparably broad scope and with such transformative social objectives has ever moved forward in a straight line. It's rather two steps forward, one step backward. However a major barrier has been broken, a major line crossed, and a new stage of U.S. politics has begun. The issue of our economic system and whether it is adequate to our needs as a people has now been returned to the center of national discussion, criticism, and debate.

The political, mass media, and academic establishments react predictably. They can not acknowledge the historic significance of what Occupy says and does; that would require admitting the need to debate precisely those issues they had effectively banned from acceptable public discourse. So the politicians repress. New York's Mayor Bloomberg claimed that he forcibly removed Occupy from Zuccotti Park for reasons of cleanliness. Bloomberg, it should be remembered, has presided for many years over one of the filthiest subway systems in the industrial world, one of the dirtiest public garbage systems, and a snow removal system that inspires only our leading comics. The mass media did their usual bit: ignoring Occupy as long as possible, massively misreporting when Occupy was hot news, largely cheering or glossing the removal of Occupy encampments, and then resuming the basic practice of ignoring the ongoing developments of Occupy and related events and activities.

The academic economics profession ought to have been most intimately involved in analyzing and debating a broken capitalist system whose deep crisis had confounded

all its confident expectations. It has done nothing of the sort. Instead it proceeds as if—and indeed mostly still insists that nothing has happened to disturb its fifty-year celebration of capitalism’s efficiency and growth. A few professors of economics (e.g., Paul Krugman) and business (e.g., Nouriel Roubini) have commented on the absurdity of that insistence. But most of them could get no further than to recycle Keynes’ 1930s critiques of a depressed capitalism and his recommendations for deficit spending and monetary stimuli by the government. And, of course, the few right-wing economists who have taken the crisis seriously, utilized it to push yet again for less government economic intervention as the panacea.

Questioning the system and debating basic system change has remained—for government, mainstream media and most professors—something beyond the pale. They see no need to end their 50-year repression or marginalization of such questions and debates. For them, the basic organizations of production and distribution of commodities, like the property and power structures that sustain them, do not deserve criticism. Yet the pressure and mass constituency for a real challenge to that repression had been building across the crisis and emerged with public power in the Occupy movement in late 2011.

The interviews gathered in this book further contest that repression and further develop that challenge. As a broad array of questions are raised and discussed, one theme becomes ever clearer. The failure of government regulation, the growing inequalities of income and wealth, the roll-back

on New Deal reforms, the parallel impositions of mass austerity programs by European and U.S. governments: these and many more aspects of the crisis that hit in 2007 are shown to result from how the capitalist system works and not only from this or that particular historical event or economic actor.

Across the pages that follow, what emerges is the central importance of how capitalism very particularly organizes production: masses of working people generate corporate profits that others take and use. Tiny boards of directors, selected by and responsible to tiny groups of major shareholders, gather and control corporate profits, thereby shaping and dominating society. That tiny minority (boards and major shareholders) of those associated with and dependent upon corporations make all the basic decisions—how, what, and where to produce and what to do with the profits. The vast majority of workers within and residents surrounding those capitalist corporations must live with the results of corporate decisions. Yet they are systematically excluded from participating in making those decisions. Nothing more glaringly contradicts democracy than how capitalism organizes the corporate enterprises where working people produce the goods and services without which modern life *for everyone* would be impossible.

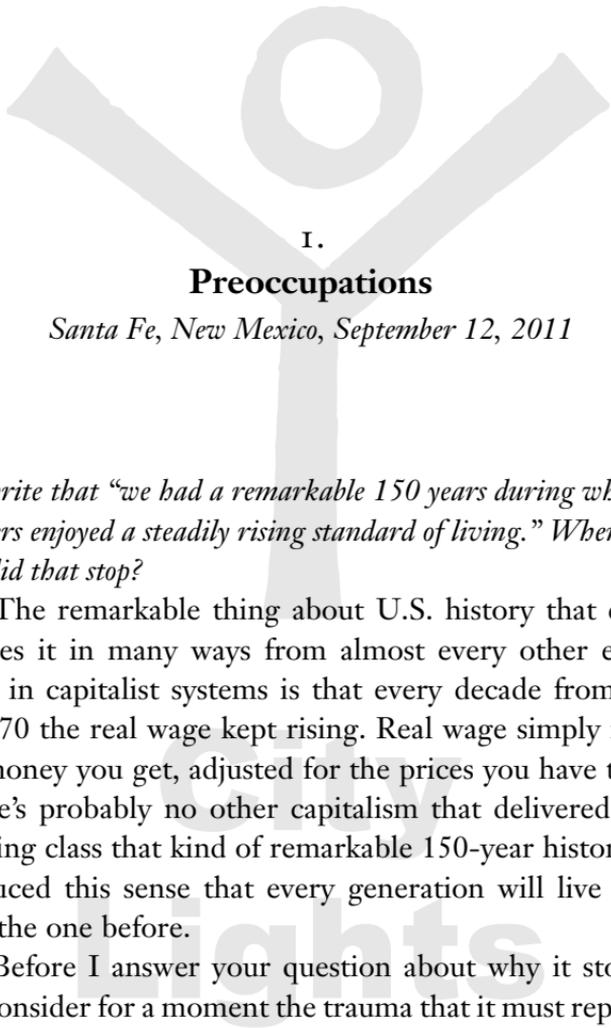
On the one hand, criticism and debate around the adequacy of capitalism in relation to real alternatives have been repressed in the United States and beyond. On the other hand, the evidence this book considers shows that we need that criticism and debate now more than ever. The

interviews therefore do not shy away from posing the logical and reasonable questions flowing from the topics covered: Does capitalism serve the interests of most people? Can we do better than capitalism?

Nor do the interviews hesitate to suggest some logical answers to questions such as: It is possible to democratize the economy? And is it possible to advance society beyond capitalism?

Key steps in building a social movement in that direction are the psychological as well as ideological breakthroughs to activism being achieved by the Occupy movement. A next step entails working through the ideas, concepts, principles, and values needed to empower, mobilize, grow, and unify the emerging activist generation. This book seeks to contribute to that next step.

# City Lights



I.

## **Preoccupations**

*Santa Fe, New Mexico, September 12, 2011*

*You write that “we had a remarkable 150 years during which workers enjoyed a steadily rising standard of living.” When and why did that stop?*

The remarkable thing about U.S. history that distinguishes it in many ways from almost every other experiment in capitalist systems is that every decade from 1820 to 1970 the real wage kept rising. Real wage simply means the money you get, adjusted for the prices you have to pay. There’s probably no other capitalism that delivered to its working class that kind of remarkable 150-year history that produced this sense that every generation will live better than the one before.

Before I answer your question about why it stopped, just consider for a moment the trauma that it must represent to a population of Americans that have become used to the idea that we live in a charmed land that delivers a wonderful,

rising standard of well-being for American working people. For many it represents the end of a world, the end of a set of expectations, the end of a notion of a good future that will come as the reward for hard work. And the trauma is all the worse when there's no honest discussion of it and no easy way to connect with others who are having a similar experience.

Why has it happened? As all major phenomena in human history, it has many reasons, many causes. But I'm going to select four of them that I think were key. The first two have to do with the offering of jobs. That is, in our system new jobs depend on the decisions of private employers as to whether or not it is profitable to hire people. In the 1970s American employers did two things that made them need and want fewer employees.

The first one was a technological breakthrough called the computer, which made it possible for employers to reduce the number of people hired because the computers could now do much more. The simplest example is to remember that once upon a time supermarkets needed an army of workers to keep track of how many much cereal, soup, paper cups and so on were leaving the shelves. With a computer, as we all now know, you have a scanner at the checkout counter, and nobody needs to keep track of it. There's one person sitting at a computer somewhere in the middle of nowhere who can tell you exactly how many new boxes have to be ordered, in which supermarket, in what town, because it's all done automatically and you don't need an army of inventory replacers.

The second thing that happened in the 1970s was the

recognition and the decision of U.S. employers that the national wage level, which had been rising for all these years, was much higher than in other countries, and it would be more profitable to move production to those parts of the world. Between the computer replacing people and the jobs being internationally outsourced, the demand for labor in the U.S. shrank.

At the same time, two other phenomena also contributed. The first was the U.S. women's movement to join the work force. Starting in the 1970s, millions of American housewives decided to add the role of paid worker. At the same time, we had the latest influx of people from Latin America arriving in search of a job and a better life. So a reduction in the demand for jobs by employers and an increase in the number of people looking for work—women and immigrants—occurred at the same time in the 1970s. For the first time in U.S. history there was no labor shortage. We had a system that was successful as a form capitalism. Employers were making money, wanted to grow their businesses and were hiring. But there was always a shortage and that opened the door for immigrants.

In the 1970s, U.S. capitalists discovered that it was no longer necessary to raise wages: they had less need for workers and more people looking for jobs. And every capitalist in the U.S. realized what many had learned at M.B.A. school could be put into effect, namely, the great lesson that if you don't have to raise the wages of your workers, don't do it. You make more money. That's what U.S. employers have been doing for more than 30 years now.

According to the Bureau of Labor Statistics in Washington, which keeps these records, the average wage earned by an American worker in 2011 is about what it was in 1978. We've had thirty-plus years in which the real wage, on average, hasn't improved in the United States. That is a sea change in our history. Meanwhile the last thirty years also saw rising worker productivity; workers were producing ever more for their employers to sell while their employers gave them no more for their work.

*Something also is going on parallel to wages flattening out. I believe American workers work more hours than any other work force in the world. Is that right?*

That's right. According to the OECD, an important data-gathering service for industrialized countries, Americans do more hours of paid labor per year than any other working class in any advanced industrial country. To keep alive the American dream and the hope of delivering a better life to their families and children, American workers have been working more. Men started taking second jobs. The women, I've already mentioned, left the home and entered the work force. Retired people have come out of retirement to help the family, and teenagers began working on weekends. At the same time, people are being constantly bombarded by advertising that define success in America as having a better house, a better car, a better vacation and a better college education for their children. To keep up with the pressure, people began working more and more.

And, of course, the other new thing the U.S. working class began to do was take on debt. One way to keep your consumption and standard of living rising when your wages are not is to borrow. Starting in the 1970s, working people in the U.S. borrowed money on a scale that has never been seen before in any country. Capitalists began devising new mechanisms for providing credit to the mass of people. Prior to that time, the only people who carried a plastic credit card in their wallets were businessmen working off an expense account. But in the 1970s all that changed. Banks began pumping credit cards into everybody's hands as fast as they could. New business formed—MasterCard, Visa and all the rest—to make mass credit available to people.

*So at this time you have wages flattening out, hours and productivity soaring, and huge individual debt accumulating, as if the banks are saying, "No problem, we'll lend to you, easy credit," and then they charge usurious rates.*

The amazing thing about the last thirty years is the degree to which there was a kind of collective self-delusion in the United States around the issue of borrowing. It's not rocket science to know that if your wages aren't going up and you keep borrowing to consume, you will soon reach a point where you cannot cover the interest and repayment costs of your debt.

By 2007 the American working class had accumulated a level of debt that was no longer sustainable. People just couldn't make the payments anymore. The bubble began to

burst. It's a crisis that really began in the 1970s, when the wages stopped going up, a crisis that was postponed for a generation, for thirty years, by debt that could no longer be expanded. By 2007 an entire mass of American people were literally exhausted, exhausted physically by all the work; and exhausted psychologically because the family that had held people's lives together had been blown apart because of the destructive consequences that overworking had put on the family.

Women had held the emotional life of families together. When both parents' work moves out of the house and into the workplace, for all kinds of reasons, good and bad, the bottom line is often that the tensions in the family become unmanageable. There's a reason why the sitcom of the 1950s and 1960s was the happy family, the Nelsons, whereas the sitcom of today is the dysfunctional family. So I think that when 2007 comes, the American working class is physically exhausted, psychologically stressed. Let me remind people that we are 5 percent of the world's population; we consume 65 percent of the world's psychotropic drugs, tranquilizers, mood enhancers.

One of the reasons why today's crisis is so severe, long-lasting and defies the efforts of the U.S. government to cope is because it isn't a typical business cycle. This is the culmination of a thirty-year postponement of what it means when 150 years of wage increases comes to an end.

*An inherently unstable system, the history of capitalism is punctuated with a series of busts, depressions and recessions. Is this one different? And if so, in what way?*

I think this one *is* different. First let me comment on your good point about capitalism being an inherently unstable system. And there's no polite word for that. I sometimes like to make my students giggle by saying to them something like this: If you lived with a roommate as unstable as this economic system, you would have moved out long ago or demanded that your roommate get professional help. We, however, live in a capitalist system and we make neither kind of demand, even though the reasons to do so are pretty much the same. Capitalism is notorious for its upper and downs. We have a whole vocabulary in English to refer to that: booms and busts, recessions and prosperities and depressions and upturns and downturns. You know, the reason people have a lot of words for the same thing is because it's a very important phenomenon in their lives, and they need a diverse vocabulary to articulate it.

You would expect that a population that lives in a capitalist system would know this about its history and would therefore not believe that it was over; that somehow we had managed in some magical way to escape the instability. But the truth of the matter is that over the last thirty to forty years, we have been a society unable and unwilling to think critically about capitalism. And it shows. We thought we weren't going to have any more of these crises like we had, for example, in the 1930s, ten years of depression, or that

the Japanese have had, which is twenty years of depression since 1990. It was only wishful thinking to believe that these kinds of things no longer had relevance to our modern life. So we were, of course, unprepared for what we have.

Nothing shows U.S. unpreparedness more than the inability of either President Bush or President Obama to deal with this problem effectively. We are suffering now with the risks and dilemmas of this economy as much as we were last year and the year before and the year before that. This is a sign of a society that hasn't come to terms with capitalism in general.

When I began my work as graduate student getting a Ph.D. in economics, the typical department's curriculum had a course called "The Business Cycle," where students were at least, for a semester, introduced to a history of the ups and downs of capitalism, their causes and what was done to try to cope with them. Nowadays, in 2011, if you do a survey of curricula in graduate programs in economics, you will find the vast majority of schools have no course in the business cycle at all. It was felt that the problems and inherent instability of capitalism had been overcome and mastered.

It was never true. It should have never happened. But it helps explain and illustrate the kind of euphoria people had for thirty years, that we were in a new economic system, that it was a mature capitalism, that we now had all the mechanisms to control the system. The irony is, it left us unprepared to see it coming, although we should have, and it has left a generation of economists unprepared to manage it, which you can see in terms of the inability of the advisers

both of President Bush and of President Obama to come up with a reasonable plan to deal with this situation.

So I think the answer is, we have a very severe economic downturn because not only is capitalism always unstable, but this one comes at the end of a thirty-year program of denial, of substituting credit for a working economy that grows and allows people to have higher wages. We never helped our people understand any of this, so now it's like a tsunami has hit us as a nation. And we look really badly equipped as well as unprepared to deal with it.

*To what extent do the mainstream media contribute to this lack of understanding as to what has happened?*

I don't single them out, but they certainly have contributed. First of all, the mainstream media have not been intellectually alive as critics of the system. I would describe the media much as I would describe my own profession of economics as being more like cheerleaders than like analysts. As a whole, it's been cheering that capitalism is an efficient growth engine that would make everybody happy, that capitalism delivers the goods. The courses, the students, the training, the whole experience of economics as a discipline produced a generation—maybe even two generations—who thought that what economics was about was celebrating capitalism's greatness instead of a balanced assessments of its strengths and weaknesses that might have contributed to a national discussion and better policy.

Capitalism is an institution. It's like your public school

system or your health care delivery system. We as a nation think it's appropriate to question and debate whether our schools and health care system are working adequately, meeting our needs. Why in the world has it been taboo to ask, is the capitalist system, the way we organize the production and distribution of goods and services, working to meet our needs or not?

But it's been made a taboo to ask those kinds of questions. The Cold War and many other things made it impossible to question, let alone criticize, capitalism. Instead of that being a normal exercise of a democratic society evaluating its institutions, it turns out to be an act of disloyalty or something we shouldn't have. It gets squelched and marginalized. The U.S. mass media went right along with that plan and denied the American people a critical sense of its flaws. If the public had been better informed, when the big breakdown happened, as it did in 2007 and 2008, we would have been much better prepared, not so surprised, and in a much better position to cope with it.

*There's a certain kind of market fundamentalism. Capitalism is equated with freedom—we're all for freedom, of course—the free market, the free enterprise system. In some respects it's almost taken on a theistic, theological dimension. To question it becomes equivalent to heresy.*

In the 1970s, employers were free to stop raising the wages of the mass of their workers. But their exercise of that freedom deprived the mass of Americans of a rising standard

of living based on their continually rising productivity. That is, workers after the 1970s were increasingly productive, as they had been before, but now their increasing productivity no longer also provided a better living. Capitalists kept their workers' wages stagnant because they didn't have to continue to share a portion of the fruits of their workers' rising productivity. So the freedom of one part of our population deprived another part of the population of its freedom to prosper from its own work.

Seen in this light, freedom is not a universal good that only has happy news as a result. An honest person says, "Okay, if this group's freedom is given up, what is the impact on the freedoms of others?" If you ask that question, you discover that freedom is a complicated matter: If you enhance the freedom of some, it often involves depriving others of their freedom. To face that would require a much more critical notion of freedom and democracy than the kind of happy, cheerleader mentality we have, in which we imagine, because it saves us from difficult thinking, that enhancing freedom of somebody is always good for everybody else. It isn't.

How do you talk about freedom to the more than 20 million Americans who have no job now? Are they free? They're not free. They've been denied the freedom that comes from having a decent job, and through no fault of their own. Something didn't go wrong with 20 million Americans who suddenly can't get jobs or can't get the jobs they want in a way that they used to. That isn't a problem of individuals, that's a problem of an economic system that isn't delivering the goods.

So I think that you're right, that this debate and discussion of freedom has been like so much in our culture since the 1970s: Very carefully abstracted from the hard economic realities that were unfolding over that time and that were, in fact, depriving huge numbers of our people, a majority, of freedoms that they had enjoyed for a long time before but were no longer available.

*One of the salient characteristics about the Great Recession is long-term, chronic unemployment. Is this something that distinguishes this economic crisis from previous ones?*

The statistics are startling. The proportion of unemployed that have been without work for more than a year, which is a standard statistic that economists use, is greater than what we have seen in any economic downturn for many years. So there's no question that one of the ways this crisis is more severe than any we've seen since the Great Depression of the 1930s is in the longevity of unemployment.

Other economic downturns like this in the U.S. have had a "recovery" at least for a while. But the reality in the U.S. is, while there has been much discussion of recovery, roughly from the spring of 2009 to the spring of 2011, that recovery didn't affect the vast majority of Americans. We did have a recovery from early 2009 to early 2011, but only for banks, insurance companies, large corporations, and the stock market. Those are important parts of our economy, heaven knows, but they only affect a relative minority of the people. For the vast majority of Americans, there has been

no recovery. It's not appropriate to talk about a double dip as if there's a second downturn, because they never had the upturn to make this downturn the second one. If you look at the number of people who lost their job, or the number of people losing their homes through foreclosure, or the number of people whose benefits have been cut—sick days, pensions, and all the rest of it—then the mass of the American people have had a crisis in their lives, economically speaking, for more than four years now.

To talk about recovery to these people, as the mass media did, is cruel. What it does is it makes each individual American, who isn't participating in this recovery, feel as though it's somehow his or her personal fault or failing: *Everybody else is recovering. I'm not.* That's cruel. That inflicts a psychic punishment to people who are not responsible for this crisis in the first place and who should not have been told about a recovery as if it were general when it never was general. That would have helped them to avoid feeling angry and betrayed. Nothing shows the anger and sense of betrayal of the American people more than the political turns in our society over the last few years, whether it's anger in the Tea Party movement or anger that's building elsewhere. And part of the reason for that is the peculiar way we couldn't debate our capitalist system beforehand, we wouldn't prepare ourselves to deal with its ups and downs. We now reap the whirlwind that results from such an incapacity to debate your own economic system and face its problems.