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# “The long term norm of the economy is great instability and high inequality”

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**Peter Teague:** As we go through this political-economic collapse, there is no ready alternative. And we were curious about the fact that over the past several months, and really a longer period than that, a conversation had started about alternatives to capitalism that really hadn’t been possible before, when those conversations were seen as quite marginal. Now suddenly people such as yourself are getting more attention for what you’re writing. A different conversation has been engaged, as people see that there’s a need to develop and articulate alternatives.

*How does the current economic crisis show up in your personal experience?*

**Gar Alperovitz:** Well, at one level, through the usual concerns, retirement accounts and that sort of thing. But for me, the most important thing is that it is the first time in my adult lifetime that there is a serious discussion of systemic issues. I think it’s the most interesting period of modern history, and I would include in that the Depression, as well. I think there’s a temporary opening for a serious dialogue and the development of new ideas and also new strategies. I say “temporary” with some caution because I think it’ll close down a bit, but now’s the time to really get serious.

**Katrin Kaeufer:** What do you consider the most important root causes of the current economic and societal crisis?

**Gar Alperovitz:** I think the root causes are the inherent dynamics and power relations of corporate capitalism. I think these are the central driving forces. I think we’ve been able to mask and manage some of these problems, for really quite unusual reasons, for a good part of the 20<sup>th</sup> century. And for a number of specific reasons we could go into, I think they’re now becoming manifest in a way that was not the case in the previous era.

As to some of the forces at work: From an ecological point of view, the overwhelming drive for growth has disastrous implications for many different elements of the environment. And that’s central to the system.

Having said that, the traditional socialist models haven't done any better on ecological matters, so that poses both a political and an intellectual question, both of which are at the heart of what I think about.

But I think also that certain narrower questions—for instance, the very large and unequal distribution of income—are also central to the economy and have been central to it from the beginning of the 20<sup>th</sup> century up through 1929, including the Great Depression. There was a temporary mid-20<sup>th</sup>-century abatement, 1940 to perhaps 1980, and then the basic trends returned—the trends toward inequality returned. If you throw the 20<sup>th</sup> century on the table, what you've got is two very large crises punctuating it, the Great Depression and World War II. You could go back to World War I, but the two really big ones from the point of view of the United States and other countries are those two punctuating crises and then, very importantly, the aftermath, the historically very unusual post-war boom period. The norm of the economy is very great instability and high inequality. That fundamental long term pattern has now returned with a vengeance, and it's been aided and abetted by globalization, which is a powerful undermining factor.

The long term trend has also been aided and abetted by the decline of the progressive moderating forces. Among the most important of these is organized labor. I think the consensus view is that in virtually all the advanced systems the strength of the labor movement is one of the most important elements in any progressive political formation. The United States has always had a weak labor movement. In Sweden unions include 85% of all workers. At our peak we were at 35%.

In the mid-twentieth century aberrant period that I was talking about--the "aberration" of the two great crises and the post-war boom—unions went from 11% of the labor force, then peaked at 35% in 1950, and they are now back at 11%. A mere 7.2% in the private sector. So one of the core elements in the traditional progressive reform movements is simply returning to its relatively weak 20<sup>th</sup> Century norm in this country.

Why we have a particularly weak labor system we could go into; it has to do with racial balances, the individualist culture of American history, the scale of the system, etc. There are a long series of reasons why our particular form of labor power is essentially very weak.

But the bottom line in terms of where we are now is that we are entering a new period where one of the key progressive balancing forces is exceedingly weak—even as globalization presents new challenges and strengthens the bargaining power of corporations *vis a vis* unions and communities, but also in broad political terms *vis a vis* progressive reformers. The new context permits playing the pressures of the global economy off against all three. In all cases the argument is: "We'll run away if you do X, Y, or Z." So to the extent that a free global market opens and broadens this terrain, it strengthens the hand of the corporation in all these areas, and generally as well. Globalization also strengthens the hand of the corporation in negotiations for subsidies and tax relief from governments all over the world.

All of this, however, only further reveals some of the deeper, long standing 20th patterns of the advanced capitalist system in its American form—patterns that, as I say, were masked in significant part by developments in the mid-20th century “aberrant” decades.

The large-order point not to ignore in all this, however, is that there is a slow return to the century norm, which is weakness of the reform movements. This is not to ignore the gains that have been made during the aberrant period. However, if (as many progressive analysts do) you focus mainly on the modern period and assume reform movements have been and are normally inherently strong—and somehow have declined in recent years—I believe you miss the deeper historical reality of weakness, absent the mid-century punctuating crises and the boom aftermath.

There’s a complicated wild card in American politics that must also always be kept in mind—namely, that until two-thirds of the way through the 20<sup>th</sup> century, there was a very large quadrant of the society controlled, literally, by terror in the South, the Ku Klux Klan. There simply was no system that we would recognize as a genuine democracy. This too is very aberrant but in a different sense; there are no other advanced countries that have this particular history. Racism, of course, exists in many places; along with racial minorities. But the American “South”—a very large piece of U.S. territory—was organized historically as an entirely different “system” both in the 19<sup>th</sup> century and in a different way up to the two thirds point of the 20<sup>th</sup>. For much of modern history this reality helped sustain the power of conservative forces at different points of time both in the Democratic and Republican Parties. For a while one or another strategy based on exploiting racial differences gave power to conservatives in general, and then Republican conservatives in particular.

**Peter Teague:** So I’m clear, what you called the punctuating crises, those bookend crises are...?

**Gar Alperovitz:** Well, if you think of the 20<sup>th</sup> century as a straight line--though of course history isn’t written quite that way--it is an aberration to have an explosive Great Depression changing the terms of reference of politics temporarily. And World War II did the same thing, temporarily. And then the one that’s often neglected is (once you see those two as aberrations from straight-line norm of the system) the third piece is the follow-on, the “aberrant” post-war boom, which is inconceivable without (the “aberration” of) World War II. The boom permitted several advances in domestic politics and in generating the economic surpluses, for instance, that made it possible to enact Medicare and Medicaid. Along with the war, the boom also opened the way for the women’s movement, opened the way for the civil rights movement, etc. All of this, in a very real sense, historically was made possible as a result of the “boom” follow-on to the (“aberrant”) crisis we call World War II. Economists have traced many of the “follow-on” factors that produced the boom—most importantly: [1] war-time savings fueled the postwar consumer boom; and [2] war destroyed America’s global competitors—which made for great economic growth (for a while!)

The bottom line: The middle third of the century is quite unusual from the century norm if you look at it analytically, rather than in simple history-book chronological fashion.

**Peter Teague:** *What is the blind spot in our contemporary economic thought?*

**Gar Alperovitz:** Well, the big blind spot I think is that there is an implicit assumption, in most established quarters, that there will be a return to some form of normalcy, and that the systemic issues are not serious—that once we get the recession behind us we'll get back to a reasonably normal growth path. The discussion of systemic issues, and more important than the discussion, the possibility of systemic changes of various kinds, is not deemed realistic. It's still for the most part regarded as just talk.

And I think that's a blind spot. I'm not a utopian, but I think that there are reasons to believe the discussion of serious long-term systemic change is likely to grow, and indeed it's very important that it grows in a responsible and intelligent way. I think the central over-arching reason is that broadly speaking the political system is not able to solve critical problems that are driving the crisis—not able to solve them, that is, in more than a fragmentary way. It's able to do something, but for the most part, even under Obama, the gains are fragmentary *compared with the problems and long declining social, economic and environmental trends...*, And I think this truth will generate more and more realization of the need for a deeper discussion as time goes on.

Most people do not think about these matters or take them seriously; and instead simply think we'll return to normal.

**Katrin Kaeufer:** *What's your prediction for 2012, 2014? What will the U.S. and what will the world look like three to five years from now?*

**Gar Alperovitz:** These are really hunches. I think nobody has a good enough handle on this. There are so many variables that are based on unknowns: what will happen to investment, what will happen to governments, what will happen to the stock market, what will happen to the Chinese, how they'll play the game.

Of course there will be some additional Obama successes but in broader perspective my hunch is you'll see, in the United States, decaying trends, a continuation of decaying trends on the environment, decaying trends on income distribution, poverty, growing restrictions on domestic public expenditures, possibly some stabilization and some recoupment of economic growth. But that's a wild card. It may in fact be that we'll still be in deep recession; I think it's unpredictable at this time.

My own concern is that it's a mistake to focus on that period of time. I think really the right period of time is how do we look at the next 10 to 20 years.

**Katrin Kaeufer:** And what would the trends be for the next 10 to 12...?

**Gar Alperovitz:** The long “outcome trends” in several areas that I've noted have been unyielding. Average weekly real earnings have essentially been flat for 30 years. Probably that will continue, plus or minus minor changes.

In terms of the distribution of income, the top 1% has gone from 9 to 10 percent of the income (depending on whose numbers you use) to 18 to 20 percent of the income. Roughly speaking,

those distributions are likely to continue. This is a massive redistribution away from the vast majority; A massive tax, in effect, and transfer of income to the top.

On virtually every major environmental indicator with three or four exceptions, virtually every one has continued a long-term decline. There are a few exceptions—we are able to slow the trends in some cases, get an occasional reversal, as for instance in banning DDT or lead. But by and large the long “outcome trends” do not yield to reform under the current strategies. So I think that will continue. (Gus Speth’s new book is very solid here.)

What will happen to unemployment is unpredictable. Most people have focused on the financial crisis and on the irrationality and criminality here in some cases. This is both useful and important. However, on another, deeper level, there is now a much deeper problem developing at the heart of the economy: Note that if the distribution of income moves towards ever great consolidation at the top, and the elites have the income and the rest of the society is stable or declining at the bottom, you have to find some source of consumption to stabilize the system from a Keynesian point of view. And the way we’ve done it has been essentially to find a way to get people to borrow more and more. And the borrowing has now come to a crashing end.

To put it another way, savings have gone from 9 to 10 percent of income down to zero over the last 25 years. And what’s really happened is people have borrowed against their houses and stock. That’s well known. But what hasn’t been much discussed is that, had this not happened, you would have had an economic crisis much earlier. Put another way, as the distribution of income gets worse, not only do the poor and middle class have to borrow, but in effect you have to get the rich to loan to them or otherwise get them to borrow to buy things; otherwise the economy’s in grave trouble.

All this presents a major problem for the future, because I think there’s going to be a fear of borrowing coming out of this crisis. And rightly so. The essential, very simple Keynesian relationships were destabilized and managed by a kind of a trick to get people to borrow. And I think that’s going to be difficult to continue. We may see more and more unemployment and instability because of the fear of borrowing.

**Peter Teague:** *What transformation strategy could address the root issues and shift the social field to a more sustainable, just, and collectively creative path?*

**Gar Alperovitz:** I think that, finally, for myself, I’ve begun to understand the question. And I’m toying with the idea of doing a book on just this subject; almost certainly will.

First things first. I think the first step is an analysis of the emerging context. Most progressives have a long list of reforms they think important (most of which I would welcome.) However, what I think is extremely unusual about the emerging era is that we are entering a period in which politics in many key areas simply does not permit the enactment of traditional reforms in more than modest or token form. We are back to the underlying weakness of progressive forces in this country. On the other hand, the system doesn’t collapse in Marxist ways, primarily because, unlike 1929, the government is now 30% of the economy, rather than 11%. So it neither succeeds in resolving many underlying “trend” problems, nor collapses. Such a historic context

is one that must inevitably force reassessments and experimentation and the development of new strategic ideas and efforts. I suspect we will be entering a long era vaguely like the populist era, or the 30 years of the pre-populist, pre-progressive eras... Vaguely like those eras, but different also in many ways...

In a long context in which traditional strategies of liberal reform are regularly blunted, I think what may well be possible over the long haul is the reconstruction from the bottom up of a whole series of new strategies that involve changing the ownership of wealth and capital through new forms of institution-building. We study this process at great length, and I don't have time to go into all the details. Suffice it to say that 35 years ago there were only a handful of worker owned companies; there are now more than 11,000 (involving more people than all the private labor unions taken together.) There are thousands of other so-called "social enterprises," and thousands also of "neighborhood corporations," and increasing numbers of land trusts, etc., etc. I could describe the developmental arc of such local departures—and how the development has gone forward, paradoxically, precisely because traditional reforms have faltered. I think this will continue in the new context, expanding the basis of further change.<sup>1</sup>

Let me make it clear that I don't, however, see these kinds of things as adding one upon another until all the piles of grains of sand reach a mountain. What I do think is that we're entering a period in which the creation of new models (particularly of collective wealth-holding) is generating ideas and principles upon which large-order macro decision-making, the next politics, may possibly one day be built. A reminder: many of the programs that became what we call the "New Deal" were, in fact, simply extensions of models that had emerged in the previous period at the state and local level.

Let me give you an example of what I'm talking about: In the case of what we've come to call "the Cleveland model" (a project on which we have been working for some time) what is interesting from the point of view of principle—quite apart from the problems being addressed in Cleveland itself—and this is why I'm particularly interested in it—you have a developmental model based on the Mondragon system moving forward at a rather impressive pace. The entire effort is a complex of worker-owned cooperatives that are well on the way to establishing an ecologically sound industrial scale laundry, a solar installation company, a huge commercial food producing greenhouse and several other businesses. Critically, by virtue of the ownership model the businesses both change who owns wealth and keeps it in the community as a stabilizing force. A further example of another principle: The complex of cooperatively owned businesses are significantly connected to institutions that are also both anchored locally and heavily infused with public money. Local hospitals and universities have huge procurement budgets (all implicitly subsidized or financed by the public). The "Cleveland model" links this purchasing power to the complex of developing cooperatively owned businesses in ways that both create and change the ownership of wealth and to help stabilize and further anchor the local economy.

In all this, note carefully that there is inherently a planning system writ large: Medical care is exploding throughout the country. It's largely funded by public monies. It is in significant part

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<sup>1</sup> For further information see [www.Community-Wealth.org](http://www.Community-Wealth.org)

and increasingly a socialized sector, but in a very non-traditional way. And that linkage between major national sectors of heavily infused and growing public development, like health—energy would be another possibility—to the development of new institutions that are structured in new wealth sharing and “anchored” ways—is a planning principle of potentially great and much larger application. I think the principles involved are potentially far-reaching.

Put another way, extensions of the “Cleveland model” links quite different economic institutions to a large publicly dominated sector in a planning modality that transcends both traditional capitalism and traditional socialism. It could be applied, for instance, to public procurement of future mass transit, rail, high speed rail—and, for instance, a restructured auto industry. (Indeed current models being promulgated in Washington already suggest substantial public and worker ownership of G.M. and Chrysler.)

As I’ve noted, much of the New Deal was based on ideas that were developed at the state and local level first and then expanded to the national level. In general, during the coming period developing experience and principles in local institutions I think may be extraordinarily important beyond the locality itself. And, above all, changing institutions that involve (1) how wealth is owned, and also (2) new kinds of quasi-public markets that do not have to drive the system in ways that force economic entities always to continue to expand and grow to succeed. From a long term ecological perspective, this is an important part of any stability oriented planning system—like the one which appears in sketchy form in the Cleveland model.

There is also a need for banking to support and sustain that model, rather than the traditional “capitalist” growth model. This model must also grow, but it is not driven to continuous expansion as a matter of necessity because it’s established as in part a self-sustaining process linked to the significantly captured partial public markets.

The principles in that little experiment are likely to be and should be expanded, taken to the national level. Supposing we were to say, for instance, where do we put the next 130 million people who are projected to be living in the United States in 2050? There are inevitably going to be new cities built. There is going to be a re-concentration in old cities. There is no reason a good deal of this inevitable new development could not be done by new model development as well. It will require both targeting jobs and creating institutions that can help achieve stability as well as wealth ownership changes. But the thing to note is: the population is going to expand in any case; how we deal with that is our choice in terms of institutions and city design and planning.

As I noted above, take the transport side: rail, mass transit, high speed rail. If you look out over a 30-year period, you can see what would be needed for a serious policy in terms of transportation needs. If you did that, all of a sudden you’ve got answers to parts of the auto industry problem, because you’re going to need to produce that equipment. But what I’ve just said is only a large extension of the tiny model in Cleveland. A market that doesn’t depend inherently on continued expansion, the growth model, but is defined in a different way, but also is serious about changing the ownership. If you put public money into rail, transportation, mass transit, inter- and intra-city rail, and it’s largely public money, why should the company be a privately owned company paying outrageous salaries? It should be quasi-public in some form, and then the question is how

to achieve competition within the quasi-public mix of companies. And then—considering population change—deciding where that production should take place from an ecological as well as equity point of view.

All of this is in the realm of what I call evolutionary reconstruction. It's not simple or traditional "reform." Which is that you allow the existing system to function as it is. And within that context, you try to clean it up around the edges. On the other hand, the approach also is not revolution either, where the institutions do change but you get violence. What we're talking about is an evolutionary reconstruction of institutions to achieve the longer objectives—a particular strategy appropriate I think to an era in which reform is faltering, yet problems continue to expand and demand answers of a new kind.

I think something of this kind may be possible. I'm not a utopian, but I think it's possible in the particular longer term context we're entering, a context that doesn't solve problems; doesn't collapse, but creates more and more difficulties and more and more rethinking. Fiscal constraints are stopping up one avenue of old change. Global instability is generating different problems. But, interestingly, building new wealth-changing forms of 'anchored' economic institutions linked in part to stabilize sectors appears to offer at least one new vector of possibility. (I might add that our experience also is that the approach appeals not only to liberals and even radicals, but to many moderates and conservatives who understand that this is about work rather than welfare, and about helping the local community in a time of distress...)

To put it another way, I think we're in some ways like rats in a maze. Many, many doors are closed. But as we are finding in cities like Cleveland this particular door may be potentially open to slowly and agonizingly rebuilding the basis of both practice and ideas.

Obviously, that's a long discussion, but I think that's a direction for strategy that is extremely interesting now. As I mentioned, we map the development of all these new institutions around the country and keep track of them. There are thousands of different pieces of this puzzle that are popping up everywhere. Partly out of necessity. Mainly out of necessity.

It's a developmental process. That's why I say 20 years of development is the way to think about the way these things go forward.

**Katrin Kaeufer:** Our next question concerns immediate action. *If you were to advise Obama today, what three action steps would you suggest?*

**Gar Alperovitz:** Well, the first one would be to accelerate the development of this kind of institution-building. As I've said, it's very popular politically: liberals and conservatives like this kind of thing at the local level, so it's politically viable, whereas more spending and taxing and welfare programs are not.

We're just about to release a draft, 100-page policy document, and we've been talking to a few Senate offices on how precisely to development of this kind. So that's number one, the Obama administration could take up this sort of thing. I think it's something that they could really do, it's within their political frame.



Number two, I would invest heavily in getting serious about mass transit and rail. Incidentally, you ought to flag this and note especially that it will also force you right up against the World Trade Organization and trade, because fostering a domestic industry like that will raise all sorts of trade problems, but I think they have to be faced.

And then the third recommendation is on tax policy. The Obama administration is going back to the Clinton era. It's changing tax rates back to 37, 39 percent range at the top. I think it's time to become radicals like Eisenhower. The marginal tax rates in the Eisenhower era were 91%. In the Nixon era, they were 70%. Right through the first years of the Reagan era, in fact. So we need to have a major debate about the kinds of taxes that are being paid at the top end of the distribution. And I think that's popular, as well. I think this is a great moment to rekindle the debate about equitable taxation.

I think the first one is eminently doable, and partly the second one. There's even some money in the stimulus program for the second one.

**Peter Teague:** *How does the essence of your work address what we can do to move forward?*

**Gar Alperovitz:** Well, you opened the discussion with it. I've been thinking about this kind of thing for longer than I care to remember. Just as background, Katrin, I worked in the Congress, I ran both House and Senate staffs, and I was a policy planner at the State Department in the Johnson-Kennedy years. I ran Gaylord Nelson's legislative staff. So I come out of a very practical political world. But I also wear a historian's and political-economist's hat as well.

It hit me very early on that the aberration of the reform era was in many ways largely over and that traditional reform strategies were slowly reaching a dead end. Which sent me to the kinds of questions you're asking, in a kind of quest. So in terms of what it means for me, there are four different levels of what I think we can do. First, we can help promote getting more development on the ground. Second, we can find ways to change and broaden the distribution of information on what is already possible and what is now being done and what could be done. Third, we can develop policies to further the most innovative development.

Those three areas are critical. But the most important area is akin to what you're doing. What really blocks people from understanding major change efforts is that they don't believe anything is possible. They don't have a sense, a way to understand the emerging context and the relationship between what they do and what might be possible. The questions involved all relate to how we shift our perspective or analysis, to use a high-falutin word. Basically what we're talking about is a theory of change, and most people have one (though often unstated and implicit). "The pendulum will swing" is one very common theory of change. For most people they're crude and really unexamined theories—but they will implicitly bet their lives and action on their unexamined assumptions about what is possible.

To the extent people really begin to understand the possibility of a different way forward, in the particular frame of the particular context we are entering—when that penny drops—you get an

enormous release of human energy for change. That's what you see in movements. But that requires the reconstitution of a different idea of how to move forward and what might make sense in a way that answers genuinely important questions. If you don't like capitalism and you don't like socialism, what is it you really want and what does it really look like? And how do we get from here to there, and why is it not utopian in the particular context we are entering? Answering these kinds of questions—that kind of work—for myself is really the most important. I'm just gritting my teeth and thinking I've got to write a book about this stuff right now. It's really the time to do this.

**Katrin Kaeufer:** *What do you think are the most important questions for future research?*

**Gar Alperovitz:** I went through these questions and put some notes down beforehand. Let me start at the second one that I had—how to restructure finance, but not only banks. It is in a sense outrageous that the debate is all about the TARP money and the funds moving through the Treasury and the bailouts. The overwhelming action on this side is in the Fed, where the numbers are \$3-\$5 trillion or more being moved by the Fed in what amounts to a nationalized bank system, now allocated to housing, loans, essentially to car loans, consumer credit, etc., in a completely undemocratic form. Major, major, major allocations of capital are being made by a tiny group and controlled in a very odd way, and most of it in somewhat secret form.

How do we actually begin to think through what it would take to have democratically accountable financing system and bank system, right straight through to the central bank?

Very few people have pushed very far in this direction in a systematic way. You see a few people kicking around ideas. Most of it's about breaking up the banks or nationalizing some, or not nationalizing some and breaking up some banks. There's merit in that discussion, but I think it's secondary to the larger question.

Number Two: I think the key question for research is, how do we really get sophisticated about what you do in any advanced system about large enterprise? I just gave you one example, rail and mass transit production.

But the traditional models for how to deal with large enterprise are “break them up” (antitrust) or regulate them or nationalize them. Those are the three big models. And “break them up” is nice in theory, but we know that politically the power relationships are such that they reconstitute, and the big fish eat the little fish and you're back where you started. Regulation is the second traditional model. However, we know a great deal about regulatory capture by the big ones, so that in the end regulation often falters and fails as time goes on—or never gets serious at the outset, given the power relationships. The third traditional model is nationalization—and historically, often this has led to a loss of accountability in bureaucratic and undemocratic systems. (Think of the Army Corp of Engineers here in the United States.) (There have, however, been a number of studies of efficiency in the nationalized industries in Western Europe that are much more interesting and promising; and these might in part be built upon.)

How to really get serious about these are the two big research questions. The finance side, big-time finance side, going all the way to the central bank side. And what do we do about big industry?

I have some thoughts about all of this but I think those are really tough problems, intellectually tough problems, first; politically tough second.

To say that you need to have a different democratic handle on the central banking system and that we have to make large industries accountable to some sort of larger public is to say that somehow we have to figure out what democratic planning is, because it involves the allocation of capital and public markets. Environmental or not, stabilizing communities or not, it involves a whole series of criteria. As I indicated, we're doing that in very partial ways even with the auto companies, saying you have to make this kind of car rather than that kind of car. So we're moving toward planning systems, But it is only a very token preliminary beginning.

And, again, in general a third big question is: What is the nature of a coherent and fully developed democratic planning system that is both accountable and efficient? How do we really even begin to think about that? It's implicit already in the way that Tim Geithner and the Fed are making planning decisions every day. But we're not calling them that. We're just letting them happen backstage, and we need to bring it to the public.

**Katrin Kaeufer:** Do you see anywhere this question of system change being discussed?

**Gar Alperovitz:** Well, you get a lot of rhetoric about it. Last week or next week, there's a socialist scholars conference in New York where I'm sure there will be a great deal of socialist discussion about it. There are Solidarity Economy Groups, which come out of the Porto Allegro group.

So the systemic argument in a genuine form has been on the left for the most part among socialists and radicals. Often here, however, it stays at the level of big theories of capitalism and implicit theories of collapse—with only modest attention by a few scholars in recent years to the possibility of systems beyond what is sometimes called the problems of “actually existing socialism.” There is very little discussion of what I've called “evolutionary reconstruction” and precisely what might be entailed in a practical building strategy.

In other areas, however, many important efforts are slowly beginning to take more serious, substantive form. There are people all over the country who are poking around on the practical project front—often with little discussion either of theory or big picture planning and “system” ideas. In general I would distinguish between people who use rhetoric to talk about these things and those who are really interested in the structural and institutional and policy dimensions.

It's something I often think of this way: You've got to solve a quadratic equation. You must come up with a meaningful, concrete vision of a system that you think makes sense in political, economic, and value terms that would work. That's a theoretical problem of the first order. So you've got to solve that one and then you have to solve what is the context analysis that might

permit the change. And then you've got to come up with a strategy. And the three have to work together.

A lot of the people that I mentioned have been very interested in what the vision is. Or, if you move one step down from vision, which implies values, what the structural girders are that actually define a systemic structure that would support a value based "vision". How does that work? And why would it work better than capitalism or socialism? It's a genuine intellectual as well as political problem.

Then there's a whole set of questions about strategy and politics, and they all imply an analysis of the context. Because if the system collapses and you're going to have a revolution it's one thing. If it's going to be reform, it's another. If it's what I consider stalemate and decay and an "evolutionary reconstruction" modality it is another.

To clarify this point—there are three analytic options:

[1] The first is the conventional progressive assumption about the emerging historical context and what it implies—namely: the context will essentially be something like a slowly reforming extension of the past. (Or possibly a "pendulum swing" idea of reform.) Both imply attempting better regulation and "reform" but no major change in capitalism.

[2] The second analytic option about the nature of the emerging context is something like traditional Marxism: there are reasons to believe the system will collapse—which suggests the possibility of "revolution." (What I think might actually happen, in fact, is the system would move dramatically to the right rather than the left in such a scenario.)

[3] The third analytic judgment is that the system will neither achieve serious "reform" nor will it "collapse into revolution." The possibility I think most likely is a long and sustained period of fragmentary reform which does not solve major problems—accompanied by long term social, economic, and in many areas environmental decay—accompanied by disillusionment and questioning and experimentation. In a context of "stalemate and decay," the long, slow, and "evolutionary reconstruction" of institutions and ideas, both local and national, may be possible. Think again about "pre-" periods of history—the long, quiet, building decades prior to the populist and progressive era, or prior to the American revolution itself. Such periods are extremely important. I think that we are well into a context of "stalemate and decay" that is already forcing—I use the word carefully—forcing—a new questioning, a new level of experimentation and development locally, and a new exploration of big picture systemic ideas both about policy and models, but about the specific modalities of change given the nature of the specific historical context we are entering. The modality of most interest to me in this kind of a context involves the "evolutionary reconstruction" of institutions at the base of the society—leading later perhaps to extensions of principles so developed to national applications.

I mentioned a moment ago the need to solve a quadratic equation analytically: First, what is the nature of the value vision in very large terms. Second, what are the specific institutional elements that might make it work—and work better than either traditional Capitalism or traditional

Socialism. And third, what is the nature of the emerging context and the strategy it allows and suggests as realistic.

I think we have to see if we can get a serious debate about all of those things taken together. If we can do that, I think the bottom line is a release of human energy, where people can reconstitute social and political action in a coherent and common direction because they have a strong and clear sense of what no longer works, and a strong and clear sense of where they want to go, and a strong and clear sense of why the specific historical context makes certain kinds of action important and serious.

I see a lot of “projectism.” And it’s very valuable, because we learn a lot from “projectism,” by which I mean lots of little projects that are people trying different things. That’s different, however, from a strategic understanding of how to move from here to there and what “there” might look like in an intellectually coherent and serious way. And that’s to be built, that’s where the work is.

**Peter Teague:** Gar, do you mind if I ask a couple of follow-up questions?

**Gar Alperovitz:** Sure. This is my life.

**Peter Teague:** Well, this is so rich and there’s just so much here and I’ve got lots and lots and lots of questions. I’ll try to limit it.

Going back to the answers you gave to the root cause question. So if the norm is that we have instability and inequality, and we have these two punctuating crises in the 20<sup>th</sup> century that in some ways propelled us into what you called the aberrational period, are the conditions in place that might create a new period of aberration or might create a new norm? Or does it really matter whether we think of it in terms of aberration or norm?

**Gar Alperovitz:** I think that the aberration created a ratchet effect so that the government is three times as large as a share of the economy as it was in 1929. This means that we can’t return to the full economic collapse potential. We can go a long way. So it is an oddity. There is a ratchet effect created by that period in terms of preventing full economic collapse.

We’re in a period that is unusual in that it’s different from both of the mid-20<sup>th</sup> century aberrations in that one was a collapse (depression) and the other was world war and its aftereffect (the boom) which was intimately related to the modern period of more traditional reform. I think neither of these contexts—the mid-20<sup>th</sup> century aberrant forms nor the postwar boom context for traditional reform—is where we now are. I think we’re in a very unusual era of a “stalemate and decay”, which generates variant instability imposed on decaying income distribution and decaying environment. It involves a long process in which the system doesn’t collapse and (allowing for certain exceptions that prove the rule) in the main problems don’t really get solved. It’s somewhat different from earlier periods because the aberrant period did ratchet the size of government up. The ratchet has taken us up to a different level which means we likely won’t get another Great Depression—I think—in the United States.

In one sense this is a very positive environment. Even though it's filled with pain, as I said, if it were to collapse, it would probably go to the right, not the left. Many traditional liberal policies—if they could actually be enacted in full measure—would clearly be positive, but this is not politically available in trend-altering form. (Instead, most, though positive, are what used to be called “token” in terms of their capacity to alter trends.) So I think the time we are entering is a time when because of the pain and frustration we are likely also to get genuine a reassessment and reconsideration of where we are going over an extended period of development—and precisely because the system doesn't collapse and because the problems deepen. It's a very rich context for developing a new way forward, even though it's painful.

The implications are very odd. And that's what I think we're seeing right now. People are saying, you know, something's really wrong. But you don't see the black shirts coming. What you see is good things being done but long trends of difficulty nonetheless persisting...and, slowly, alienation of progressives and others who sense (or experience directly!) the blockages...

**Peter Teague:** This leads to my next question, which is more immediate. As you read Stiglitz and Krugman and the Johnsons and on and on, at least we've become more and more convinced that the plan can't work and it is effecting the greatest wealth transfer probably ever.

**Gar Alperovitz:** I think that's right. You sent me the Bill Black interview with Bill Moyers.

**Peter Teague:** Yes, I'm sure you've been seeing it, every day you see some eminent thinker talking about this. And there's surprising unanimity about the critique and about the solution.

So I'm curious—I think I'm getting how this particular piece fits into your overall analysis, but I'd love to hear you talk a little about that.

**Gar Alperovitz:** Well, in a sense, I'm a realist. I think the Administration is going to play out this foolish hand and we're going to pay the price. And then they'll come in and they will continue to subsidize until they get some stability. They'll just throw trillions of dollars at the problem.

So that in a sense is a result of the stalemate: They feel they cannot do what is obvious from the point of view of a Stiglitz or a Krugman. Or a Bill Black. The structure of liberal politics has got them, they think, in a bind. If they were different people, if there were different politics and a different grouping of policy types, we could go in the other direction. But in fact they're locked in, historically. They think there are no options and they'll play out this hand. They think Wall Street will kill them if they go the other direction. And they think the Congress will shoot them down if they go the other direction.

So I think the tragedy will play itself out.

**Peter Teague:** Is there any actual evidence...? I keep hearing them say something like, you know, “We don't have any alternative. This is the only thing that's politically possible.” But they don't ever offer any evidence for that, they just state it.

**Gar Alperovitz:** What they think is, if they “nationalize” or take over or...

**Peter Teague:** Receivership.

**Gar Alperovitz:** Receivership, whatever the language is. They think then there will not be private investors who will come to rescue the banks, because they will fear the next receivership takeover. That’s what they think. So that’s why they feel like they’re blocked—I read that long Stiglitz article in the Times the other day. At the very end, he’s got one paragraph where I think he’s put his finger on the way they think. It was a throwaway for Stiglitz. One, he said, if you go that route, they think then you will find that you cannot get private investors back into the game, because they’ll fear you’re going to do it again.

I don’t know how to measure that fear, but I think that’s true. Also, can they just go in and buy it up with federal dollars? This, in fact, would work. But the Congress won’t do that. And Stiglitz put his finger on that, too.

So they’re doing this Rube Goldberg thing with outrageous subsidies. But use the government power to guarantee loans to purchase toxic assets. Enormous amounts of profit are going to be made by hedge fund speculators at the government’s expense.

But what they think, and I think they’re probably right in this, is that Congress won’t give them any money to do it directly. So they feel like they’re in this trap. Now, one next step in the argument would be nationalize the damn stuff and run it from the government. That would work. But of course they feel that’ll take you to Socialism or some other system and they can’t abide that notion politically. That’s too scary. What we’re talking about in this conversation is, what is the nature of the institution that you would set up that had some accountability to the public that could actually manage the capital allocation process in a political economic system? And they’re scared of that.

So I think they genuinely think they’re in a bind and I think they will just play out the hand in a way that is outrageously expensive and stupid and insane, really.

**Peter Teague:** Well, it is the very embodiment of what you just described as this moment, this period of stalemate and decay.

**Gar Alperovitz:** Exactly. From my perspective, as you may have noticed, I’m very interested in this subject, intensely so—it is a teaching moment. What we need to come out of this with is a clear understanding of what would make sense as we go into the next crisis. So we build understanding of what the strategic goals have to be, even if I don’t think we’re going to win this at all in the near term. I think they’re just going to do ridiculous things.

But now is the time to begin developing ideas and putting them in the public arena. The truth is that most of the discussion, even from Stiglitz and Krugman, is about essentially very traditional forms of what you do when there’s a banking crisis. They’re not interested in using banking as a way to shift the allocation of capital to ecologically sound investments. They’re interested in

stabilizing the system through very traditional mechanisms, what the FDIC does every day, only larger.

**Katrin Kaeufer:** You have worked in Washington and seen things from the inside. Do you think this is openly discussed, that Obama's team sits down and says, "Okay, what's happening is this huge reallocation, but if we don't do this, we get this angst about socialism." Do you think that's put on the table, this discussion?

**Gar Alperovitz:** I think that they are very far from imagining doing the intelligent thing that would move toward a more democratic allocation of capital, toward the kinds of things we're interested in, such as a nationalized bank which has allocation capabilities. I think it's not even in their thinking.

I think they're primarily focused on how we get out of this crisis. And they think they're blocked for two reasons. And they may very well be.

Within that framework, they may very well be blocked. And rightly scared. So in a sense, we're at the place where the current system structures decisions in a ridiculous way. But we don't have the alternatives built up in idea form or in policy form or in political form. And that's why the time is so interesting for the development of alternatives, because we're going to keep revealing the stupidity of the existing models. It's really the moment to begin putting serious stuff on the table, if not for this crisis, then for the next crisis, as a developmental process of ideas and people and policy.

That's what I mean by "stalemate and decay." They'll keep playing out these ridiculous hands because they're still boxed in. They are indeed boxed in. I think Obama missed his chance—I think he had a chance on Day One if he had come in and said, "You know, we've looked at the books. What Bush has left us is far worse than anyone imagined. We need a very radical"—he wouldn't use that word—"set of investments, stimulus package, banking, and so forth." I think if he had done that on Day One in a very dramatic form as a brand-new president, he might have been able to capture the political momentum.

But he decided to go the other way and took the cautious advice and cut a deal with the—didn't even cut a deal with the Republicans, just gave them 30% of the stimulus and gave Wall Street what it wanted. So he's a cautious man.

**Peter Teague:** One observation from where we sit is that there is no coherent left demanding those sorts of changes. As we've gotten more and more alarmed about the Geithner plan, we have talked to the folks at MoveOn and CAP and the other left-leaning, progressive institutions. And they are hostile to any notion that they should take on the administration. They are convinced that Obama needs cheerleaders, he doesn't need critics. I think this is absolutely dead wrong, but this is the way people see it.

I think also that we don't have a coherent left that sees in this moment that you're talking about a massive fraudulent giveaway to the people who created the problem. They can't see in that moment an opportunity to organize.



**Gar Alperovitz:** Right.

**Peter Teague:** I have to say, I know it's naïve, but I'm a little shocked by it. It's really alarming that you can't find any institution out there to take this one on.

**Gar Alperovitz:** No. But you just defined the problem. I totally agree with you. It is both alarming and true. And the reconstitution of a responsible left that has ideas in its head, rather than just screeching and/or back-patting and developing the ingredients from that, is the job. But you have to throw a couple of decades of your life on the table if you want to play that game. We need now to develop very serious new proposals and strategies. I believe the new context will make them increasingly viable as time goes on.

**Peter Teague:** We thought we were doing that. I think in some ways the Obama election is a setback. Because I think people think the promised day has arrived. We've done our job.

**Gar Alperovitz:** Well, I think it's a setback in that respect. But I think what's really interesting about it is that it is revealing the problem you just defined. Because Obama is about as good as you can get in terms of a President in our system, and he is now revealing the limits of that. That's the first place to begin, really, what you guys are doing here. Reconstituting and rethinking. So it could have an unexpected impact if you think in longer terms.

**Peter Teague:** That's interesting.

**Gar Alperovitz:** It could reveal what's needed and tell us how serious the problem is, how serious we have to be. Because they won't do it. It's not going to happen unless something is built that makes it happen.

It's important to recognize, too, that the first reaction on the liberal left will be to reaffirm more aggressive traditional liberal policies as the answer to the caution of Obama. I have no problem with this impulse. However, what I think is very important to grasp is that in all probability—given the institutional power at the heart of the system—more liberal reforms are likely to be very partial given the realities—and thus are likely to falter and fail as time goes on. Accordingly—even recognizing this—we need desperately to develop a dialogue based on very concrete ideas about how to move to and through the era of stalemate and decay in ways that are friendly to, but also transcend the traditional liberal attempts at reforms.

**Peter Teague:** That's right. Well, Gar, this is incredibly interesting. It was great, a great hour.

**Katrin Kaeufer:** Yes, thank you so much.

**Gar Alperovitz:** Thank you—and to be continued.