

Reimagining Socialism: An Interview With David Kotz



C.J. Polychroniou

12-25-2024 ~ *“The biggest problem with regulated capitalism is that it is simply not sustainable in the long run,” said the economist.*

In the 1990s, all the talk was about the end of socialism and the unchallenged military and economic superiority of the United States. Nonetheless, two decades later, socialism was revived as a possible political alternative as the Great Recession of 2008 and the intensification of neoliberalism’s cruelties tore a huge hole in people’s faith in capitalism, especially among young people in the United States whose hearts had been captured by Sen. Bernie Sanders’ fiery calls for universal healthcare, free public college, and economic and climate justice. Socialism remains a political alternative taken seriously by many across the United States although its vision is still far away from becoming a hegemonic political project.

However, there are different kinds of socialism, and some of them, such as social democracy and market socialism, seek reform rather than the actual replacement of capitalism. On the other hand, the Soviet model, which is the only version of socialism that gave birth to an alternative socioeconomic system to that of capitalism, had many undesirable features and proved unsustainable.

So what would be the ideal system of socialism in the 21st century? In the interview that follows, radical economist [David Kotz](#) dissects the lessons drawn from the experience of the Soviet model, explains why reforming capitalism does not solve the problems built into the system of capitalism, and makes a case in defense of democratic socialism as the only sustainable alternative to capitalism.

David Kotz is the author of [*The Rise and Fall of Neoliberal Capitalism*](#) and of the soon-to-be-published book [*Socialism for Today: Escaping the Cruelties of Capitalism*](#). He is professor emeritus of economics and senior research fellow at the Political Economy Research Institute (PERI) at the University of Massachusetts Amherst. From 2010-19, Kotz also served as distinguished professor of economics and co-director of the department of political economy at the Shanghai University of Finance and Economics.

C.J. Polychroniou: David, in a soon-to-be-published book titled [*Socialism for Today*](#), you make the case that democratic socialism is the only alternative to the long list of severe problems (massive social inequalities and economic disparities, environmental degradation, racism, poverty, homelessness, and so on) that plague the United States under capitalism. Now, you acknowledge that a shift to a radically different economic system would be a difficult and costly process but also maintain that the problems mentioned above cannot be solved by reforming capitalism. What do you understand by the term “reform of capitalism,” and do you think all struggles to reform capitalism have ultimately failed?

David Kotz: By reform of capitalism, we generally mean the introduction of institutions and policies that modify the way the system works but without replacing its core features—private ownership of the means of production, the wage-labor relation, and the pursuit of profit by the capitalist class as the basic logic of the system. Since the end of World War II, we have seen two types of reform of capitalism. First, the type of reform that emerged in the industrialized countries after the Second World War and came to be called regulated capitalism or social democratic capitalism and, second, the unrestrained version of capitalism that emerged in the 1980s and has been nothing short of a disaster.

Social democratic capitalism included a more active role for government in the economy, a major role for unions in the capital-labor relation, and changes in the way corporations conduct their businesses. Reforming capitalism along a social democratic line was a process that had started before World War II, thanks to the rise of working-class politics and the fact that socialist parties, in some cases, rose to power. But big business and its political representatives also went along out of fear that capitalism might not survive the political pressures from below without reforms. Sweden led the way to social democratic capitalism in the 1930s, but reform capitalism also spread to other parts of Western Europe after the end of the Second World War. In the United States, reform capitalism took place with

Roosevelt's New Deal policies on account of the Great Depression and had many common features with European social democracy.

Regulated capitalism in the United States produced many benefits for working people. Starting in the early 1950s, labor productivity went up, wages increased, and income inequality remained relatively stable. By the late 1960s, regulated capitalism also led to major improvements in air and water quality and in occupational safety and health. Those regulations were passed under pressure from a broad coalition of environmental activists, consumer product safety activists, and labor unions. People of color also advanced in economic opportunities. Nonetheless, while regulated capitalism created favorable conditions for making progress toward social, economic, and racial equality, full equality remained a chimera. The empirical evidence suggests that racial/ethnic equality and gender equality can be reduced through political and economic struggle but cannot be eliminated. Full equality is antithetical to the logic and functioning of capitalism. A capitalist economy cannot work without exploiting workers. The improvements made by regulated capitalism were indeed limited and did not resolve all the problems generated by capitalism. Unions had to make major concessions to secure agreements for the reforms from the powerful business interests. The official poverty rate declined over the period of the duration of regulated capitalism, but deep pockets of poverty remained in many parts of the country. The imperialist drive of capitalism also was not tamed in postwar regulated capitalism, and capitalist democracies remained only partially democratic as wealthy individuals and large corporations remained politically powerful.

The biggest problem with regulated capitalism is that it is simply not sustainable in the long run. Why? Because it generates a powerful drive on the part of capitalists to resist restriction in the pursuit of the maximization of profit, which is what capitalism is all about. Capitalism has always faced periodic economic crises. When such crises occur, capitalists will grab the opportunity to overthrow regulated capitalism. This is what happened in the 1970s, and regulated capitalism gave way to a decade of accelerating inflation and a severe business cycle. The neoliberal reforms of capitalism in the early 1980s were born out of the inability of regulated capitalism to persist and bring long-term stability.

C.J. Polychroniou: OK, but since the aim seems to be full equality and the absence of exploitation from human affairs, the argument can also be rather easily made

that 20th-century efforts to build a full-fledged socialist alternative to capitalism also failed. Isn't that so?

David Kotz: There were two types of post-capitalist systems that emerged from efforts to move beyond capitalism. One was the Soviet model that emerged after the Bolshevik revolution in 1917. The second was market socialism that surfaced following the collapse of the Soviet model. Neither type succeeded in building a sustainable alternative system. But let me focus on the first type since it did abolish capitalism and build an alternative system. The Soviet model, which spread to many other countries around the world, though with some variations, relied initially on an institution called "soviets," elected by workers, peasants, soldiers, and sailors. It was supposed to be the supreme authority in the new social and political order. But soon after the revolution, the Bolshevik party established a repressive regime that did not tolerate dissent. After Lenin's death in 1924, Joseph Stalin became the top leader of the Soviet Union. He established a brutal dictatorship that went on to eliminate much of the leadership that had made the revolution.

Under the Soviet model, all enterprises were owned by the state and allocation decisions were made by a highly centralized and hierarchical form of economic planning. Five-year and one-year plans were formulated for the entire country. Enterprises were given target outputs and provided with the inputs and labor time needed to produce them. Enterprise decision-makers did not aim for maximum profit. There were markets in the Soviet model in the sense that people bought consumer goods in stores and workers decided on jobs in the labor market. However, buying and selling in the Soviet economy did not generate "market forces." Market forces refers to a system in which relative profitability determines which products will get additional inputs and which will be cut back. Thus, market exchange took place, but the system was not guided by market forces.

Centralized economic planning transformed the Soviet economy from a backward agricultural economy to an industrialized economy in record time. In just a couple of decades, an industrial base was built that allowed the Soviet Union to produce military hardware that was key to the defeat of Nazi Germany. Between the 1950-70s, the Soviet economy was growing so fast that Western analysts were afraid that it would soon surpass the leading capitalist economies. The Soviet model transformed the lives of the Soviet people for the better in many

measurable ways. Between 1950 and 1975, consumption per person in the Soviet Union grew faster than in the U.S. By the 1980s, Soviet production surpassed that of the U.S. in steel, cement, metal-cutting and metal-forming machines, wheat, milk, and cotton. It had more doctors and hospital beds per capita than the United States. There was continuous full employment, stable prices, and no ups and downs of the business cycle, while income was relatively equally distributed.

However, the system had serious economic problems. Many sectors of the economy were inefficient, many consumer goods were of low quality, and many consumer services were simply unavailable. Households often faced shortages of consumer goods.

C.J. Polychroniou: In thinking then about a sustainable alternative system to capitalism, what do we keep from the experience of the Soviet model?

David Kotz: As I sought to indicate earlier, the Soviet model brought significant economic and social progress for some 60 years. In my view, the problems of the Soviet model stemmed from its authoritarian and repressive political institutions and the highly centralized form of economic planning that was adopted. But while the Soviet model lacked popular democracy, it did include the key institutions that socialists have long supported: production for use rather than profit, public ownership of enterprises, and a planned economy. The entire experience of the Soviet model holds useful and important lessons for a future socialism.

C.J. Polychroniou: What about market socialism? What lessons should we draw from that experience?

David Kotz: The idea of combining market allocation with socialist planning has a long history. New models of market socialism were proposed following the collapse of the Soviet model in 1991. The hope was that markets would guarantee economic efficiency while a socialist state assured economic justice and material security. Market socialism did not emerge in Russia after the collapse of state socialism, but it did emerge in China after 1978 under the post-Mao leadership of Deng Xiaoping. In China, market forces were introduced gradually and with a high degree of state oversight to avoid economic chaos. The record shows that market socialism not only reproduced many of the problems of capitalism but has a tendency to promote a return to capitalism. That's because market forces can do their job of allocating resources only by activating the profit motive as the

primary force of productive activity.

C.J. Polychroniou: In your book, you argue that economic planning is the institution that can achieve the aim of creating just and sustainable societies—not market forces. But you also argue that an “effective and sustainable socialism” requires direct participatory planning and new forms of public ownership of the means of production. Can you briefly lay out the basic features of democratic socialism?

David Kotz: Here I can respond only briefly to this question, which I consider in detail in my forthcoming book. My view follows closely the model of socialism in Pat Devine’s book [*Democracy and Economic Planning*](#). The following are some of the key features of a future democratic socialism in my view:

1. Economic allocation decisions are made by all parties affected by the decision. That includes workers, consumers, and the local community.
2. Differences are settled whenever possible by negotiation and compromise among the relevant parties. If necessary, majority voting can be used.
3. The mass media are free to criticize the state and its officials.
4. Individuals are free to criticize the state and its officials.

Democratic socialism will inevitably face a contradiction between wide participation in decision-making and the need to make allocation decisions in a timely manner, allocation decisions that are inter-dependent in an actual economy. It will not be perfect, but it promises the best possible future for the human species.

Source: <https://www.commondreams.org/opinion/21st-century-socialism>

Our work is licensed under Creative Commons (CC BY-NC-ND 3.0). Feel free to republish and share widely.

C.J. Polychroniou is a political economist/political scientist who has taught and worked in numerous universities and research centers in Europe and the United States. His latest books are *The Precipice: Neoliberalism, the Pandemic and the Urgent Need for Social Change* (A collection of interviews with Noam Chomsky; Haymarket Books, 2021), and *Economics and the Left: Interviews with Progressive Economists* (Verso, 2021).

