



Richard D. Wolff Event Interview

This Transcript may not be 100% accurate.

Intro: Richard D. Wolff is professor of economics emeritus at the University of Massachusetts in Amherst. His educational background includes a BA in History from Harvard College, an MA in Economics from Stanford University, an MA in history as well as a PhD in Economics from Yale. He is a co-founder and contributor of Democracy at Work, a non-profit organization that promotes democratic workplaces as a key part of a transition to a better economic system. The New York Times magazine has named him America's most prominent Marxist economist. Ladies and Gentlemen, Richard Wolff.

Zain Raza (ZR):

Richard Wolff, thank you for joining us today.

Richard Wolff (RW):

Thank you very much for inviting me.

ZR:

Since you consider yourself a Marxist let's start with that. A lot of people when they hear that word equate it immediately with communism, Soviet-style communism, Maoism, Stalinism etc. What should people know about Marxism and how does it form your approach to understanding the economy?

RW:

Well, the first thing... let me react to the opening part of what you said. For me that is the equivalent of saying to somebody, "Do you believe in private property?" And have them say, "Yes I do." And then saying to them, "Well, so did Adolf Hitler. So did Pinochet." All of which is true but I think irrelevant. There are all kinds of people who have found interesting things in the writings of Karl Marx.

It's even possible to believe that in the last 200 years, if you made a list of the 25 most interesting thinkers, he would be on that list. And if that were, true which I believe it is, then a person who says they went out of their way not to read Karl Marx, not to listen to what he had to say is not a person who you would admire for open mindedness, not a person you

would admire for having avoided an evil but a person who doesn't understand that there are great minds in the world and that you can learn something by following how they think about the world. Karl Marx was not responsible for all that was done in his name, anymore than holding Jesus responsible or Allah responsible for everything done in their name. So hopefully we can put those things aside.

So if you ask me have I been influenced by Karl Marx, I say of course I have. And if you say to me that you haven't I feel sad for you, I feel compassion for you. You've been denied a part of your education and you should be irritated by that situation. So yes I'm influenced by Marx and I'm proud of it. I use the Marxian system in my understanding of how the world works and I am very clear, having grown up in an American system in which Karl Marx's work is never taught. Hardly ever in any kind of systematic way, for an economist. Let me be very personal with you.

I have an education here in the United States that makes me a bit of a poster boy for the elite system. I went to Harvard as an undergraduate. Then I went to Stanford University in California for my Master's degree in Economics and I got my PhD in Economics at Yale University. This is sort of like having an education that is half Oxford, half Cambridge etc, etc. In all of those years, ten years, that I spent in the three arguably best universities in the United States, I was never required to read one word of Karl Marx's analysis of how a capitalist system works.

That's not an achievement of our system. It's a pathetic failure of our system. It's as if you were trying to understand how a family that lived near you functioned. And you knew that the family had a mother, a father and two children. And so you did a little inquiry and you discovered that one of the children thought the family was the greatest family on could have. And the other one thought it was a psychological basket case. It was a disaster. If you wanted to understand the family, would you speak to only one of the children. And the answer is, of course not. you'd speak to a child who loved the family, a child who hated the family and then you draw your own conclusions. What we learn in the United States and in too many other countries is a lot of economic analysis by people who think that capitalism is the best thing there could be, is the end of human history. They even right books with such titles. They celebrate the system.

And I am perfectly happy to hear what they have to say. But a proper education would require that you also think about, read and study the people who are critical of the capitalist system and then you draw your own conclusions. Americans are too afraid. They do not teach their young people about the critical perspective. And so we have the very said situation in the United States today, in which generations educated with no understanding of the criticism, are forced to try to find their way in a capitalism that no longer works for most of them. So they know it's not successful but they have no intellectual resources with which to understand why the system is having problems, to understand why it is not getting better. And there the fault lies with them. We have an education system that has denied the critical perspective to an entire core of people. Which, by the way, also helps explain why the leaders in our country have been so poorly failing to cope with the crisis since 2008 because they really have no training and understanding.

ZR:

We'll get to that. Sorry to break you off. You know, I was watching the news and something hit me. There are a number of contradictions. On one hand you see the financial stock

markets booming and DAX is at a record and every time I am in the subways, the U-Bahn, I see new records for Dow Jones but on the other hand when I got home and opened my computer, I'm hearing Italian banks are failing, there is worker unrest in France, which by the way is too little documented in Germany, but that's another topic. China was facing some trouble last year and I can go on and on. So is there a connection between all of these problems? And how do you see the economic situation developing into the future?

RW:

Yes, the connection is this: Capitalism has a very long history of 300 or more years in which it has shown us, and this point was made by Thomas Piketty in his famous book of a couple years ago, *Capital in the 21st Century*, what capitalism has done everywhere where it has been established is to produce extreme inequality of wealth and income. It gets so bad periodically that you have uprisings of angry people who push it back for a while. But as soon as the turmoil ends the basic mechanisms of the system keep pushing for fewer and fewer people to become more and more wealthy and everybody else to have a harder and harder time.

Therein, for me, lies one of the key roots of the problem. And you can see it for example as follows: If you are in the top five or ten percent, then you are in the group that is doing well as the inequality grows. You're at the top. And if you look at the signs of how those people are doing everything looks wonderful. The stock market is going up, average incomes of those people are rising, the apartments they buy are ever more magnificent etc, etc. But if you look at the statistics for the average person, then they are going in the other direction. Let me give you just a few examples. The median household income in the United States today is less in real terms than it was in 1999. That's a twenty year period almost of nothing. Not only no growth but decline. For the mass of people this is a staggering reality because they have been pushed by advertising and other forces to imagine that a good life now requires a nice car and a nice apartment and a college education for your children. They can't do it. They can't do it on their wages. And they can't borrow much more than they already do.

They are in very bad shape and there are dozens of indicators that show that. So, you shouldn't feel confused by seeing some statistics of people doing really well and other statistics of the banks of Italy falling apart or here in the United States the anger of the population. The election of Mr. Trump, the vote of the British for Brexit, the development in a number of European countries of extreme right wing and more unusually some left wing political movements, these are all signs of this split of societies that are servicing the top at the expense of everybody else. And we know, historically, that if you give more and more wealth to fewer and fewer people, in a society that allows universal suffrage, you make the rich people understand they cannot allow conventional politics.

They cannot allow the usual procedures, because sooner or later the mass of people will use their power at the ballot box to undo the inequality that the economy has imposed on them. And to prevent that, the rich people have to buy the political system, which your earlier speakers spoke to, that's what the reality is and that drives the population to bigger and bigger anger and desperation and that's where we are.

ZR:

So let's talk specifically about corporations and their role within our global economic and financial system. There are a couple of scandals that I want to just briefly mention. German corporation, Volkswagen, were caught red-handed for installing a software that

hid the true amount of pollutants. Then we have Deutsche Bank that just paid a 7.2 Billion dollar fine for mis-selling bonds, for something 10 years ago during the sub-prime crisis. And then in the US we have Well Fargo, Citi Bank and the list is just too big. I can't read it all out. So are these just bad apples or is there something inherently wrong with corporations, their institutional pathology, and internal structure?

RW:

Absolutely. For me this is a question of the system. We long ago got beyond bad apples. When you've got one apple or five apples or maybe even ten apples you can try to hold on to the bad apple thesis. We can't. As you say it is one after the other. And let me pick the two that you talked about. First the automobile industry. Volkswagen is the worst example but they are not alone. In recent days Chrysler Fiat has come under attack for the same activity. Renault in France is now being investigated by the French government. Ford Motor Company in the United States did the same thing that Volkswagen did a few years earlier. So, obviously it's not one or another automobile company, it's nearly all of them one way or another.

Same thing with the banks. Deutsche Bank was caught. But so has every other bank been caught. Tens of billions of dollars have been paid in fines by all the major banks for manipulating interest rates, the so-called Libor Scandal in London. For laundering money. That is knowingly taking money from criminal activities and putting it through the banking system so it can't be traced back to its origin. For abusing the mortgage crisis of 2008. For overcharging people on bank fees of every kind. For manipulating foreign exchange transactions. Everything big private banks do; they have been caught over the last 5 years doing either unethical or illegal things.

This is way beyond bad apples. What is the fundamental problem? We as a society now need money, credit for virtually every transaction. Likewise, the automobile has become the central connector of our jobs to our homes, of our shopping to the rest of our lives. Whether it's been the truck that brings the goods to the store or the vehicles that move us around. So both banking and transportation are socially integrated apparatuses we all need. Okay. If you have an institution that serves the social need it is insane to leave it in the hands of a small number of people, that's already undemocratic and inappropriate, but it's even more insane to leave it in a structural form so that the small number of people who control the industry, finance, automobiles, are structurally commanded to maximize the profitability of those industries. Not their social usefulness. Not their role in the society but their private profitability. So, of course, they all will try to make a lot of money and serve the social function but if and when, and it always happens, that there is a contradiction between private profitability and social function. It's very clear what they do. They subordinate the social function to make the money and the profit. That's what Volkswagen did which is why they made a lot of money and provided a pollution level in our society that are bad for our health. That cause emphysema, lung cancer, asthma, it's spectacular.

That's why the banks caused a collapse of global capitalism in 2008. And here we are once again trying to cope with it not by dealing with the systemic problem, which is private enterprise and capitalism, but rather by another regulation, another law, another fine. We have been there, we have done that. It doesn't work. Systemic change is the recognition that behavior of the past, the reforms didn't work and that an intelligent human being in society, when it doesn't work in one way, looks for a different solution. And system change is that different solution.

ZR: So, are there any alternative ways to conduct business that take environmental sustainability, humane practice and democracy into account?

RW:

Yes. It's been around for thousands of years. It has been the alternative for a long time. And maybe it has taken us to go through slavery, through feudalism, now through capitalism to finally recognize that that perpetually on the edge alternative finally has now reached its moment when it can become the new way. And you know, that's an argument that capitalism made. It emerged out of feudalism with great hopes of being as the French say, "The vehicle for Liberte, Egalite, and Fraternite", capitalism would give us liberty, equality and brotherhood in a way that slavery, of course never could and feudalism couldn't. Well, here's my argument. There is an alternative way to organize production of goods and services. The alternative is, for lack of a better term, worker cooperatives. It's a way of bringing democracy into the work place. #00:18:10-5#

If democracy is a value that we claim in modern society to uphold, then we have to realize that the first place it should have been installed is the workplace, because that's where adults spend most of their time. Five or six days out of the week, nine to five, you're at work and therefore the democratization of work, one worker one vote, to decide what? What to produce, how to produce, where to produce and what to do with the profits. That would be an alternative. Every worker is both an employee and the employer. The end of the division of work into master/slave, lord/ surf or employer/employee. #00:19:03-8#

My guess is that the socialism of the 21st century, the new direction, which is something neither the Soviet Union nor the People's Republic of China tried, is an economic system based on the democratization of the workplace. And let me just add why that would be a solution. If all the people democratically in an enterprise decide who gets paid how much money, do you think they would give a handful of executives tens of millions of dollars in salary while the average other worker couldn't put there kid through college? #00:19:38-7#

I don't think so. If the workers together decided whether or not to use a technologically dangerous new technology, would they do it because it enhances profit? I don't think so. Because they, their wives and husbands, their children, their neighbors would have to breath the bad air, drink the bad water and so we would begin to have the rational basis to not go in dangerous directions because the people who suffer will be the ones who make the decisions. Today we have executives who make those decisions and live far away in gated community with filtered air. Well, that's the problem. Again, the decision of the few imposed on the many.

Do you think factories would leave? The workers would never move the factories to China because it would be the end of their jobs and their communities. And finally and most importantly. the distribution of the profits would be undertaken to benefit everybody. Everybody who works there. Everybody in the surrounding communities with which every workplace interacts. It's an alternative and it says that every human being will now be both employer and employee. And the split that destroys us between the two will finally be overcome.

ZR:

But the counter argument is that democracy in the workplace would be time intensive. I mean collective decision making. And who would decide stuff and how would this function in hospitals and airports where you need a hierarchical structure to make quick decisions?

RW:

Well, let me respond in two ways. If there were, and I'm frankly quite dubious about this, my suspicion is that decisions that are good take time. And that if you think you have to make the decision in a hurry, you're going to pay for it because you're going to have the consequences of decisions that are made in a hurry. But let me grant you for the moment that there have to be some that are made in some hierarchical order. Socialists understood long ago how to handle that problem. And that answer is rotation.

Because a particular function has to be performed by a particular person never has meant that it has to be the same person all the time. When you let one person be the supervisor, the director all the time and other people have to always be the directed, then you take a function and solidify it, harden it into a perpetual class difference. That's what we have to avoid. So, yes, if there have to be some directors then you be the director for five months, then I'll be the director for five months. And you'll be a lot better director, I suspect, if you know that in a short time you will be directed. And by who? By the people you directed and so you'd better be very careful and very respectful in a way that today the hierarchy doesn't do. So, we can go a long way to install a democratic workplace and if we begin to do it, we will solve the problems that that kind of a system brings to our attention just the way capitalists who started in the 17th or 18th century England have developed solutions for their problems in a way that protects their system.

ZR:

So we only have a minute left and I would like to get to the last question. People usually think that their job for society is done if they change their consumption habits, you know, sorting your trash, buying organic. For almost everything, be it electronics, fair trade. There is so much of this now. So do you think people need to change their consumption habits or focus their energy on production?

RW:

Well, my answer will be unsatisfying to you. We have to work along many dimensions. Consumption as well as production. But non-economic changes as well as economic changes. Yes, I am an economist but I don't imagine that solving the economic problems solves everything else in some automatic way. I think that is a mistake in the way of understanding it. Society is a complicated reality. You cannot, in the end, change the consumption without changing the production. We consume what the producers work night and day to get us to consume. Capitalism developed an industry called advertising. They spend billions and billions of dollars to shape, control and direct our consumption.

ZR:

30 seconds

RW:

So therefore, if you want to do something about consumption you have to change the production system or else all your efforts will be undone.

ZR:

Richard Wolff, founder of democracy at work, it was a pleasure to have this discussion with you.

RW:

And thank you and your audience very much for the opportunity.

END