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An Interview with Samuel Bowles, University of Massachusetts, Amherst

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determining in the last instance those things which in fact provide its conditions of existence. So, one has to think in different ways. That is the conclusion we came to in Hegemony and Socialist Strategy but it took some time to work through. And of course, that is also linked to the critique which I ended up making of Gramsci because I, in my previous work on Gramsci before Hegemony and Socialist Strategy, still agreed with Gramsci on the idea that only the working class could provide the articulating principle of the new democratic hegemony. I was trying to bring in the new movements and the importance of feminism and other struggles believing that there was some kind of necessary centrality of the working class. That is something which we abandoned in Hegemony and Socialist Strategy.

We came to abandon the idea that it was only the working class that could provide the articulating principle of a hegemony. Of course, it does not mean that in some countries it cannot be the working class. But in other countries it can be some other group and sometimes there is not even an articulating principle. Sometimes there is hegemony without an hegemonic center. For instance, it might in many cases be a situation in which no particular group is dominant. So, that is something I personally see as a break with my work on Gramsci before Hegemony and Socialist Strategy. At that point my work really became post-marxist because once you abandon the centrality of the working class you are obviously post-marxist.

It does not mean I was rejecting everything of marxism. I still feel that there are many important concerns about the struggle around class which are post-marxism’s contributions to the formulation of a left perspective. In the same way, feminism insists on the importance of the feminist question. I see very much marxism as part of a wider project but not at all as providing the theory, the master theory. And of course, I feel the same way with respect to feminism. Feminism is one component in a much wider perspective on democratic struggle.

disClosure: Are there any last comments? If there are not, there is one last thing we would like to ask you. One gets the impression from listening and talking to you that your view of radical and plural democracy is related to the Trotskyian notion of a “permanent revolution”. Could you clarify the difference for us?

Mouffe: No, it abandoning the idea of revolution. In societies like the USA or Western Europe, “permanent revolution” does not make sense because it means transforming completely the very basis of society and I do not think we need that. All the goals of radical democracy, and I would say even the socialist goals in terms of the democratization of the economy, can be done perfectly well within the current tradition.

An Interview with Samuel Bowles
University of Massachusetts, Amherst

Conducted by Jeff Popke, Todd Lewis and Cædmon Staddon

disClosure Editorial Collective
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This interview was conducted during a visit Sam Bowles and Herb Gintis made to the University of Kentucky to give the lecture “Economic Democracy and Democratic Organizations” as part of the 1993 Spring Social Theory Lecture Series sponsored by the university’s interdisciplinary Committee on Social Theory. It is divided into three parts; the first dealing with concepts of the state and uneven geographical development, the second dealing with the recent resurgence of interest in the ideas of “civil society” and the “end of history” and the third with economic and political transition in Eastern Europe.

I. State, Power and Uneven Development

Popke: I think a good way to lead this interview off is to refer to the institutional accommodations that you spoke of in Democracy and Capitalism. In the last chapter you outline three distinct possibilities for the future articulations of political and economic formations: “global-liberalism,” which would entail the world-wide growth of markets and capital mobility so as to erode national sovereignty; “neo-Hobbesianism,” which represents an expansion of hierarchical institutions of authority in the political sphere; and “postliberal democracy,” which combines decentralized control of productive forces with democratic control of the economy. What can you say about contemporary conditions and their dynamics, given these three models?

Bowles: Well, of these obviously the most vibrant power in the world today is global liberalism. The spread of free trade as an ideology and set of social policies is a powerful movement in the world today and it has found support in a lot of historically unprecedented places. It has found strong support among many Third World governments; as exemplified by Mexico’s enthusiastic support of the North American so-called free trade agreement. So I think that global liberalism is the dominant tendency in the world today. It will pose the dominant challenge to the Left, which will have to address the issue of increased mobility of goods and services in the world. This will be a challenge to find ways of continuing to express the hopes and aspirations of working people in an arena in which capital is more than ever willing to use the threat of mobility against populist and democratic movements.
Popke: In fact, you have defined this mobility as one distinct type of power conferred on capital. In *Democracy and Capitalism* you speak of three types of power in particular: the first is command over production, the second is command over investment, and the third is what you refer to as influence over state policy, which capital holds by virtue of its mobility. Given the emphasis you placed upon capital mobility and free trade in your previous answer, I wonder if you see any checks to this sort of power over the state?

Bowles: Yes, I do. First, the power capital has over the state is gained not only by dint of the threat of leaving, but much more directly simply by the use of its financial resources to influence the outcome of political processes, both electoral and executive. Together, the interaction of money and politics and the threat of mobility are complimentary; one greatly empowers the other. However, there are checks on that threat, so one ought not to exaggerate the viability of the threat of moving. When corporations threaten to leave, say North America, and head south to a country with low wages, they rarely do so. In fact, three quarters of the assets of US firms outside of the United States are in North America, Canada, Europe, Australia and New Zealand—that is, they are not in low wage countries at all. And two-thirds of the employees of US corporations outside of the United States are not in Third World countries, they are in advanced countries. In other words, many corporations are leaving the United States to go to countries where on the average the wages and the rates of unionization are higher than in the United States. The idea that somehow the corporations are going to hold a gun to the head of local and national governments and say “do it our way or we are going to walk” is not a credible threat in the vast majority of cases.

This is particularly the case now that the US is a relatively low wage country among the advanced capitalist nations. There are now 12 countries in which the average wage for manufacturing is higher than the United States, and it is those countries that get the lion’s share of investments by US firms outside the United States. This is a fact that is very poorly understood by activists on the Left and in the trade union movement who think that of course their jobs are flying away to “Southern Somewhere”. What we think of is the ads run in industry newspapers, for example *The Bobbin*, a textile industry newspaper, which shows a picture of Rosa Martinez, who works for 56 cents an hour and is inviting you to come and employ her in El Salvador. That is the image that we have of the mobility of capital, but in fact what it is doing is going to Germany, where they pay their machinists $22 an hour. True, capital may well move, but it may move to countries that have a better educational system than ours, a better infrastructure, better labor relations, and indeed a better structure of production in general.

The other thing of course is international finance. People are very misinformed about the extent to which international finance is important. In virtually every country over 90% of the investment is domestically financed. In most countries it is more like 97%. In other words, very little depends on the international flow of capital. But if the world really were a “global-liberal” ideal, the location of investment would be uninfluenced by the country of origin of that investment. That is, there would be a mass of savings in the world and there would be a large number of locations on which it might land, and there would be no relationship between the source of the savings and the destination of actual investment. Far from that situation, there is an extraordinarily strong relationship between domestic savings and domestic investment.

There are many reasons for this, though it doesn’t particularly have to do with transportation costs—if you try to predict where corporations go, distance isn’t really the main feature. There appear in fact to be trading blocks which reliably predict where companies move. These arise, I presume, from concerns surrounding the enforcement of contracts, the business climate, and information. There is good econometric evidence on location now suggesting that things like education, a low level of risk, English language, and Latin America are the things that predict where US firms go. The investment process continues to be a profoundly national phenomenon. Corporations have not liberated themselves from the state and have not liberated themselves from national patterns. These patterns have a geographical aspect, but the geographical aspect is of course a token of political and presumably military and other enforcement aspects.

So, yes, there are checks on the mobility of capital, but the biggest check has to do with politics. In the end, capital strike, the freedom of capital to move, wouldn’t be powerful if people felt they had an alternative, because the bottom line for the labor movement is that when corporations move they don’t move the machines. Ask yourself what do they take? They don’t take the skills, they don’t take the machines, and they don’t take the resource base. What they do is take pieces of paper, and if communities and nations and organizations of citizens and workers were prepared, when the threat of leaving was announced, they could counter that threat with “you can leave, but the factory stays here and we are prepared to run it.” If they could then gain the support of local public financial institutions you would have a viable counter threat to the threat of capital strike.

Popke: One of the justifications offered by proponents of the “global-liberal” model is that it will tend to even the economic playing field. Capital will move to places where it previously didn’t exist, because of the comparative advantages of those areas, with the eventual result that regions and sectors will approach a common economic standard. Your remarks here about the intrinsically national character of investment would seem to dispute this, and might
instead support the arguments of David Harvey and others that contemporary capitalism is by its very nature spatially uneven. Perhaps you could say of the current contemporary capitalist accommodation that one of its features is this sort of spatial differentiation.

Staddon: Yes, I was thinking along the same line—you know Harvey's argument that the capital valorization process, right at the heart of the beast so to speak, involves the exploitation of geographical differences. In his view, the construction of geographical differences from place to place, and the exploitation of those differences, is central to the process of capital accumulation.

Bowles: I could not establish a general tendency towards uneven development. At the theoretical level, I don't think there is one. On the other hand, I think the following is also true: in recent years, meaning the last thirty, there has been a undoubtedly a tendency towards disequalization of income between nations, with the poorer nations falling behind and the richer nations pulling ahead. I mean this literally; if you calculate a Lorenz curve for world income inequality on the assumption that income within nations is equal, so we look only at differences among nations, the Lorenz curve for the present is considerably more unequal than the Lorenz curve for 1960. If you took China out of this speculation, which one ought if one wants to look at the dynamics of capitalism, then the tendencies towards disequalization in the world capitalist economy are very strong.

On theoretical grounds, however, it seems to me that the exploitation of geographical differences may lead to disequalization or it may lead to equalization. Certainly among a subset of countries we are seeing a very rapid process of catching up. If you look for example at wage growth in major industrial countries, wages in several east Asian countries are growing extraordinarily rapidly, even as wages in the US keep on falling. So among the players who are successful in the game we are seeing a process of equalization. On the other hand we see Africa, parts of Latin America, and other regions falling further behind in their wage levels. Note that when The Bobbin re-ran their Rosa Martinez advertisement, her wages had actually fallen to 33 cents per hour.

One thing you might be able to establish at the theoretical level is that free trade is often bad for workers. The reason for this is, very roughly, that the ability of citizens to redistribute income through such mechanisms as welfare state provisions, unemployment insurance and so on, and to protect themselves from the power of capital depends upon electoral competition. Of course voters' willingness to use these tools depends on the extent to which they think that when they do use them they will not drive away capital. It is probably the case that in the world today raising real wages would reduce employment in national economies. That is, the higher the real wage, the lower will be the overall level of employment. In a closed economy this might not be the case; the more open the economy is to international supply and demand for goods the more likely that is to be the case. So as economies become more open, the ability of working class organizations, social democratic parties and other parties of the Left to push egalitarian state policies is increasingly constrained.

In particular cases this tendency of openness being bad for workers in both rich and poor countries may be exacerbated. The North American, so-called free trade agreement is a very good example. Here it seems likely that wages in the US will fall as a result of the agreement with Mexico and that wages in Mexico will also fall as a result of the influx into Mexico of comparatively cheap US grown corn which will bankrupt Mexican farmers, who will then flood Mexican cities with workers competing for jobs. Yet the total number of jobs can only increase by significantly less than the growth in the number of job seekers. So the arithmetic in this situation is that enough firms will move South to reduce wages in the US, but nowhere near enough to employ all the farmers who will be bankrupted by the US corn that is also going to move South. So the somewhat improbable, but I think inescapable conclusion is that freer trade and freer investment flows between the US and Mexico will actually hurt the low end of the income distribution of both countries.

There may be a lot of cases like the Mexico/US case. To the extent that there are, then a general tendency towards geographical equalization would obtain. And such a tendency may be the dominant tendency operating in the world today. But I wouldn't want to try to establish it on theoretical ground because clearly, Rosa Martinez, whether she works for 57 cents an hour or 33, wouldn't have a paying job at all if it weren't for the fact that some company had left North Carolina and employed her in El Salvador.

Lewis: I want to keep to the geographical theme, though perhaps intranational unevenness might be a particularly interesting theme. Does it imply new forms of politics and political actions?

Staddon: Yes, let's keep with the theme of geographical differentiation. While there are certainly processes of internationalization and globalization occurring, these seem to be correlated with starkly opposing tendencies: namely, a disequalization or fragmentation which creates pockets of places with very different capital/labor, investment/accumulation ratios, wage rates, productivity rates, etc. In fact we make a mistake if we perceive of uneven international development as separate from uneven intranational development.

Bowles: In other words, your hypothesis is that whatever is going on between nations, within nations there is a disequalization associated with uneven development between sectors of the labor market? This is certainly true for the
US. It's much less true in Europe. In the US this has a lot to do with the decline of trade unionism, the gutting of income support programs, particularly unemployment insurance, as well as the other fall-back payment schemes, such as AFDC, and so on. These defeats have had a lot to do with the increasing segmentation of the US labor force.

One of the biggest challenges to activists on the Left is "Will the globalization of production render the state ineffective in intervening to stop the process of disequalization within countries?" The answer to this question is not in, though there are a lot of negative feelings that not much can be done. But the evidence is overwhelmingly positive rather than negative. There are a number of very egalitarian countries which are doing very well in terms of economic performance. And there is certainly no evidence that countries are invariably forced into inequalitarian positions because of international competition. If you look for example at trade shares—that is, which countries have gained most or lost most in shares of world trade—those which are very inequalitarian, like the US, have lost a lot. On the other hand, those countries which are highly egalitarian are the ones who have gained most in shares of world trade. I'm thinking not simply of South Korea, Japan and Taiwan, which are very income egalitarian in comparison to the US, but also of Norway, Sweden, and Austria as well. All of these countries have far better trade share records than the US. It doesn't seem to me that there is a lot of evidence for the argument that egalitarianism in income distribution has been defeated by globalization. It's possible, but we would then have to explain away the countries that I just mentioned. It seems to me that rather than explaining them away, we should learn from them and find out why in these countries' egalitarianism was compatible with successful economic performance.

Staddon: One major empirical difference between countries like Norway and Korea on one hand and countries like the US on the other, pertains to domestic political structure. Fairly well vertically integrated national political states, such as Korea and Norway, appear to contrast sharply with the US state, which is more of a federalist model. Here in the US, with a less strongly vertically integrated national state, the politics of development have adopted much more of a "beggar thy neighbor" approach, where Kentucky's gain of Toyota Motor Manufacturing is directly Ohio's or Tennessee's loss. This seems to breed, of its very nature, a sort of "zero-sum" politics, which directly reinforces intranational uneven development.

Bowles: Well, it may be that the kind of egalitarianism that works is that which succeeds in fostering cooperative low cost solutions to conflicts. That kind of egalitarianism may require a kind of communitarian base, which is possible or likely in countries which have more homogeneous populations. If the secret of Korea, Japan, Norway, Sweden then, is that they have relatively homogeneous populations, this is very discouraging to those of us who would like to see a more pluralistic politics succeed. It is often said that egalitarianism works in favor of economic productivity where you have a homogeneous population and where egalitarianism can be the basis for trust and cooperation between potentially conflicting parties. Where you don't have that communitarian basis for cooperative solutions to potentially conflicting situations, you end up with the sort of economically and politically disadvantageous fragmentation you describe.

On the other hand, I think that it is not at all obvious that the communitarian basis of egalitarian policies has to be at the national level. There is for example some evidence from the so-called Third Italy that it is precisely the community base of these "third Italian" towns (such as Bologna) that has greatly augmented their abilities to be very successful industrially. These towns also provide many publicly funded services; from education to roads to training to the marketing of goods produced by small industries. This has been a very effective industrial strategy, and it is mostly based on Leftist local governments providing a tremendous range of social services and infrastructure which then provides the basis for a very entrepreneurial small-scale capitalism which works. That's not all one could hope for in a good society, but it certainly is a viable future which raises living standards in a way which is widely shared.

II. Civil Society and the "End of History"

Lewis: In our discussion we seem to have converged upon the crucial linkage between economic arrangements and theories of politics and governance. To continue with the latter: In classical political theory, "state" has been conceived of as an institutional domain, mediating between civil society and economy. But much recent political thought, which has come in the wake of Eastern European regime collapse, has suggested that civil society should be theorized as a domain of action or institutions that mediates between state and economy. There is a seeming dislocation in the roles of state and civil society here. Given the importance of governance issues in your thinking, could you share some of your thoughts on the recent fascination with civil society or the reemergence of civil societies?

Bowles: Citizens in the formerly totalitarian states find themselves bereft of social networks, lacking that is, what in this country we call voluntary non-profit organizations and the like, which provide the basis for personal and political identities. They also provide a very important aspect of the delivery of services, political expression, community formation, the construction of identity and so on. When people talk about civil society in Eastern Europe what they are hoping to create is nothing very remarkable or theoretically complex. What they are looking for are the Boy Scouts and the Girl Scouts and they are...
looking for a Little League and all kinds Rotaries and Lions Clubs and organizations of hunters and sports fans and all the kinds of things that make a society more multifaceted. These are a significant part of the evolution of an identity and a political subject which is multifaceted and neither jingoistically patriotic nor anonymously individualistic.

There is a terrifying possibility that the people of Eastern Europe will be left in as alienated and anonymous a situation as people are in this country. Ironically they see the US as a model because of the rather large number of voluntary associations in this country, but then if that's what they want, liberalism is not their answer. The thrust of the market and the thrust of liberal ideology is to gradually undermine and erode the conditions favoring cooperation. This leaves people with a sparse menu of institutions to serve as a basis for their identity: their families and their nation. It is rather distressing if these are to be the basis for our solidarity with our fellow human beings. The future of such a politics is very dismal indeed. However, I don't think that will be the case. I suspect that other forms of identification will be sought and will be found, including of course political parties.

Staddon: To pick up on the point that you just made, it does seem ironic that many of the Eastern European countries, in elaborating their ideas about civil society, look to the US as a model of a working civil society. The irony is that in this country there are a number of social theorists—I'm thinking of Daniel Boorstin, Louis Hartz and Daniel Bell—who look at the relation between civil society and the state in terms of what Hartz called “The Genius of American Politics”; that is to say, the way in which the relationship between state and civil society has developed to the point where meaningful dissent is infinitesimally unimportant. This leaves people with a sparse menu of institutions to serve as a basis for their identity: their families and their nation. It is rather distressing if these are to be the basis for our solidarity with our fellow human beings. The future of such a politics is very dismal indeed. However, I don't think that will be the case. I suspect that other forms of identification will be sought and will be found, including of course political parties.

Bowles: This idea of the “end of history” is a cyclical fad. When I was at university in the 1950s it was also thriving; the age of “isms” was said to be over. At the same time I learned that the business cycle was over. The “end of ideology” signalled by Daniel Bell was at hand. But no sooner had we learned that the “isms” were all false anachronisms, when the 60s happened, forcing us to take account of the fact that there remained many, many systemic differences in the world. Now the conflicts of the 1960s weren’t exactly the social conflicts that those of us who by that time had become Marxists would have anticipated. In this country for example while there were many class aspects of the social conflicts of the 60s, race, gender and citizen/state relations were at least as dominant. The same was true to varying degrees in other parts of the world.

The idea that history has once again “ended” merely means that the parameters that define what we thought was “history” in the past, have themselves become old fashioned. The ideology of the struggle between capitalism and communism is probably the one that we can most securely lay to rest. But the idea that the struggle between the class of people who own the means of production and run most of the countries of the world, and the people who do the work and go home tired at night might be over is patently false. That struggle hasn’t ended and it won’t end as long as the process of uneven development continues. Given this process of global disequalization, I suspect that class, racial, national and gender differences in economic opportunity will provide the basis for, but not determine the expression of, political protest. And this will make sure that history will be with us for some time to come.

Lewis: You suggest that what is commonly understood as “history” should itself be rethought; that history should not conceived as a teleological principle. Rather, perhaps the unfolding of social arrangements should be thought of as an uneven, nonlinear process.

Bowles: If history is a teleological process, it not only has not died, it probably never was born. But what I really meant by the “end of history” is the end of conflict among collective actors in history with the possible outcome of these conflicts being radical structural change. Now it seems remarkable that anybody who has witnessed the revolutions in Eastern Europe and the Soviet Union in the last five years would say that history has ended, for we have just seen one of the most dramatic chapters of history as I have just defined it. And the fall of communism would not seem to exhaust the possibilities of history as long as we have an unjust world, confronting an environmental crisis; a crisis which will be the basis of forms of collective action and collective struggles and conflict which will be parallel with, and perhaps more important than, class conflicts.

When people say that history is over, they often mean that the history that Karl Marx defined is over, and they often mistakenly think that the absence of groups identified as “classes” being political actors means that class conflict is no longer taking place. There is a genuine source of confusion here. Liberal-speak has become the lexicon of politics: “rights” are what you use to assert your position; this is true whether you are working class or whether you are lesbians and gays or whether you’re a dentist. Whatever you are, if you are a political actor, you draw upon the discourse of liberal rights. That being the case it’s not surprising that some people have been confused into thinking that issues of exploitation and domination in the workplace have faded into unimportance, because the actors in asserting their demands as workers often sound more like John Stuart Mill than Karl Marx. Nonetheless, the underlying dynamic of these struggles often includes a class aspect, having to do with the process of
investment, relocation of industry, choice of technology, wages, working conditions and control over the process of production.

III. Democracy and Transition in Eastern Europe

Staddon: The third part of this interview concerns democracy and East European transition. We are well past the first flush of excitement attending the fall of Eastern European totalitarianism, and for many of these new governments, the honeymoon is definitely over. For example, already we are seeing the beginnings of the collapse of the original anti-communist coalitions. In Bulgaria, where my own research is located, this fragmentation is occurring very rapidly indeed. At the same time the process of economic restructuring is largely stalled. Yet there is still a prevalence, especially among western scholars, to assume that the processes of democratization and marketization are necessarily convergent. So let me start by asking, "Do you perceive any necessary connections between the processes of democratization and marketization?" Someone like Adam Przeworski, for example, has argued that in most Eastern Europe contingencies, marketization and democratization may in fact be divergent and indeed contradictory.

Bowles: I think Przeworski is right in his general conclusions, but let me go back a bit and reframe the question. Capitalist markets and democracy coincide historically. The question we have to address is, "Is there a logical affinity between these two systems, in the sense that one either requires or supports the other?" The spread of what I call democracy, which is universal suffrage in fair elections and civil liberties, is a very recent phenomenon. It's a twentieth-century phenomenon; no country in the world was democratic by my definition before 1900. Rather than seeing democracy as being a creation of the rising emergent capitalist class and imagining somehow that the French Revolution brought democracy to France (which is historically false), it is a better historical account, I think, to see democracy, at least its culmination in universal suffrage, as having emerged out of the struggle between capital and labor in the late 19th and early 20th century. Under different historical circumstances the outcome might have been different. Capitalism in the Third World has rarely stimulated democratization and where it has it has not been by the same set of circumstances which obtained in Western Europe.

So there is every reason to believe that the relationship between democracy and capitalism is permissive in the sense that it is clear that you can have a capitalist and a liberal democratic society. It is not clear what other kinds of economies can coexist with liberal democracy. Milton Friedmann is correct in pointing out that we learn something from the co-existence of perhaps twenty-five capitalist economies and democratic states in the world. But we should remember that twenty-five democratic/capitalist countries is a small minority of all the capitalist countries in the world. Most of the other seventy-five are not democratic by any stretch of the imagination.

In Eastern Europe the circumstances may be somewhat more favorable for the emergence of democratic rule, because there you have very large and quite well organized working classes, with an egalitarian ideology which will have to be accommodated in the political process somehow. It doesn't strike me as being unlikely that they would be accommodated through suffrage, presumably also through populist political organization, which might very well take democratic forms. But one does not have in Eastern Europe the other part of the co-evolution of capitalism and liberal democracy which has to do with the long development of liberal rights and strong notions of privacy. It is a disturbing aspect of the Eastern European revolutions to see the strong anti-liberal tendencies of some of the emergent regimes on questions of abortion rights, ethnicity and the treatment of gender issues. People on the Left often say that the working class will be the loser in the revolutions of Eastern Europe and the Soviet Union. Maybe not. The working classes may be the gainers from the reformulation of their economies and the extension of democracy. Even so, it seems very likely that women will be the losers in the revolutions in Eastern Europe at least in the short run because of the shift in social policy around issues of gender, reflecting the anti-liberal cultural traditions in some of those societies.

Staddon: This might be an interesting point for comment. I have recently been involved in survey work in Bulgaria, in which we asked people a range of questions about their perceptions of the proper relationships between the state and the economic system particularly in terms of managing production, but also in terms of providing consumption goods. The working hypothesis, derived largely from Western literature, was that popular support for the state as an economic actor would erode very rapidly, in support of some form of laissez-faire. Strongly to the contrary, we actually found that people couldn't agree strongly enough with statements like — "the government should control heavy industry" and "the government should ensure that there are adequate well paying jobs." And they couldn't express strongly enough their disagreement with statements like "the government has no right to interfere with private enterprise." These results initially seemed somewhat anomalous.

Bowles: I have recently spent some time in Eastern Europe and in Russia dealing with questions of economic reform and the social safety net as well as new forms of labor-management relations. My impression is, from the trade union and other groups that I have talked to there, that marketization and the market are primarily political slogans. They're slogans having to do with reducing the irresponsible and unaccountable power of the state, not with assigning a role for the state in accord with any well worked out laissez-faire...
economic program. The market is understood primarily as a weapon against the nomenklatura. But while the market is sometimes an effective political device for limiting the role of state bureaucracy, it is not a very effective way to stimulate the process of economic growth. Rather, a combination of a highly interventionist state along with markets used to discipline agents and weed out firms that are failing is a strategy which appears to work well. That is the case whether we are talking about the "Third Italy" or South Korea. The idea that somehow markets themselves will promote development is mistaken. It hasn't been the case in the Third World and it's unlikely in the future to be the case anywhere else.

What I hope is that the value of the market as a decentralized mechanism for disciplining both governments and private economic agents will be appreciated in Eastern Europe. But in the reaction against programs of "shock therapy" and market reforms, what we may find is a re-stabilization of the Eastern European economies together with the protection of all actors from accountability. In the end, it would be absurd for an egalitarian society not to use markets as a means of the decentralized enforcement of standards and accountability on its economic actors.

Our objections to markets primarily have to do with their inegalitarian consequences where you have a very unequal distribution of property. The new argument for markets is one which stresses that they are a way of disciplining agents which is very difficult to corrupt, unlike states which are quite easy to corrupt. This is a powerful argument. Once we recognize that market failures are prevalent, as in cases of environmental pollution and ought to be corrected and that markets impose an inequality on society unless assets are redistributed—once we recognize those two important caveats—markets could be used effectively as an important device for selecting winners and losers and thereby establishing accountability, but their role must be strictly limited to that.

Staddon: The sociologist George Kolankiewicz has suggested that markets seem to be based in the Eastern European context on the institution of civil rights, what we recognize as the rights of the individual over and against the state. Further he suggests that these civil rights will come into conflict with entrenched social rights; the rights concerning what people expect from the state as opposed to their civil rights over and against the state. Have you any thoughts on the potential conflict?

Bowles: Well, I spent some time in Prague working with a group of people including reform-minded economists and solidaristic-minded people from social service agencies. They were what we would call "social safety net" agencies, and this tension which you describe could not have been more clear between those two groups: one emphasizes the market as an arena of negative liberty that allowed you to say what the state could not do to you and the other argues that it is precisely because people have rights that the state should take care of them in distress, in bad luck or any other adversity. That's true, but you'll notice there are areas of the world which we admire precisely because of their combination of an extension of rights against the state with an extension of rights to expect direct material assistance from the state. The existence of such countries would suggest that Kolankiewicz may be overly pessimistic. Take for example the social democratic nations which have a very rich commitment by the state to provide things to the citizenry and at the same time an ideology which is libertarian in other areas of life regarding what the state can do to you. I don't see any intrinsic contradiction between the notion of the high level of development of negative liberty in the area of social issues like sexual orientation, civil liberties, and freedom of speech combined with a strong element of solidarity towards others when they are in distress. This can, I think, be demonstrated by the successful cases of social democracy.