

A Sustainable Economy for the 21st Century by: Juliet Schor

Reviewed by: David Levy

Juliet Schor is author of the best-selling book, *The Overworked American: The Unexpected Decline of Leisure* (Basic Books, 1992) Schor earned her Ph.D. in economics from the University of Massachusetts, Amherst, and has been teaching at Harvard University since 1984, where she is currently a Senior Lecturer in Economics and Director of Women Studies.

"The New Party has an optimistic economic vision. We want to transform the economy in such a way that it is finally responsive, not to concentrations of wealth and power, but to the needs of ordinary citizens."

Economists on the left of the political spectrum find it easy to critique the capitalist economy, but often seem to have a much harder time suggesting alternatives. To the extent that we appear to be for anything in these days of cuts in social spending, it is usually for preserving some aspect of the welfare state that ameliorates the worst inequalities of the system. With the left in general in retreat and disarray in the face of the Republican onslaught on every front, it is encouraging to see a new progressive political party come up with a pamphlet that sets out a comprehensive set of proposals for redirecting the economy. "The New Party believes that Americans can design a set of economic policies...based on principles of sustain ability, democratic control, equality, and efficiency." The policies discussed in this pamphlet do not merely seek to improve life under the existing economic system, but include measures that would radically change the balance of power in the economy.

The New Party: Building from the Grassroots

The New Party (NP) has been successful in garnering support from a number of prominent intellectuals, such as Juliet Schor, Noam Chomsky, Cornel West, David Gordon, Elaine Bernard, and Frances Fox Piven. While these people provide the New Party with intellectual foundations and help give it stature and legitimacy, Dan Cantor, the NP national organizer, emphasizes that "the problem with the left is not lack of ideas. The problem is organization."

In keeping with this philosophy, the NP has been busy organizing at the grassroots level, and is not ashamed to admit to admiring the organizing tactics of the Christian Coalition. The NP now has chapters in more than 10 states, and affiliated student groups are active on a number of university campuses. The NP's strategy has been to start with modest goals at the local level and build alliances: the NP endorses candidates in school board and local city elections, and works in cooperation with other local progressive groups. In the last two years, the NP has won nearly 80 out of the 120 races where it has endorsed a candidate. For example, in Chicago the NP worked with a coalition that included ACORN, unions, and community organizations to elect Michael Chandler, who ran against an entrenched incumbent supported by the local Democratic party leadership. Important issues in these local races tend to be education, housing, and corporate subsidies.

Consistent with the New Party's emphasis on action at the local level, the NP is currently organizing a "living wage" campaign in a number of U.S. cities. The goal of the campaign is to pass an ordinance that would require any corporation contracting with the city to pay its employees at least \$7.21 an hour: although this is nearly twice the minimum wage, it is the amount needed to bring a family of four above the official poverty level. In November, the measure was passed by the Milwaukee City Council and narrowly defeated as a ballot question in St. Paul; but even where the effort fails, the NP campaign creates considerable exposure and support, and raises awareness about the deficiencies of the minimum wage.

New Party Economics

A Sustainable Economy for the 21st Century is the NP's first detailed policy statement. Cantor emphasizes that it is not "the platform", but rather is intended to serve as a basis for public discussion. In any event, the NP is a long way from running a slate of candidates for national office or the presidency, so it is premature to talk about what they would do in office. Nevertheless, the NP hopes that this and other documents will inject progressive ideas into the public debate. The policy pamphlet is authored by Juliet Schor, who holds a Ph.D. in economics from the University of Massachusetts at Amherst, and has been teaching at Harvard University since 1984. Schor became nationally known for her book *The Overworked American*, and has recently published a new book on consumerism.

The pamphlet first addresses the current problems in the American economy, and compares them to a somewhat mythical "golden age" from the end of World War II to the early 1970s during which there was reasonable employment security, unions were tolerated, and companies shared productivity gains with workers in the form of higher wages. In contrast, Schor points to the past "two decades of worsening inequality of income, stagnant wages, chronic unemployment and under-employment, rising work hours for full-time employees, and heightened levels of job stress and insecurity". Like many economists, in the mainstream as well as on the left, she places the blame for these changes primarily on rapid technological change and growing international competition. Schor has little regard for Clinton's economic policy of free trade and budget cuts, which, she argues, is difficult to distinguish from Republican policies. The evidence for this claim is compelling: the Clinton administration has abandoned almost every progressive policy from its 1992 platform, from health care reform to raising the minimum wage to protecting workers on strike from being replaced. Even Robert Reich's proposals to finance more worker retraining, part of a plan to entice globally-mobile jobs to the United States, has fallen by the wayside.

While criticizing the Democrats for being too similar to Republicans, Schor is careful not to sound too radical either - there is no talk of socialism or other language that might scare away a public suspicious of left-wing rhetoric. Dan Cantor is emphatic in stating that "this is not a socialist party." Cantor prefers the term "egalitarian democracy" to express the party's philosophy, and sums up the economic policy of the party as "extending social control over the economy, both at the local and national level." The assumption is that once people have greater control over what is produced, how it is produced, and the manner in which it is distributed, the result is bound to be greater equality, opportunity, and economic justice.

Rather than specify a detailed blue-print of the "ideal" economy, the New Party's approach is to emphasize the process. Engaging in this process would, of course, entail a radical change in the economic system: it requires a shift in power away from owners of corporate capital toward workers, consumers, and other groups who lack power in the current system. As Schor puts it, "We want to transform the economy in such a way that it is finally responsive, not to concentrations of wealth and power, but to the needs of ordinary people." While the pamphlet does not advocate nationalization of the means of production, or discuss forms of "market socialism" described by authors such as John Roemer, many of the policies would indeed be considered radical in the context of contemporary American (and even European) politics.

Quality of Life and the Environment

In keeping with the NP's emphasis on local politics, much of the pamphlet is concerned with workplace issues rather than macro-economics. Schor is particularly concerned with the impact of modern capitalism on the quality of life. Revisiting the themes of her book, *The Overworked American*, she critiques the treadmill of high consumption and long work hours. She points to the polarization of work into relatively high-paid full-time jobs, in which overtime is often expected or mandatory, and low-paid part time work. Both groups have little time for leisure, and all live in fear of "down sizing". She argues for policies that have long been advocated by the left in Europe to cope

with massive unemployment there: job sharing, flexibility, longer vacation time, and guarantees that part-time workers will not lose out on promotions, pay, and benefits.

To achieve environmental sustainability, Schor calls for green taxes to make users of products pay a price that reflects the total costs, including environmental impacts. This would eliminate "externalities" that lead to overconsumption of environmentally damaging products, and would generate revenue that could be used to reduce taxes and fund research into alternative energy or other environmental technologies. More specific controls and standards are envisaged to regulate emissions and safety standards in industry. Recognizing that part of the environmental problem is systemic, due to the nature of our urban life and transport systems, Schor recommends the design of land use patterns that would facilitate walking, biking, and public transportation.

Changing Corporate Behaviour

While the pamphlet does not explicitly call for the overthrow of capitalism, its proposal for changing corporate governance does dethrone stockholders, as representatives of capital, from their current monopoly of power over corporations. Schor proposes a Corporate Democracy Act that would establish boards of directors comprising representatives of all a company's "stakeholders", including employees, customers, local communities - as well as owners of capital. This is a formal mechanism for establishing social control over "the means of production", and many progressive economists consider it to be a more efficient and democratic path than collective ownership through nationalization.

Ideally, giving real power to stakeholders should lead firms to pursue social goals rather than just profit maximization. In practice, the likely effect of the proposed boards of directors is less than clear. Different stakeholders will still have different interests, and decisions will reflect shifting coalitions among these board members. It is also open to question how much influence the board of directors have in practice; managers have a great deal of day-to-day independence in running businesses, and often wield their influence to secure compliant board members. Ironically, there is a vast academic literature dealing with the problems that owners of capital face as "principals" trying to control the managers, their "agents".

A more fundamental problem is that boards of directors might still feel compelled to maximize profits because firms would continue to operate in a competitive market system: companies that deviate much to pursue social goals might simply not survive. In Germany and Scandinavia, where labour representatives of labour are guaranteed a (minority) representation on boards, they end up being coopted into the discourse of competitiveness. In practice, social control of corporations would need to be accompanied by mechanisms that temper competition, for example, by setting minimum standards on wages and environmental standards.

Although management theorists routinely talk about a firm's obligations to its stakeholders, it is unlikely that capital would give up its power without a fight. The proposal for corporate democracy is so radical and far-reaching in its implications that it would likely engender tremendous opposition from business and industry.

The pamphlet also presents some more modest proposals for change within the current economic structures - perhaps in recognition that the goal of corporate democracy is more of a long-term vision. There are recommendations here for strengthening workers' rights to organize and for promoting innovation and training. Firms that pursue more social objectives would be rewarded through tax-breaks and other incentives. These firms might be worker-owned enterprises, or privately-owned firms that agree to abide by a "Code of Social Responsibility".

Schor points to Ben & Jerry's as an exemplar company that voluntarily combines economic and social goals, though her choice of company is unfortunate and underscores the weakness of this approach. Ben & Jerry's, together with companies such as The Body Shop and Timberland, do have reputations for supporting various community activities and having relatively progressive policies for their own

workers. But they use their reputation for being socially responsible as a form of niche marketing to appeal to upscale consumers - it is unlikely that these companies' strategies would be emulated by firms seeking to mass market their products at low prices. Moreover, both Ben and Jerry's and the Body Shop have both been criticized for putting media hype before reality. Ben & Jerry's has recently been forced to retract advertising claims that its Rainforest Crunch ice-cream was helping indigenous people in Brazil, after it was revealed that they buy more than 90% of their nuts from large agribusinesses implicated in repressing and even murdering the native tribes people. Social responsibility is hard to measure and harder yet to enforce; relying on the whims of beneficent capitalists is a poor substitute for real social control.

New National Goals

At the national level, the pamphlet contains a number of rather predictable recommendations for addressing inequality and shoring up the safety net. These include a system of national health care, more affordable college education, and raising and indexing the minimum wage. To help reduce gender and racial wage differentials, Schor suggests the adoption of some form of "comparable worth" program that calibrates wages based on skills, experience, and responsibilities. This approach, which has proved quite successful at reducing gender and racial wage differentials for similar jobs in some sectors in Canada, recognizes that wages are strongly influenced by institutional forces and do not have to be set at "market clearing" levels. Perhaps the most ambitious suggestion is for a Basic Income Grant (BIG). "We need a comprehensive social security system which guarantees stability in the face of family breakup, labour market displacement, and other unpredictable events which disrupt people's access to income." Replacing the existing patchwork of benefits, this would be a comprehensive system to provide a modest standard of living to anyone without access to an income. It would even be available to people wishing to opt out of the labour market for a while, to raise children, go back to school, or do whatever they want. Access to BIG would be contingent on past work or participation in voluntary community service.

Would BIG be a big budget buster? Schor concedes that a large budget deficit can be problem, though she points out that the size of the deficit is often overstated. Deficit reduction would be approached through a more progressive tax system and cutting subsidies to wealthy individuals and the corporate sector - especially defense spending. Moreover, the current system generates high hidden costs in unemployment, poor health, crime, and large numbers of unproductive "paper-pushers and supervisors" - costs that add to government expenditures while hurting productivity. Perhaps a more profound effect of BIG, though Schor does not discuss it, is that the provision of a comprehensive and adequate safety net would significantly change the balance of power between labour and capital, by ameliorating the fear of unemployment.

The question of international inequalities is a much tougher issue to tackle. Schor notes that American wages are being pulled down by growing competition with low paid workers in poorer countries; at the same time, she acknowledges that it is unrealistic - and would be disastrous for the environment - to think that everyone in the world can quickly reach American consumption standards, especially with a world population expected to reach more than 8 billion by early next century. The pamphlet advocates for world trade in a framework of minimum standards for wages, hours of work, rights to form unions, non-discrimination, and environmental protection. The government could then impose "social tariffs" on products manufactured in violation of these standards.

While this proposal could go a long way toward alleviating some of the worst abuses of workers' rights and the environment, the mechanism could be very hard to monitor and enforce. Even if workers in poor countries did gain these minimum protections, their wages would still be very low compared to U.S. levels, so trade would still erode American wages. More fundamentally, proposal does not address the basic conflict between economic growth and environmental degradation.

An Ambivalent Vision

While the pamphlet does a good job of pulling together a number of progressive economic policy proposals, it tends to lack a coherent political philosophy. For example, the Corporate Democracy Act and BIG would shift power away from capital in a radical way, but many of the other suggestions rely on bribing firms, using incentives and taxes, to "do the right thing", while leaving existing structures in place. Some of the policies, such as subsidies for job creation in high unemployment areas, have been tried in Europe without much success. Some of the proposals rely on market mechanisms, some call for more local democracy at the level of the firm, others rely on a much more interventionist state. Implicit in this ambivalence is the left's traditional love-hate relationship with the state: many progressives want to use state power to constrain capital and redistribute income, yet the state ultimately tends to serve the interests of big business, whichever party win selections. Even when left-leaning political parties attain national power, they often seem paralysed by the fear of capital flight in a world of open markets.

Even if the NP's Cantor is correct that the left does not lack ideas, it clearly lacks the ability to get those ideas heard and discussed in the mass media. Influencing the public discourse requires access to newspapers and talk shows on radio and television, not an easy task in a world where the mass media are increasingly concentrated in the hands of a few corporate owners. And while the left does not lack ideas, it is fragmented and lacks a unifying vision. One can only hope that the NP develops an effective strategy for shifting the public debate and for finding enough common ground to mobilize a broad coalition of groups around its goals.

For more information about the New Party, or to order copies of the pamphlet *A Sustainable Economy for the 21st Century*, please call 1-800-200-1294, or e-mail new party@igc.apc.org .