



## Peak Oil and Peak Capitalism - Professor Richard Wolff

Posted by [Nate Hagens](#) on March 28, 2009 - 10:43am

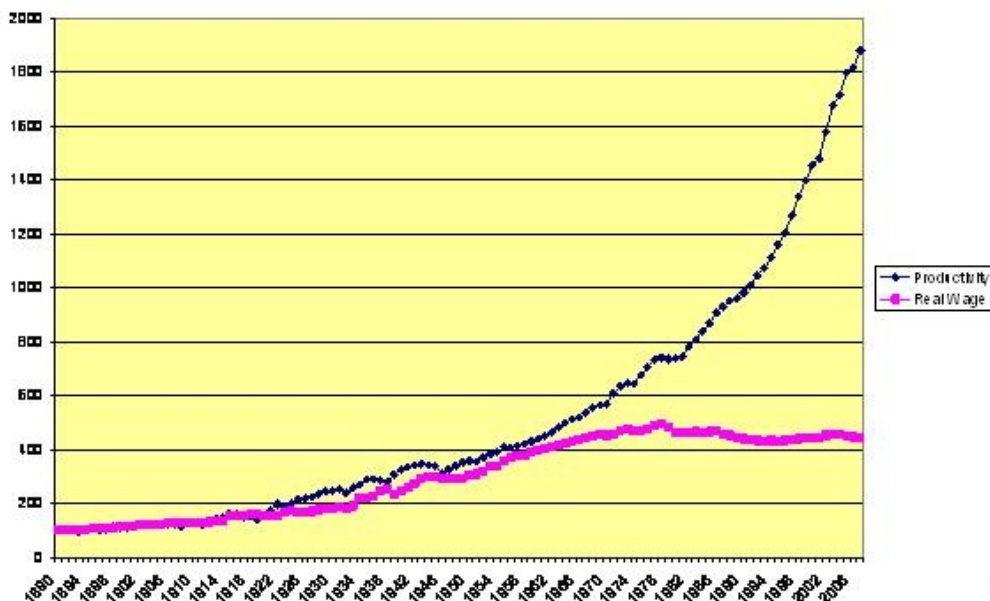
Topic: [Miscellaneous](#)

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*Previously, we posted one heterodox economics view of the current global crisis (ecological economics - [from Herman Daly](#), and [from Robert Costanza](#)). Below the fold is a guest essay from Professor Richard Wolff, a Marxian economist at the University of Mass-Amherst. He recently gave a very interesting video lecture [Capitalism Hits the Fan](#). (I wish I were as good of a speaker as he - I make it through my talks only because I think of the beer at the end)*

*I have thought for some time that resource constraints, especially energy, would be the end of free markets as we know them. It is now clear to most that government reactions to the popping of the credit bubble have shown no master plan other than one bailout being larger and grander in scale than the unsuccessful measure/attempt that preceded it. I do not know what 'ism' will replace capitalism- but I suspect it will be some socio-political 'ism' that is as yet undefined, something broader than all the heterodox schools which if successful, will need to integrate both our biophysical and biological realities. No discipline has the 'one' answer to our energy, environmental and social problems, which is why we continue to ask and integrate key questions with new data in this forum. (My own thoughts on the importance of Prof. Wolff's graph in relation to energy, debt and society follow his essay.)*

Indexes of Output and Real Wage per Hour, Manufacturing, 1890 to 2007, Index 1890=100



[Real Wages \(CPI adjusted\) vs Real Productivity \(GDP Deflator Adjusted\) 1830-2007](#)

[-Source: Professor Richard Wolff - U Mass - Amherst](#)

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## Peak Oil and Peak Capitalism

The concept of peak oil may apply more generally than its friends and foes realize. As we descend into US capitalism's second major crash in 75 years (with another dozen or so "business cycle downturns" in the interval between crashes), some signs suggest we are at peak capitalism too. Private capitalism (when productive assets are owned by private individuals and groups and when markets rather than state planning dominate the distribution of resources and products) has repeatedly demonstrated a tendency to flare out into overproduction and/or asset inflation bubbles that burst with horrific social consequences. Endless reforms, restructurings, and regulations were all justified in the name not only of extricating us from a crisis but also finally preventing future crises (as Obama repeated this week). They all failed to do that.

The tendency to crisis seems unstoppable, an inherent quality of capitalism. At best, flare outs were caught before they wreaked major havoc, although usually that only postponed and aggravated that havoc. One recent case in point: the stock market crash of early 2000 was limited in its damaging social consequences (recession, etc.) by an historically unprecedented reduction of interest rates and money supply expansion by Alan Greenspan's Federal Reserve. The resulting real estate bubble temporarily offset the effects of the stock market's bubble bursting, but when real estate crashed a few years later, what had been deferred hit catastrophically.

Repeated failure to stop its inherent crisis tendency is beginning to tell on the system. The question increasingly insinuates itself even into discourses with a long history of denying its pertinence: has capitalism, qua system, outlived its usefulness?

Repeated state interventions to rescue private capitalism from its self-destructive crises or from the political movements of its victims yielded longer or shorter periods of state capitalism (when productive assets are owned or significantly controlled or regulated by state officials and when state planning dominates markets as mechanisms of resource and product distribution). Yet state capitalisms have not solved the system's crisis tendencies either. That is why they have repeatedly given way to oscillations back to private capitalism (e.g. the Reagan "revolution" in the US, the end of the USSR, etc.)

Moreover, the history of FDR's efforts to counteract the Great Depression teaches fundamental lessons about capitalism as a system that cannot forever be deferred. Since the New Deal reforms then all stopped short of transforming the structure of corporations, they left in place the corporate boards of directors and shareholders who had both the incentives and resources to evade, undermine and abolish those reforms. Evasion was their focus until the 1970s, and abolition since. Capitalism systematically organizes its key institutions of production – the corporations – such that their boards of directors, in properly performing their assigned tasks, produce crises, then undermine anti-crisis reforms, and thereby reproduce those crises

Hence, attention is slowly shifting to question the one aspect of capitalism that was never effectively challenged, let alone changed, across the last century and more: the internal organization of corporations. Their decisions about what, where, and how to produce and how to utilize profits are all made not by the mass of workers (nor by the communities they impact) but rather by a board of directors. Composed typically of 15-20 individuals, corporate boards are tiny elites responsible to the only slightly larger elites comprising corporations' major shareholders.

Each corporate board is charged by its major shareholders with maximizing profit, market share, growth, or share price. The mass of workers has to live with the results of board decisions over which they exercise next to no control. This is a position they share with the communities surrounding and dependent on those same corporations.

This capitalist organization of the corporation consistently generates investment, production, financial, marketing, and employment decisions that produce systemic instability – economic crises. Much as this bipolar system brought us to peak oil by its expansions, so its contractions have now brought us to peak capitalism. This system’s profoundly undemocratic organization of production demands radical transformation.

Suppose, as one such transformation, that workers undertook to function as their own board of directors. All weekly job descriptions would henceforth specify four days of particular production tasks and one day participating in collective decisions about what, how and where to produce and what to do with profits. Having required political autocracy to give way to democratic mechanisms, workers would then have achieved the same in relation to the economic autocracy that structures capitalist corporations. The economy and society would then evolve very differently from the capitalist pattern. If we are to redesign our interactions with nature taking account of peak oil, why not redesign our enterprise structures to take account of the history of failed efforts to contain capitalism’s crisis-producing dysfunction.

Might we consider a mutually beneficial alliance between critics of abusing our energy resources and critics of abusing our productive capabilities? How about an alliance focused on a radical, democratic, and therefore anti-capitalist reorganization of production? The point would be to make citizens and workers – those who must live with the results of what enterprises do – conjoint decision-makers focused on meeting collective needs, both productive and environmental.

Friday Mar 27, 2009

[Rick Wolff](#)



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