The fragile construction of a human future:
From post-War policy tradeoffs to political crises

Why we need a pluralist and
interdisciplinary economics

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ABSTRACT

Some 150 years ago, Marx warned in *Das Capital* that an economic system rooted in a self-expanding logic of exploitation and expropriation, primed to push aside or destroy prior bonds of community, would repeatedly generate crises without reliably providing for human provisioning. Sustaining this logic would require a counter-logic, wherein either the state or community would both support capitalists' accumulation and compensate for their limitations in meeting human need.

This dialectical logic was apparently rendered historically moot in the OECD countries in the immediate post-War years. For after two world wars and a Depression, these countries established "safety-net" policies which appeared to convert economic policy into a technical problem. Samuelson's text epitomized this approach. However, the turbulence at the end of the Bretton Woods period put renewed emphasis on the unstable balance that economic policy seeks to establish and maintain. This was most memorably described in James O'Connor's *The Fiscal Crisis of the State* (St. Martin's, 1973), which described how "the capitalistic state must try to fulfill two contradictory functions – *accumulation* and *legitimation*. … to maintain or create the conditions in which profitable capital accumulation is possible …[and] to maintain or create the conditions for social harmony."

The crises that emerged in the 1970s and deepened in subsequent years gave rise to many bold new theories which characterized economic crisis as an endogenous result of capitalist processes. These included Magdoff and Sweezy's revival of stagnation theory, world systems theory, Minsky's financial instability hypothesis, and the French *Ecole de Regulation*, among others. These theories all suggested that the immanent breakdown of economic reproduction could be offset by institutional evolution and government support. There then ensued some years – known as the "Great Moderation" – in which it again seemed (as in the era of Samuelson's text) that economic policy could be dialed in by the numbers and ever-greater (if ever more opaque) financial markets were breaking through previous risk-return limits.

The global crises of 2008 and after, of course, eviscerated such illusions. Wolfgang Streeck's 2014 *Buying Time* effectively updated O'Connor's thesis, by pointing out that the steady growth of debt in recent years had delayed the realization of a profound crisis.

Where does this leave us? Once again, an apparently moderate time seems at hand. Employment and business cycle dynamics have been milder since the crisis. A number of factors may be at work: rapid technical change, including AI and robotic production; unprecedented zero-bound monetary policy ('quantitative easing', etc.); and the emergence of platform capitalism. Does this mean we are about to launch into an era of post-capitalism (Paul Mason 2016), global managerial capitalism (Dumenil and Levy 2018), or the spontaneous emergence of the moral economy (Bowles 2016)?

This is unlikely. These visions all erase the contradiction between the increasing power of capital and the declining capacity of the state – the apparently recurrent phenomenon that O'Connor first highlighted in 1973. We then turn to what appears to be the emergence of a third fiscal crisis of the state, characterized by empowered capital, a diminished state, and mobile humanity. And whereas post-War national leaders faced policy tradeoffs (as in Okun's famous inflation/unemployment 'big tradeoff'), today's political leaders operate in policy contexts roiled by populist 'revolts' that challenge the very legitimacy of state power. Here we review recent warnings by authors such as Mounk (2018) and Snyder (2018). To comprehend this new context, much less contending with it, we need a pluralist and interdisciplinary economics – that is, an economics that rediscovers its identity as historically embedded political economy.