



3. Letter of August 2021

The ambiguous social capitalism with double bottom and its explosive potential

Dear friends of political philosophy,

the term "social capitalism" might be puzzling. Is it not neoliberal or financial capitalism that rules? This does not gloss over anything: It points to deficits of ordinary characterisations of "capitalism" and is at the same time the key to discovering an alternative system hidden in the "double bottom", i.e. in the contradictory core structure of the system of reproduction. Its first, most significant analysis was "Capital: A Critique of Political Economy".

Subsequent theories of capital and crises are still rooted in Marx's model of a purely commodity-based industrial capitalism with its "state machinery". Corresponding updates, from monopoly capitalism to late capitalism and right up to finance capitalism, intensified the critique of the system. However, until today, no real alternative system has been found.

Meanwhile, a change took place under the cover of "democratic capitalism": With the modern tax and welfare state, the general and communal, administrative, social-infrastructure and cultural services and institutions expanded in relation to capitalist commodity production and private consumption, also due to economic requirements. In the thought picture, social capitalism shows a three-sided formation:

The side of "industrial-economic commodity production" is open to the world market. The opposite side is formed by "socioeconomic services", which are self-referential to the community as a whole. The welfare state at the top acts as a monetary and regulatory mediating central institution. As an "almost infinitely differentiated federal structure of the community", it permeates social life in the midfield, from the higher instances and levels down to the basis of communal, urban and civil life.

This constitution of the legal, fiscal, social and national state and the socio-economic process configuration has not been reversed by world economic interdependencies and neoliberal globalisation. However, the welfare state, and with it all social livelihoods, remained tied into a one-sided *income*-oriented tax system, tailored to the autonomy and supremacy of *capital* and constantly deepening social divisions. Thus, the state remains saddled with the burden of financing social-economic institutions, production and services and is forced to incur ever more debt.

The commodity and capital economy, driven by the systemically irrevocable growth compulsion, uses the investment capital withdrawn from taxation for incessant rationalisation, accumulation and world market expansion. The socio-economic part, on the other hand, is subject to cost-cutting or an austerity regime, or it is privatized: its subjugation to forms of exploitation, capital and financial economy, e.g. with regard to education and learning, housing and urban development, transport and communication, health, care work and the environment, is literally asocial.

What is decisive is that these productions or services apply to general livelihoods or the civilisational framework of society. They have expanded, also as a result of capitalist development, to such an extent that they have become a main department of the economy in their

own right. However, they do not produce marketable things in commodity and capital form, as in the other, complementary main department. Rather, they serve to maintain and promote the respective community as a whole. This *economic form* of theirs as "social economic services" thus has a *social* character per se and thus points beyond liberalism and capitalism.

In order to free them from their constraints and deformity, it is not enough to make them into cooperatives, to remunicipalise them or to resocialise them. This would keep them in the field of competition. Moreover, they must be financed and operated substantially from tax revenues and with public responsibility and foresight in order to emancipate themselves in relation to the further labour-saving industrial production of goods and to become generally available in addition to personal labour income.

For this, a fiscal reform is necessary that does not only concern wages and earnings or only focusses on a redistribution of assets, but also taxes the basic economic flow of functioning capital. In this way, the democratic social state can be freed from the debt trap, the transfer of investment funds for social-infrastructureal tasks and a relative economic consolidation of the ensemble can succeed.

This reorganisation also implies due changes in property and appropriation relations. It works in the direction of containing the compulsion to grow and enables the promotion of ecological relationships with nature beyond a "green capitalism": the social-infrastructureal potentials are becoming increasingly important in the wake of economic and political instability, impacts of climate and environmental crises and catastrophic events.

This new-democratic, social state economic system alternative is pre-structured in the contradictory socio-economic formation and practice of social capitalism and can be released if the many forces that are basically capable of association become really and scientifically clear about it and come together.

Best regards,
Horst Müller

<https://www.praxisphilosophie.de>
Contact & Subscription
dr.horst.mueller@t-online.de