



Book  
Reviews

## Tribute to Seymour Melman

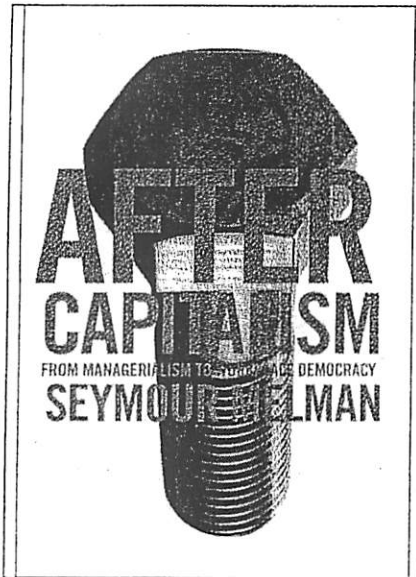
By Brian D'Agostino

I read a number of Seymour Melman's books and attended one of his courses at Columbia University during the 1980's. We became friends and he served on my Ph.D. dissertation committee. Along with Noam Chomsky and others, Melman gave me critical tools for understanding the political economy of the United States, tools that were regrettably not part of my graduate training in political science. On the occasion of Seymour's recent death at the age of 87, I offer this review of *After Capitalism: From Managerialism to Workplace Democracy* (New York: Alfred A. Knopf, 2001, 527 pages). The book caps Melman's pioneering work as a critic of state capitalism and theorist of workplace democracy.

*After Capitalism* explodes the myth—which today pervades our universities, media, and other cultural institutions—that there is really no alternative to capitalism. In the author's view, modern capitalism began with the enclosures of farmland in Britain in the 16th century, reached the peak of its development in the 20th century, and is now in inevitable and irreversible decline. While this decline proceeds, power remains concentrated in the hands of corporate and state managers, just as the feudal lords clung to power during the early centuries of capitalism. Just as capitalist practices and institutions

transformed feudalism, Melman argues, new arrangements of worker decision making are currently transforming the hierarchical order of capitalism.

The myth of capitalism's inevitability has become especially entrenched after the demise of Soviet communism in 1991. But Melman argues that communism never really offered anything fundamentally different from our own state capitalism: both systems concentrated power in the hands of military-industrial and political managers and neither system respected workers as persons and potential decision makers. Contrary to capitalist ideology,



little has really changed for the better in post-Soviet Russia. One group of party bosses overthrew another group and now owns Russia's economy as their private property, rather than as nominal stewards of the workers' interests.

Meanwhile, a successor to capitalism has been developing in the last two centuries within the capitalist societies: workplace democracy. Here Melman breaks new ground by showing that workplace

democracy is not limited to small experiments on the periphery of capitalism, but is the underlying thrust of the entire labor movement. Building on the pioneering labor research of Lawrence Berel Cohen, Melman shows how worker involvement in production decision making has expanded over the history of labor unions and collective bargaining. Contracts negotiated between workers and management are not limited to matters of work time and compensation, but include work rules that limit management's decision power and expand the role of workers in organizing their own work, that is, our economy's production of goods and services.

While the ethic of capitalism extols predatory competition and inequality, the ethic of organized labor extols solidarity and equality. Melman illustrates this point in relation to the principle of seniority. In the absence of seniority rules, managers control how workers are deployed in production and other conditions of employment, and individual workers compete with one another for the favor of management. The most compliant workers are rewarded with privileged circumstances in the enterprise. Under a seniority system, by contrast, deployment is decided by the workers themselves according to a rule that gives priority to the most experienced workers. Solidarity replaces competition and every worker over time faces the same conditions of advancement in the enterprise.

Compensation systems also reflect a stark ethical contrast between management and labor. Managers compete with one another for the highest salaries and benefits, with super-rich CEOs at the top of the heap, while labor contracts provide for relatively small differences in compensation among workers.

Building on his lifetime of research into industrial sociology, Melman gives an updated account of how production becomes neglected in the advanced stages of an economic system that makes profit an enterprise's criterion of success. The recent profitability of General Electric illustrates a trend that pervades our entire economy. Based on the firm's financial performance under his watch, General Electric's CEO Jack Welch became one of the country's most highly regarded management gurus. For example, Welch was enlisted by Mayor Michael Bloomberg to train principals as part of a corporate style reorganization of the New York City public school system.

Melman shows, however, that GE's recent profitability has little to do with managing production effectively. Rather, the firm has actually shut down much of its consumer production in the United States and put its resources into low wage, third world production, and into banking and other financial activities that do not actually create wealth. GE continues its lucrative military contracts, including its contribution to our country's nuclear weapons arsenal, which serve special interests, but produce nothing of economic value for the society as a whole. While creating less actual wealth than ever in its recent history, GE's profits soared and its CEO was one of the most lavishly rewarded in an age of lavishly rewarded CEOs.

This example, multiplied many times over, gives a picture of deindustrialization in the United States and accounts for chronically high levels of unemployment and underemployment, even during times of high corporate profits. Our corporate and government leaders have abandoned U.S.-based production in field after field, including civilian shipbuilding, railways, computers, and other capital goods, as well as apparel, consumer electronics, and myriad other consumer

goods. Even services are being imported, with computer programming and tax returns, for example, being done for the U.S. market in India and other third world countries at a fraction of their labor costs in the United States.

While much of this is being said in the other literature on deindustrialization and globalization, Melman makes a unique contribution to this discussion. He notes that many of the countries from which the U.S. now imports goods and services pay their industrial workers higher hourly compensation than the United States, including Germany, Japan, and Switzerland. These countries maintain advanced machine tool industries, and invest their profits in state of the art production equipment and methods, including more worker involvement in production decision making. While most U.S. corporations take an adversarial attitude towards their workers, and try to maximize profits by reducing wages, corporate leaders in these countries seek to maximize profits by increasing productivity through both capital investment and a well-paid, motivated, highly skilled, and flexible work force.

In the United States, capital and human resources that could be used to upgrade our infrastructure and production systems, providing well paid and stable employment, are squandered on a permanent war economy (Melman originated this phrase in 1974).

About half of every federal income tax dollar goes into this sector, including interest on the national debt associated with past military expenditures. The levels of overkill associated with these expenditures show that they bear little relationship to actual military needs, but constitute instead a kind of racket in which workers, managers, and investors in this sector collaborate with one another to extract wealth from a third party, namely, the tax-paying public.

Using standard military assumptions, Melman shows that 92 percent of U.S. expenditures on nuclear weapons have no military rationale. This amounts to overkill expenditure on nuclear weapons alone of about \$5.8 trillion (in 1996 dollars) since World War II, enough to replace twice over the plants and equipment in all our country's manufacturing industries. Overall, U.S. military expenditures are over 20 times the combined military expenditures of our most likely adversaries, the so called "rogue states." U.S. citizens pay the costs, both in taxes and in the form of lost opportunities for stable and well paid employment resulting from the associated deindustrialization of our civilian economy.

The situation described above has been concealed from Americans, according to Melman, by two ideologies that our academic, political, and media pundits routinely propagate: military Keynesianism and the doctrine of the "post-industrial society." Military Keynesianism—which can be summarized as the idea that we can have both guns and butter—originated in our country's experience with World War II as an economic stimulus that helped bring prosperity after the Great Depression. Melman's work, which spans the fields of economics and political economy as well as industrial sociology, offers a detailed refutation of this ideology.

Melman distinguishes between the short and long term effects of military spending. World War II, like other increases in military spending, did indeed produce a more general economic stimulus in the short term. It should be noted that exactly the same short term stimulus would have occurred if these tax revenues had been spent building schools, libraries, and health clinics, as the New Deal proved. In the long term, however, the two kinds of spending have very different effects: civilian

spending of the sort mentioned above contributes to the prosperity of the society, while military spending does not. Further, from the perspective of resource use, there is a tradeoff between the two types of spending: resources used up for one kind of activity are not available for the other kind. A permanent war economy over the long term therefore diverts resources from and undermines civilian prosperity. Melman shows how these dynamics are what really destroyed the Soviet economy, and are currently destroying the economy of the United States.

The second ideology Melman refutes is the idea of a post-industrial society: that industrial production is no longer necessary for prosperity because we increasingly live in an economy that revolves around information. The physical production of goods, in this view, can be done by less developed societies, while the United States moves on to more advanced economic activity involving information.

This is a natural way of thinking for U.S. corporate elites, who are increasingly removed from physical production and view their role in life to be that of giving orders to others. While these ideas may work for them, however, the increasing dependence of the U.S. economy on imports of all kinds represents a loss of stable and well paid employment for the majority, and an associated decline in standard of living. Melman illustrates this ongoing decline with statistics on the purchasing power of work time in 1998 compared with 1993.

In reality, the most advanced industrial societies, such as the Western Europeans and Japanese, are moving beyond the mental/manual split that still characterizes U.S. managerial thinking. In these societies, managers think about production, workers have increasing input into management decisions, and both collaborate to effectively introduce and operate new technologies.

In Europe, labor unions are playing a central role in moving industrial affairs in this direction. Also, the most advanced U.S. enterprises, such as the Harley Davidson company, operate on these same principles of workplace democracy.

Moreover, those sectors of the information economy that actually produce wealth, such as health care, education, and engineering, are experiencing a proletarianization of white collar workers, who are beginning to unionize. Doctors and nurses facing exploitation from HMO managers, part-time professors who make up an increasing percentage of university faculties, and computer professionals and engineers whose jobs are being exported to low wage countries are all discovering the merits of unionization and collective bargaining.

Melman documents such struggles, and relates them to the historical process through which capitalism alienated manufacturing workers and they responded by forming unions.

In addition to showing the constructive role that labor unions have played and are playing in democratizing our economy, Melman also reports on a number of successful experiments in what he calls "disalienation by design." These include Israeli kibbutzes, cooperative enterprises in Emilia Romagna and the United States, and the enormous Mondragon cooperative in Spain. Far from utopian, these enterprises demonstrate that workplace democracy is a more practical and viable economic system than capitalism, and give us glimpses of the future shape of economy and society.

I have only two criticisms of *After Capitalism*. First, while Melman critiques ESOPs (employee stock ownership plans) for giving workers ownership but not control over production, he does not make a corresponding critique of worker control without ownership. Yet the

literature on workplace democracy indicates that without ownership of the means of production, worker control remains precarious. This has arguably been the case in GE's Saturn Division, which Melman cites as a bona fide example of workplace democracy. Melman's analysis remains incomplete, I would argue, without an explicit recognition that workplace democracy cannot fully develop in a capitalist context, and eventually requires worker ownership of enterprises and fully cooperative forms of organization.

Secondly, Melman's libertarian attitude towards the state, while supporting a salutary critique of capitalist and communist managerialism and permanent war economies, leaves unanswered some fundamental questions of political economy.

Among these questions are the roles of the state in (1) redistributing wealth, (2) organizing the production of public goods such as schools, libraries, and parks; and, (3) serving as the employer of last resort. If not performed by the state, how would such functions be performed in a libertarian or market socialist society? For a book that purports to address the shape of things after capitalism, the failure to even mention such questions is a significant omission.

Notwithstanding these limitations, I find *After Capitalism* an important book, and one worth a serious reading. It is packed with information and ideas that enable the reader to recognize seeds of the future in the present, and that empower him or her to challenge in an informed way the injustices that surround us in a global market economy. Z

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