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Review of *Whither Socialism?* Joseph E. Stiglitz. Reviewed by Michael Reisch, University of Pennsylvania.

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protection. These serious concerns are taking place in a rapidly changing work market shaped by new technologies which often puts the older person at a competitive disadvantage, especially re-entry or initial entry women in their 40s, 50s and 60s. Minority populations of both gender face even greater challenges in getting suitable employment in their later years.

This annotated bibliography is an excellent resource for anyone interested in exploring these and other issues related to the employment of older persons. It covers both historical and current literature and would be of particular use to students in aging studies in economics, sociology and social work. It has an unusually extensive section on displaced women, which is too often neglected in the literature and in reference guides. Its data base offers a wide range of references of journals as well as texts. The book is very well organized, making it easy to use and to find references to specific topics.

Both of these texts are welcome additions to the literature in subjects that will become increasingly important areas for research and practice.

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Joseph E. Stiglitz, *Whither Socialism?* Cambridge, MA: The NUT Press, 1994, 338 pp.

According to conventional wisdom, the collapse of socialist governments in Eastern Europe and the former Soviet Union in the late 1980s symbolized the failure of socialist ideals and, in particular, the economic and political structures developed since 1917 to implement them. This assumption has profoundly affected public dialogue in the United States over social and economic policies of direct concern to social workers, most notably debates over the relationship between individual and society, and the extent (even the existence) of what Walter Trattner termed "collective responsibility for collective need," in the form of welfare state policies and programs. If, as Vic George and Paul Wilding argued in *Ideology and Social Welfare*, 20th century welfare states are the offsprings of a curious marriage of capitalist and socialist

ideologies, the future of these middle aged phenomena are seriously threatened by the purported terminal illness of one of their parents.

Joseph Stiglitz's new book, *Wither Socialism?*, presents a scholarly and enlightening analysis of the issues raised by the recent demise of socialism. It is not, however, a book for the casual reader. Stiglitz, a member of the President's Council of Economic Advisers and the Joan Kenny Professor of Economics at Stanford University, is writing for an audience that is familiar with the economic theories and debates of the past half century. While his prose is clear and his arguments well developed, they are difficult for a neophyte to follow without frequent reference to a basic text on macro economics. The book, therefore, is of limited utility to most social work educators and social work students who, regrettably, lack the sophistication to apply Stiglitz's ideas to their research, teaching or practice.

Despite its provocative title, the focus of *Whither Socialism?* is less on an exploration of the future of socialist ideas or economic systems than on the underlying economic theories which misguided them. Unlike many modern critics of socialism, however, Stiglitz identifies the fundamental flaws of socialist economics as lying not only within socialist models of society or the production-distribution-consumption processes these models generate, *per se*, but also in the classical and neoclassical economic ideas upon which socialist thinkers founded their initial critique of capitalism. He argues that "indirectly and unintentionally, neoclassical models of the economy played a central role in promulgating and perpetuating a belief in market socialism . . . as an alternative to capitalism. . . . [I]f the neoclassical model . . . had provided a correct description of the economy, then market socialism would indeed have had a running change of success. Thus the failure of market socialism serves as much as a refutation of the standard neoclassical model as it does of the market socialist ideal." (p. 2) The book is actually a series of lectures in which Stiglitz elaborates on this central theme, identifies what he considers the flaws in the neoclassical model and attempts to provide the basic ingredients of an alternative paradigm.

Two introductory chapters set the stage for Stiglitz's systematic critique of the First and Second Fundamental Theorems of

Welfare Economics and of the Lange-Lerner-Taylor Theorem which addresses the issue of incentives. Subsequent chapters address individually the issues of market efficiency (rationing), competition, innovation, centralization/decentralization, and privatization. The final third of the book focuses on an analysis of what Stiglitz terms "the Socialist experiment," the refutation of certain prevailing economic myths about capitalism and socialism, and recommendations and speculations on the future of socialist economies. It is this section of the book which has the most potential interest for social workers and social work educators.

Although a summary can hardly do justice to the depth of his analysis, Stiglitz identifies the following causes for the failure of socialism, beyond its reliance upon the neoclassical model: excessive centralization; inattention to product quality; absence of incentives directed at economic efficiency (which he considers a problem of information), because of socialism's emphasis on equality and development of political control mechanisms; an engineering approach to economics (which results in fatal errors in decisionmaking); the lack of an adequate pricing system; the lack of competition; and the absence of innovation and adaptability. Unlike many contemporary critics of socialism, his seven recommendations for the future attempt to synthesize diverse ideas rather than rely on those derived from purely capitalist or purely socialist economic models.

Briefly, these recommendations are: (1) Maintaining the centrality of competition (a critical point in an era dominated by the growth of multi-national monopolies); (2) Identifying an appropriate role for government—i.e. as the body which establishes "the rules of the game" (a rejection of those economists and policymakers who would place sole authority in the hands of the market); (3) Taking a long-term view of economic policymaking (as opposed to the quarterly "bottom-line" perspective so prevalent today); (4) Reforming financial institutions, especially in terms of their role in pricing policy (This contradicts the trend towards banking mergers and the expansion of banking into other financial areas.); (5) Keeping inflation in check (but not necessarily by keeping wages low); (6) Promoting the development of new enterprises; and (7) Privatizing sectors of the economy controlled

by the state. While these prescriptions are directed primarily at economies in transition from socialist to market-driven models, they have obvious implications for the United States and other Western industrial societies, which are also going through their own dramatic transitions today.

Stiglitz concludes by raising certain broad philosophical issues about the kind of society we wish to create through economic and social policies. While he is critical of the institutional features of socialist societies, he has far more sympathy than most capitalist economists (particularly in the 1990s) for the values which provided the foundation for socialism (such as cooperation, trust, equality and altruism) and for the critique of capitalism which emerged from those values. In his view, "the question is whether the insights of modern economic theory and the utopian ideals of the nineteenth century can be brought closer together?" (p. 277) While he provides no definitive answer to what may be the central dilemma for all societies in the 21st century, he expresses the hope that the former socialist economies focus on both the economic issues he has raised in the book and the "broader set of social ideals that motivated many of the founders of the socialist tradition." (p. 279) It would be worthwhile for policy makers and social workers in the United States as well to follow this advice as we struggle with critical social choices in the years ahead.

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