

Tough Times Past and Present — The 1930s and Today

by Doug Dowd

Part I

LAYING THE GROUNDWORK

OWS, the political struggle on Wall Street that began September 2011, is both exciting and vital. It also stirred up memories for me of the main street of San Francisco in the 1930s. It was a parade of dock workers honoring their fellow workers who had been shotgunned by the police. The parade was carrying two coffins. Just a kid, I joined the parade innocently, but by the time it ended I had learned enough from the dock workers to want to take my first steps into politics. I was born as World War I ended, I was 10 as the Great Depression began and 20 when World War II exploded. I was 15-1/2 at the time of the parade.

My countless political steps since then have meant more sweat, sorrow, and defeat — with only a rare win. Of course. But what did I expect? I knew what I was up against. When I look back, my feelings are almost entirely positive, mixed with a big dollop sadness for the “guys and dolls” now gone with whom I worked.

As a child I lived with my divorced mother. We were poor. I am now in my 90s, a recently retired economic historian. I have taught economic history in both the USA and Europe. During World War II, I served for three years as

a rescue pilot in New Guinea and the Philippines, and was hospitalized as the war ended. I have strong feelings about both depressions and wars.

I lived through The Great Depression, even working as a child to try to help put bread on our meager table. Both the economy and the wars of my youth had many differences from the disasters and horrors of the present. But I also find too many worrisome similarities. The depression years were awful enough; but, it will argued, the current predicament threatens to be much worse.

The Interwar Period — Fascism

World War I was a predictable outcome of decades of imperialist struggles among the British, French, Germans, Dutch, and Italians. The USA joined in toward the war's end as, meanwhile, Japan picked up the Asian pieces while nobody was looking. Except for its dead and wounded, the war was a great boon also for the USA, well on its way to becoming Number One economically even without that war.

Fascism was born in Italy in the 1920s. It was adopted by, deepened, and worsened in Germany in the 1930s. It spread into Spain and France and some smaller countries.

The fascist horrors of Italy in the 1920s were surpassed in the 1930s by the worse — unimaginably worse — horrors of Germany. There is a terrible lesson to be learned from both those disasters. As the twentieth century began, Italy and Germany (certainly not the USA!) were widely viewed as the centers of Western civilization in art, music, literature — and especially in Germany, in science and technology. But these countries were where

fascism was invented, soon becoming an inspiration for France and Spain (and also a few other societies). For anyone loving literature, art and music, a world without the contributions of those countries would be empty indeed. But these societies did their best to *rid* the world of such decadence, while using their superior science and technology as weaponry. In those years, a fine novel by Sinclair Lewis — *It Can't Happen Here* — showed how it *could* happen anywhere. (His book had the USA in the 1930s as its subject, but it is still worth reading regarding the USA and as a paradigm for the takeover of other societies.)

Neither the UK nor the USA became fascist. Their interwar years were centered upon what may be seen as the “normal” socio-economic troubles of industrial capitalism — economic depression and political struggles. World War Number Two opened wide the doors for the USA to become unchallengeable — economically, militarily, politically, and socially. And World War II taught the West Europeans and the Japanese a lesson — one that was later forgotten. Concomitantly both wars fed the long-standing militarism of the USA.

A glance at the UK is useful for a comparison of strengths. The UK was the unchallengeable leader of the world economy as the 19thth century ended, but with each passing year it faced one challenge or another in its empire or at home. In the 1920s both the UK's economy and its politics were descending into troubles, a depressed economy at home and multiple challenges to its empire abroad. As World War II began, the UK was stumbling. When the war ended, the once-rich UK was down on its knees, its empire becoming a memory. Recall that, in contrast, the USA was strengthened by both wars. Not only had its economy become relatively the strongest, but also in absolute terms it was the strongest in world history. In

their interwar politics, both the UK and the USA had challenges against free-swinging capitalism, but the consequences were minimal, and industrial capitalism continued to rule, with only minor reforms.

The best analysis of interwar disasters of the major powers is a book by my mentor, Robert Brady's *Business as a System of Power* (1943; 2001)). Its focus is upon the UK, the USA, Germany, France, Italy, and Japan. The times have changed greatly since then, but they are at least as worrisome. The "system of power" has deepened and broadened, power is more concentrated, and "mind management" flourishes.

I should point out that Brady was writing for an earlier time. But what is different now?

1. Then industry was the seat of power. Now it is finance. Since the 1970s in the USA, Wall Street has become The System of Power.
2. The daily news and much of education at all levels have long been dominated by the capitalist status quo. But today, the corporate-capitalist media and the business world's increasing and conscious control of that status quo have created a degree of mind management that until recently was simply impossible. For a very few to rule over "their" nation has become more than feasible: it has become a reality. (They are, of course, "the 1%" OWS speaks of.)
3. Facilitating the power of Big Business has been the vast subjection of the public to consumerism, aggravated by the high levels of personal indebtedness which buying and borrowing have created for at least 90 percent of the public.

In sum, although the interwar period was unstable in more ways than one, when the second half of the 20th century began, the leading capitalist nations were still capitalist, but to one degree or another, it was a “softened” capitalism — temporarily. From the 1970s to today, whether in Europe or Japan, or North America, there has been an accelerating return to what may be seen as “classic capitalism” with, however, one major difference: *Industrial* capitalism has become *finance* capitalism.

The Postwar Period: 1945–1970

World War II was not only the most destructive war in history, it was also a condemnation of the socio-economic and military processes that had brought that war into being. Those who had been in charge of the nations involved in the disasters which created that war were held to blame, understandably. In consequence, whether in Western Europe, the UK, or Japan (and less fully the USA), the leadership and politics of the warring nations underwent substantial changes toward decency, good sense, and peace. In the USA, however, as World War II ended, the leaders decided that it was time to pick up the pieces and assert U.S. global dominance in a new world order. Thus, the Cold War began.

What was “cold” about the Cold War was not the absence of wars, but that its main participants — the USA and the USSR — did not fight each other directly, but at the expense of others. Both saw the opening for rampant, raging imperialism, because the other traditional imperialists (Western Europe, the UK, Japan) were now simply too weak to hold on to their empires. So the USA and the USSR grabbed the opportunity and went to war against each other indirectly.

The first casus belli was who would control the critically located Korean Peninsula. The USSR then went on to take over whatever it could reach in its neighborhood, its back yard, while the considerably more powerful (and therefore dangerous) USA warred on Korea, Vietnam, the Caribbean (including a flop at Cuba), Chile, Iraq, and Afghanistan in the 1970s, where they armed the nascent Taliban and help them paralyze the USSR. (Blum)

That was as the 1970s were ending. Afghanistan is a tough place to conquer. After 8 years the USSR gave up. Meanwhile, the Taliban were reorganizing and getting countless farmers to grow opium poppies. The Taliban got rich selling 90 percent of it, and along the way we began our seemingly endless struggle with them. We outdid the USSR in the ability to spend year after futile year at war there. As I write, we are now in futile year number eleven. (I'll come back to Afghanistan.)

In the 1940s, soon after the heat of World War II had cooled a bit, “the best of times” in capitalist history *for more than just the capitalists* began to take hold. The years between the late 1940s and the early 1970s were the most persistently and pervasively expansive in their spread, depth, and positive qualities for a fair majority of the people of the major industrial powers. The positive qualities included:

1. The highest level of per capita real consumption in history
2. The high quality of real investment (construction and equipment for every type of production)
3. Technological improvements in agriculture, industry, and transportation

4. Substantial increases in world trade and investment

5. Unmatched underlying social and political stability (both despite and because of substantial political involvement from the bottom up)

Whatever else had been shattered by 1945, so too had been the bases for the survival of capitalism — *unless* capitalism found ways to save itself. Initially financing came from the USA, the only nation possessing the vigor and the strength to act after World War I. Uncharacteristically, but with self-preservation firmly in mind, capitalist governments actually acted constructively. In the USA, in Europe, in Japan — progress!

Yet in those same years the main elements of what came to be called “monopoly capitalism” took hold, driven by the absolute and relative power of *super-corporations*. (Reich) They had been much enriched by the extraordinary demand for all goods — especially in metals and vehicles — during World War II. Their growth was also spurred by the continued (national and international) expansion of the 1940s–1960s. And there was one more critical element: the birth and always growing passions of consumerism. Lured by business, the shop-till-you-drop ethos was made possible by the broad increase of people’s incomes by the war and postwar jobs and by the strength and bargaining power of unions. (Baran and Sweezy)

But the economic strength of business and its offshoot “the military industrial complex” increased its political power. Big Business realized it could get it way both economically (and therefore politically) by the strenuous application of professionalized mind management in mass communications. Whether for selling goods or doing politics, controlling

the debate, framing the issues, and supplying business-friendly solutions became paramount. Simply put, it was the psychology of thought control. (McChesney)

The years between 1947 and 1972 were the golden years of postwar expansion. Real GNP grew at 3.7 percent per year, real disposable income per person at 2.3 percent per year, civilian unemployment was at the lowest quarter-century average dating back to 1890, and corporate profitability rose substantially, peaking in the 1960s. Indeed, in those years both the public and business were having a good time. The very prosperity that consumers were enjoying also very much reduced their desire for political involvement. At the same time, the business community was figuring out how to “fool all the people all of the time.” The mind manipulation of Bernays, grown up, fleshed out, fine tuned, and driven home. Into everybody’s homes...

Militarism and the Militarists

Since the modern era began, social realities and possibilities diverge, grow farther apart, with the possibilities ever more distant and unlikely. Militarism has been both the cause and the consequence. Almost a century ago, Tawney understood both the initial and ultimate meanings of that evolution:

Applied to the arts of peace, the new resources commanded by Europe during the first half of the 16th century might have done something to exorcize the specters of pestilence and famine, and to raise the material fabric of civilization to undreamed of heights. Its rulers, secular and otherwise, thought otherwise. When pestilence and famine were ceasing

to be necessities imposed by nature, they re-established by political art. The sluice which they opened to drain away each accession of superfluous wealth was war. (1926)

What was true in the 1920s has since become dramatically more so since he wrote. As the 20th century ended the destructive strength of wars had multiplied while at the same time literally billions of people have starved death in the trampled upon, ex-imperialized societies. And a very high percentage of those in the rich countries are living and working at jobs substantially beneath what they could have had in a less insane and self-destructive world.

Tawney's focus was upon the wars in Europe. Writing in the mid-19th century, Marx had much the same to say regarding the criminal wastes of colonialism:

The discovery of gold and silver in America, the extirpation, enslavement, and entombment in mines of the aboriginal population, the beginnings of the conquest and looting of the East Indies, the turning of Africa into a warren for the hunting of black skins, signaled the rosy dawn of the era of capitalist production. (1867)

The exploitation and destruction of other's lands and lives in other times has been very much in keeping with the misuse and destruction by the imperialists of their own lands and the lives of their own people (including themselves, unless one sees the fancy lives of those on the top as being a good life.) The Europeans and Japanese imperialized globally because they had no alternative if they were to be militarily strong.

The USA, on the other hand, had no need to go beyond its oceans, because of the richest of all lands, which it had stolen from their native peoples by "expanding west" — genocidally. Nonetheless, as the 19th century ended, even while describing itself as "an anti-colonial imperialist," the USA joined in the global expansion march. (Williams)

Both the earlier colonialism and its descendent, the more devastating imperialism, depended upon and pushed forward with militarism, but with more than one difference. Here is Dobb's analysis of imperialism:

Imperialism required, as the colonialism of earlier centuries did not, a large measure of political control over the internal relations and structure of the colonial economy, requiring not merely to 'protect property' and to insure that the profit of the investment is not offset by political risks, but to create the essential conditions for the profitable investment of capital: e.g., a cheap and plentiful labor supply.... The political logic of imperialism is to graduate from 'economic penetration' to 'spheres of influence' to protectorates or indirect control, and from protectorates to military occupation; thence to annexation. (Dobb)

The USA has been an imperialist nation since its birth. Williams (cited earlier) provides an annotated list of "undeclared wars" by the USA from 1798 up to the outbreak of World War II: from the Caribbean to North Africa, to the Mediterranean, to Central and South America, to China, Korea and Japan, and even to the Soviet Union (1918–20, in an attempt to reverse the 1917 revolution). (La Feber) All of those "undeclared wars" involved naval or infantry warfare and landing parties.

The Williams list ended in 1941; if continued from 1945 on (excluding *declared* wars) it would include Afghanistan, Albania, Angola, Bolivia, Bosnia, Cambodia, Chile, China, the Congo, Cuba, Dominican Republic, Egypt, El Salvador, Germany, Greece, Grenada, Guatemala, Haiti, Honduras, Indonesia, Iran, Iraq, Korea, Kuwait, Laos, Lebanon, Liberia, Libya, Macedonia, Nicaragua, Oman, Pakistan, Panama, the Philippines, Puerto Rico, Saudi Arabia, Somalia, the Sudan, Syria, Uruguay, Vietnam, Virgin Islands, Yemen, Yugoslavia, and Zaire. Some of these places were later official enemies, but listed here for the earlier undeclared hostilities. Our intervention in Vietnam, as noted earlier, began in 1945, but we didn't "declare" war for another 20 years. (Young) In sum, all of those were acts of imperialism and militarism, but never acknowledged as either.

Throughout the world, many dimensions of the 20th century — artistic, economic, political, and social — were dominated by the military and the Cold War. There has been considerable dispute — much of it ideologically based rather than factually derived — as to how and why the Cold War began. Some see it as a reasoned, logical response by the noble and benignant USA to a substantial and growing military threat from the indefatigable USSR — and later the burgeoning menace of China.

Others (me included) saw the supposed Soviet threat as imagined or contrived, a fig leaf for brutal U.S. global hegemonic power. The U.S. got stronger during the war. Everyone else was squashed. So, given the virtual destruction of the Soviet economy and the deaths of over 20 million of its people in World War II, who had the power and where was the Soviet threat to come from?

One fact is indisputable and noncontroversial: From 1946 to this day, the direct and indirect economic elements of the Cold War undergirded both the early and subsequent economic expansion of the USA and much of world. Consider the arithmetic:

1. *The Economic Report of the President* provides military expenditures exceeding \$9 *trillion* in 1980s, rising to 12 *trillion* by 2000.

2. By 2007, the USA spent over \$3 *trillion* — in Iraq alone. (Stiglitz)

It's a militarist's dream.

The Latest U.S. Military Imperial Pot-Boilers

Lacking a major or convincingly legitimate countervailing power, the USA of late has simply bullied the defenseless — both to control the resources and send a message to the world. Everyone, it seems, needs to be reminded now and then that the U.S., the Mafia boss, had better be obeyed, or else. Thus, the latest U.S. aggressions — Iraq and Afghanistan — deserve special mention here.

Afghanistan

Let's see: The USA is in its 11th year in that war, isn't it? Wrong. We began there in 1979, Jimmy Carter's last year as president. His National Security Advisor (Brzezinski) persuaded him that if the USA would arm and finance the small Afghan group called the Taliban, the USSR would be drawn into a war trap against which, "will become the USSR's Vietnam." That

information was given to us by Brzezinski himself, but on French radio. (See “References.”)

“Mr. Global Chessboard” had that right. Having charged into bordering Afghanistan, the USSR fought the Taliban for eight years, gave up, and left in defeat. Then 11 years ago, the USA began *its* war against “our” Taliban (a kind of blowback, really). Our former friends and surrogates had gotten rich by having Afghan peasants grow opium and taking over 90 percent of its sales. Now it the Taliban has penetrated into Pakistan, and Afghanistan has become s the USA’s second Vietnam. The third Vietnam is near the second.

Iraq

Critics of the Cold War have said that if Stalin had not existed, the USA would have invented him. The same may be said of Saddam Hussein. Both were monsters who harmed their own people, and both were portrayed in the USA as Hitler-quality military threats. Well, the Soviets were knocked silly by the Taliban. Some threat there.

What about “weapons of mass destruction and al Qaeda terrorists” in Iraq? Straight pretext: complete lies. Well, as the Iraq war continued and worsened after 2003, it became clear they did not have those weapons. In fact, the only weapons of mass destruction Iraq had ever had were those furnished by the USA in the 1980s (now remnants) . It was also finally grudgingly acknowledged that Osama Bin Laden’s terrorist network did *not* function there. At all. Ever.

So, who’s counting? The war has continued and worsened. Although the USA repeatedly announces its departure, we are still there, still adding to the

many thousands of U.S. dead and many more wounded and had their lives ruined. For the Iraqis, the casualties are more than ten times that.

Some fallout: At least *2 million* have left Iraq in order to survive. The tens of millions who have not left continue to suffer, their lives ruined and still threatened.

We are told, over and over again, that the USA will leave Iraq in a year or so. But the USA will never leave Iraq, except as we left Vietnam: by defeat and getting kicked out.

Would we have left Vietnam if — as in Iraq — it had been up to its neck in oil? Or would we have done what Nixon wanted us to do, which is use the *really big* weapon? (Blum) From the viewpoint of the powerful in the USA, there is too much to be lost if we leave Iraq: only all that oil, but strategic location and Mafia-like national pride. (Substantial analyses of the foregoing may be found in Blix, Blum, Everest, Zinn)

U.S. militarism and finance have dominated the world from the 1970s to the present. The militarists and the financiers should not be thought of as mere friends, I contend, but as blood brothers — with imperialism as their lifeblood.

Enough of the military. We begin its sibling, the financial world.

Part II
THE PRESENT
(AND MAYBE A FUTURE, MAYBE NOT)

Finance

U.S. militarism has been and remains very profitable for Wall Street, but that is not “The Street’s” major business. Today’s financial world stands in sharp contrast with its beginnings and deep past, but our focus will be upon the contemporary system’s changes. With the likelihood of much worse to come. Here’s a rundown...

1. As noted earlier, when World War II ended the USA was Number One in all socio-economic-political terms, and the dollar became the unchallengeable currency of world trade and investment.
2. Then in the 1960s, as U.S. industrial strength began to be challenged — mainly by Germany and Japan — and globalization took hold, spread, and deepened. Add to that another new wrinkle: always more frenzied consumer debt in the USA.
3. The USA became the largest *borrower* in history, and the dollar declined in terms of the euro and the UK pound.
4. When the euro became *the* European currency in 2000, the dollar and the euro exchanged equally, but by 2007 the euro rose to \$1.50. But Europe now has U.S.-style financial woes, and tomorrow the euro itself may disintegrate.

As the 20th century ended, the USA was sinking into deep financial uncertainty. Until after World War II — except for a belch in the 1920s — banks were accurately seen as the stuffy center of “conservatism.” But as the 20th century was ending our financiers were becoming rodeo riders. What has happened? When capitalism was young, its financial world was dominated first by foreign trade, then by industry. Since the 1980s, however, finance has dominated not only industry but the entire business world — plus a dangerously high share of heavily indebted households.

Here a quick look at some revealing numbers gleefully provided in the 1990s by *Fortune Magazine*, the journal closest to Wall Street’s banker’s heart: “Five hundred U.S. *financial* companies have revenues equal to more than two-thirds of the production of the entire U.S. economy, exceeding the national totals of Japan and Germany the next two largest national economies.”

Twenty years or so before, things were very different. In the early 1970s the financial sector was subordinate to Congress, and the total of financial trades in the USA over an entire year was a dollar amount less than GNP. By the 1990s, however, through a 24-hour-a-day cascade of electronic hedging and speculation, the financial sector had swollen to an annual volume of trading 30 to 40 times greater than the dollar turnover of the “real economy.” Each *month* several dozen huge financial firms electronically trade a sum of currencies, futures, derivatives, stocks and bonds that exceed the entire GNP of the United States. Finance was now a monumental, if tricky and unstable, undertaking. (Phillips)

That was in 1994, only the beginning of worsening processes with always more assistance from the White House and Congress, whether Republican

or Democratic. When Clinton (Dem) was in the White House most of the 1990s, his main financial advisors and officials were Wall Street heavies. Now Obama (Dem.) has had as *his* advisers the same people or their like: Robert Rubin, Lawrence Summers, Timothy Geithner. Add this perverse note: Even though he and his company have been a major exporter of U.S. jobs, “General Electric Chief Immelt (GOP) is to lead Obama’s head job push, but will continue to run GE.” (*NYT*, 2011-01-22)

Note this excerpt from the *New York Times* financial reporter Morgenson, regarding what had evolved already in 2007:

Last week’s ugly action in the stock market was caused in large part by fear about how badly banks will be hit by loan and securities losses. You know it will really be time to worry, however, when top regulatory officials start referring to the banks’ problems ‘contained.’ That was how they described the subprime mortgage mess in the preceding two years, even as it devoured home owners throughout the nation...But we do know is that because of its enormous and growing role in the U.S. economy a financial services downturn is likely to have graver economic consequences than ever before. (“Financial Threat to the Economy,” 2007-12-12)

In that same day’s paper, a major bank director was quoted as saying: “No one knows how big the challenges to the financial sector are: what I do know is that we have never had a more highly leveraged household sector than we have today.”

Let me conclude this section with summary notes regarding what had been coming around the corner as the 20th century was ending.

1. As the U.S. economy had come to be dominated by finance, finance had come to be dominated by *speculation* — which, as such, contributes nothing to the economy except the means for a self-chosen few to make money.

2. Finance and its layers of grossly overpaid executives add another form of exploitation to the capitalist process, paid for by those who are not among the leaders either of finance or the rest of the economy. This feeds already deep inequality.

3. Until recently, the financial sector served a mostly “lubricating” function, much as simple loans did in the pre-capitalist era. As the 20th century moved on, however, economies came to be inconceivable without networks of complex financial institutions (illegal until the late 1990s)

4. In the 21st century transportation and communications technologies have made intricate financial instruments quite common, very intricate, and *very* dangerous. They are more like bombs — real WMD’s — than instruments.

Off course, as has been outlined in the foregoing pages, all too many U.S. bombs were exploding after World War II, right up to end of the century. As the new century began, there would be both more bombs, another weakening of the economy, an ever more threatened environment and, to add to those worries, the emergence of the ludicrously named “Tea Party” and other political wildness, with neither the Wall Street-loving president or the bought-and-paid-for Congress taking us toward something less dangerous.

The 21st Century — Nothing but Problems

Bush Leaguers

We were off to the race straightaway. January 2001 the presidency was handed over to — probably stolen by — George W. Bush, with the help of his Governor of Florida brother and his ex-CIA chief daddy. The Bush family is a real piece of work, and the Bush dynasty is *prima inter pares*. Although the USA has had more than a few presidents and others in high places whose nature and behavior have been, to use a polite term, *questionable*, the Bushes take the prize.

The family is among the wealthiest and most powerful in U.S. history. Along with many members who have been successful bankers and businessmen, the family, across three generations includes two U.S. senators, one Supreme Court justice, two governors, one vice president, and two presidents. This is the most successful political dynasty in American history. (Wikipedia)

Not bad, but allow me to add this to the family résumé. One very vital – indeed crucial — job was also held in the family, that of head of the CIA. George Herbert Walker Bush, fresh from defending Nixon as the head of the Republican National Committee and acting as envoy to China, spent a year as director of the CIA. (This was second prize. He had been turned down as Ford vice-president.) Having helped out Carter with the October Surprise, this Bush then went into the White House himself, first as veep and then as president. His influence was crucial in having one of his sons

becoming governor of Florida and the other becoming governor of Texas (twice) and then also president.

As CIA head, Bush got his son into the U.S. Air Force during the Vietnam war, and saw to it that he would not be sent overseas. Instead son Bush flew back and forth over Texas and Louisiana, between drunken parties. When he wasn't AWOL.

How many more Bushes will the USA have to deal with?

Present Troubles

Now let us look at the first decade or so of the 21st century with its panoply of problems — its ongoing wars, growing economic weakness, and its increasing damages to the environment. As I write this in the Fall of 2011, President Obama is up to his neck in troubles with threats of worse on this way. As will be discussed later, some but not all of ongoing troubles are due to Obama's weaknesses, but even more were inherited by him from the Bush years, allowed to become worse by the lack of any significant political efforts from "the people" except those on the nutty right.

The sick economy has two overarching themes: (1) finance and recession and (2) Big Business and taxes.

1. Finance and recession Earlier the rise of the financial sector to prominence in the economy was given substantial attention. Now we turn to the larger economy over which it has become dominant, beginning with the ongoing recession. This awful period began in 2007 when the latest Bush was still president.

In the modern era, when a recession begins, it has been traditional that both the business community and the government trot out their time-tested, if hoary, nostrum. As regular and predictable as a Harold Stassen campaign was the authoritative assessment from on high that “Prosperity is just around the corner.” This was before anybody thought of talking about “the light at the end of the tunnel.”

(Years before, the Wobblies had seen through this nonsense with the popular lyric: “Live on hay / There’ll be pie in the sky when you die.”)

During the Great Depression, for six years after 1929, [official] unemployment rates persisted and rose toward 29 percent. Not until 1935 did President Roosevelt begin to assist the jobless people with public policies. And, as noted earlier, even those policies were dropped in 1937 at the insistence of the financial sector. They were worried, as usual, about inflation eroding profits. I point that out because the same folly is taking hold as this is written: Inflation! Inflation! There was no governmental employment rate until the 1930s, and then, as now, it was systematically understated. That is, only those are considered to be unemployed are those who are officially *counted*. Thus, as I write in 2911, the official rate is 9-to-10 percent. However, as Rasmus points out:

It does not count those 1) who, before the recession, were working full-time but now work half-time, with lower wages and lower or no benefits; 2) who have given up looking nor the young people just starting to seek work who give up or whose jobs are low paid and not those for which they were trained; 3) nor the old who have been discharged sooner ahead of time. If all those who are unemployed and *underemployed* were counted

(as, e.g., they are in Germany) the 'official rate' would be at the depression level: 17%. And add in the unknown young and old who have despaired of even trying.

So, what's the fuss? It is that the low official rate allows Congress and the White House to hold back from job or financial assistance and badly needed socio-economic programs. If it ain't broke, you don't have to spend money to fix it. And so the undercounting means there is a desperate need for programs to furnish well-being *and* jobs in housing, health care, transportation, child care...

We need another New Deal, but what we are getting is another 1937. Paul Krugman, often one of the most pertinent of today's economists saw it this way in 2011:

The U.S. economy has to grow 2.5% a year just to keep up with rising productivity and population. But even at 4% the —understated – unemployment rate would be close to 9% at the end of 2011 and still above 8% at the end of 2012. A rational political system would long since have created a 21st century version of the Works Progress Administration (WPA) of the 1930s. We would then be doing what needs to be done, repairing and improving our fraying infrastructure. (*NYT*, 2011-01-02)

Six months after Krugman's plea, Congress — with the support of Obama and despite seriously widening and deepening unemployment — continued to play Santa Claus for Wall Street, as is shown in the latest report of the Bureau of Labor Statistics. The *official* unemployment rate given by the

Department of Labor had dropped from 9.2 percent to 9.1 percent. *What — no parade?*

Now something tragically connected to jobs: *homes*

As of August 8, 2011, 4.38 million home properties were more than 30 days past due on mortgage payments and 2.16 million more were in foreclosures: combined those represented a total of \$1.27 trillion of unpaid principals.

(www.bloomberg.com/news/2011-08-21)

In July 2011 Standard and Poor's, the leading financial rater, took the unprecedented step of downgrading the USA's top rating of AAA. In doing so, S&P put pressure on Congress to make additional spending *cuts* and to cut social programs in order to reduce the high national debt. That downgrade itself leads to higher interest rates for federal and state government, business, and home buyers.

Prof. Joseph Stiglitz (Columbia University) saw that as just what the doctor did *not* order:

The restorative forces of the economy are very weak and the immediate forces that will be in place are worsening the problem: a Japan-style malaise. Falling stock prices can exacerbate the problem; firms with stock prices in decline will be reinvigorated to cut costs, lower wages, fire people and make people work harder. ("Rating Cut of U.S. Debt Echoes the Nervousness off Global Markets," *NYT*, 2011-08-06)

The U.S. economy is not recovering. The recession that began more than five years ago continues and threatens to repeat the 1930s. But with this worrisome difference: The country's war spending — a massive \$200 billion — got the USA out of the Great Depression it was in.

Today's recession took hold as we were already spending *\$3 trillion* on wars and sending thousands of armed forces into endless and insane wars in Iraq and Afghanistan, where they will be wounded, killed, or have their lives ruined. Not to mention the order of magnitude devastation wreaked upon the unfortunates who live there.

All this for what? Ask Wall Street.

2. Big Business and taxes In the USA in the 1920s big corporations such as U.S. Steel were well on their way to being common. (You may be amused to know that in the late 1930s I worked in one of their V.P.'s offices, until they kicked me out. Yes, I was summarily dismissed, already an abject failure in the all-seeing eyes of Big Business — at age eighteen.)

What was thought of as Big Business in those days and until after World War II would today be seen as small potatoes. The war was significant in causing the shift from *big* to *giant*. A lot of the growth can be attributed to two factors:

1. There were huge demands for almost all products (whether clothing, food, and weapons for the GI's, or trucks, ships, cannons, and bombs)
2. The already substantial prewar political power of big corporations was multiplied by the relaxation of virtually all principles in the name of victory.

That was understandable during the war, but not after. What happened was that once business power had been strengthened for war purposes, it was held on to and even increased after the war — not least because high level business officials became high level political officials. (Today this revolving door tends to go the other way, making a political career enticing because of the lucrative business and lobbying opportunities afterwards.)

So the war gave business a big shot in the arm. From Pearl Harbor on and into the 1970s (when an ever tighter concentration began to take hold) the march toward what we now have took hold. It was a new wrinkle to capitalism, domination by a few hundred companies of the economy and the entire social system. And except for a few economists and political scientists, little attention was given to that dangerous evolution. The most powerful, comprehensive, and revealing of such works was that of Baran and Sweezy, *Monopoly Capital: An Essay on the American Economic and Social Order* (1966). Importantly, the authors gave deservedly serious attention the social order, which is the essence of capitalism (for capitalism isn't just about money). The social order of monopoly capitalism has had a critical impact on all elements of our lives: from our schooling to our jobs to our mind management, to our wars — our entire socialization. And just how dangerous and harmful big business — *giant* business — has become is the focus of Reich's *Supercapitalism* (2007). Here is his summing up:

As 'supercapitalism' has triumphed, its negative social consequences have also loomed larger: widening inequality, as most gains from economic growth go to the very top, reduced job security, instability or loss of community, environmental degradation, violations of human rights abroad, and a plethora of products and services pondering to our basest desires.

From the 1940s up to the 1980s the USA was the dominant lender to the rest of the world, but beginning in the 1980s it was on the way to becoming history's largest borrower. It is more than an interesting example that the USA now owes *trillions* of dollars to China and India, two countries that for centuries had been leading *victims* of imperialism. That turnabout is more than amusing. It is confounding, for it is difficult — virtually impossible — to see how they (along with other lenders of more trillions) will ever be repaid, given that the USA shows signs of seeking to borrow more and more for its weakening economy. If, in 2012 Obama manages to keep the presidency but the Congress simply endorses the status quo, things will be ominous enough. But Obama may be replaced by someone even worse (all too possible, even if most Republican contenders are apparently from another planet). I shudder to think about the consequences.

To pile the economic misery even higher, there is the matter of *taxes*. Almost all of us grunt at the very word, but know that to have a safe and decent society, our government has much to do and it has to be paid for. Most of us also believe that who pays how much should be based on income — the more you make, the more you pay. But what most of us believe is fair and just is not what the U.S. government acts upon. It — this is “our” government? — sees to it that the rich get low taxes and the rest of us pay always more.

Things used to be less regressive. In 1950, the top income bracket had a tax rate of 91 percent. Today it's 35 percent. For investment income it is less than half of that: 15 percent for investment incomes (dividends, capital gains, “carried interest,” hedge fund managers' funds, and private equity interest). That the maximum rate; in some cases the rate is even lower.

We don't need to go all the way back to the 1950s. A 50 percent rate for incomes over \$1 million would raise \$48 billion in the next 10 years. Eliminating the "carried interest" provision alone would raise \$21 billion. (*NYT*, 2011-08-17)

Almost all of the rich see to it by one way or another — not least in "buying" Congress — their taxes are kept low. How else can the rich get richer? But there is at least one *very* rich guy — Warren Buffett — who retains some sense of decency. This is what he took the pains to point out in the summer of 2011:

While the poor and the middle class fight for us we mega-rich continue to get our extraordinary tax breaks. Some of us are investment managers who earn billions from our daily labors but are allowed to classify our income as 'carried interest,' thereby getting a bargain 15% tax rate: others own stock index futures for 10 minutes and have 60% of their gains taxed at 15% as if they had been long-term investors....My friends and I have been coddled long enough by a billionaire friendly Congress, It's time for our government to get serious about shared sacrifice. Billionaires like me should pay more taxes. (*NYT*, 2011-08-15)

Although in recent decades there have been all too many additions to the billionaire and multi-millionaire family, few if any are at all like Buffett. Indeed, they are very much opposed to anything or anyone who might tax them *at all*. That's why they put a large amount of money into politics — to see to it that their taxes will be minimized to the vanishing point. And they're having all too much success...

Dirty Politics

Adam Smith is usually seen as the “discoverer” of capitalism in his *Wealth of Nations* (1776), but the first practical guide for capitalists — although not intended as such — may be taken from David Ricardo’s *Principles of Political Economy and Taxation* (1817). In the generation between those two books, industrial capitalism grew — from infancy to youth. Ricardo’s point of departure is as follows:

The produce of the earth — all that is derived from its surface by the united application of labor, machinery, and capital — is divided among three classes of the community; namely, the proprietor of the land, the owner of the capital necessary for its cultivation, and the laborers by whose industry it is cultivated. In different stages of society, the proportions of the whole produce of the earth which will be allotted to each of those classes, under the names of rent, profits, and wages, will be essentially different. To determine the laws which regulate this distribution is the principal problem of Political Economy.

In Ricardo’s ensuing analysis the emphasis was on *class*. That was dropped like a hot potato by the economists of the 19th century. And it was never retrieved in the so-called “economics” that came to be taught. Those who have studied “econ” in U.S. schools will seldom have heard even a whisper of the notion of *class* or of Ricardo’s reasoning — that is, unless (as is unlikely) they have a prof of my sort.

Why the censorship? Because accepting reality of the concept of class would crash the ideological gates of the cloud cuckoo land of capital-loving

traditional economics. At the center of Ricardo's attempts to determine "the laws that regulate "income distribution" was his refinement of what Adam Smith had earlier called "the labor theory of value." So far so good. But then Marx, asking different questions than had Ricardo, shifted his analysis into capitalism's enemy territory when he transformed the Smith-Ricardo labor theory of value into a theory of the exploitation of labor by capital. The already stuffy economics profession, rather than responding to the Marxian critique, buried or circumvented the labor theory of value and flew up to the sweet clouds of "marginal utility."

Among those studying and teaching economics in the 20th century who saw capitalism as a perverse socio-economic system was Leo Rogin. For the last 20 years of his life, until his untimely death in his 50s, Rogin taught economics at UC Berkeley. In his *Meaning and Validity of Economic Theory* (1956) he showed that Ricardo's theory of value should be put to work as a theory of *power*. He argued that those who own the means of production (and land and equipment) *therefore* also control the means of life itself. and They thus determine how Ricardo's produce of the earth would be distributed among the three classes (proprietor of land, owner of capital, laborer).

Given that workers have nothing to offer but their labor (Rogin wrote), their share would not be proportionate to their contribution, but proportional to and devalued by their political and social weakness. (As contemporary Big Business has demonstrated economic strength is political strength. Economic strength begets the best politicians money and its ideology can buy.) Surprisingly, a few years ago, U.S. Senator Jim Webb (D. VA), expressed something of that view in — also surprisingly — in the national financial press:

The most important and the least debated issue in politics today is our society's steady drift toward a class-based system, the likes of which we haven't seen since the 19th century. America's top tier has grown infinitely richer over the past 25 years; they are living in a different country. Few of them send their children to public schools, fewer still send their loved ones to fight our wars. They own most of our stocks, making the stock market an unreliable indicator of the economic health of working people. The top 1% now takes in an astonishing 16% of national income, up from 8% in 1980. The tax codes protect them, just as they protect corporate America through a vast system of loopholes. The average CEO of a sizeable corporation makes more than \$10 million a year, while the minimum wage for workers amounts to about \$10,000 a year, and has not been raised for a decade. In the 1960s, the average CEO made 20 times what the average worker made. Today, the CEO make 400 times as much. (*WSJ*, 2006-11-15)

In the past century, industrial capitalist societies have been economically able to furnish most or all of their people what earlier was available to few or none. Able, certainly, but unwilling. The politics of those same societies have blocked the improvement. With a truly democratic politics, not a hollowed-out shell, the basic needs of health care, housing, education, and nutrition (and other less vital needs) would have been met. But our democracies have been *capitalist* democracies, where it is "normal" to have access to such needs grossly unequal — both painfully within the rich nations and monstrously in the imperialized world. As Paul Baran put it in his *Political Economy of Growth*, "It is precisely the relationships between the

poor and the rich peoples of the world that keeps both the poor *and* the rich that way.” Moreover, those striving to deny a decent living to the majority are doing their best to make an ugly situation more so. As Krugman pointed out in his 2007 book:

The wealthiest 0.01 percent of Americans are seven times *richer* than they were 30 years ago, while the inflation-adjusted income of most American households has barely edged upward, CEOs who typically earned *30* times more than the average employee in the 1970s now take home more than *300* times as much.

That such an explosion of income inequality could occur must be explained in terms of the changing relative political power of capital vis-à-vis labor. As we have seen, from the 1930s through the 1960s, unions multiplied and gained strength, working conditions improved, social security and public housing came into being, and there were gains in public education, and (at last) access to health care for the aged, poor, and disabled. From the 1970s on, however, all such reforms have increasingly been weakened or abolished. Here a few relevant numbers put forth a few years ago in the U.S. newspaper of record. Then numbers clearly show the political power of the few:

The increase in incomes of the top one percent of Americans from 2003 to 2005 exceeded the total income of the poorest twenty percent of Americans was \$283 billion in 2005; just the increase for the top one percent was \$525 billion, 37 percent higher than the total for the bottom 20 percent. The total income of the to 1.1 million households was \$1.8 trillion: 18,3

percent of the total income of the nation: up from 14.3 percent two years earlier. That was six years ago. The top 10 percent, top 1 percent, and fractions of the top 1 percent enjoyed their greatest share of income since 1928–29: About half of the top 1 percent comes from investments and business profits. (*NYT*, “Chasm Widens Between Rich and Poor,” 2007-12-16)

Long ago, Britain’s Lord Acton famously remarked that “power tends to corrupt and absolute power corrupts absolutely.” Now that the USA is the unchallenged global hegemon, since the 1970s (and growing ever worse), this overwhelmingly corrupt power has led to wars, wars, and more wars. (And the USA was *already* the most warlike nation in the history of the planet.)

The War on Whatever

The U.S. warring power is now so corrupt that, with no ostensibly credible real enemy, after beating up the defenseless, the USA finally declared it doesn’t even need an enemy to wage war. That’s the crux of the ongoing “war against terrorism.” This apparition has no specific location; a futile, facile, and often fact-free designation of terrorists; no goals; no end — only an unlimited black budget. Unlimited power, unlimited corruption. In addition, we now are confronted with the ghastly specter of a war against Iran.

The fact that a war on terrorism makes no conceptual sense is not meant to suggest that there are no terrorists. But it is to suggest that the term is misleading. As Noam Chomsky continues to point out, a leading (if not *the*

leading) terrorist country is the USA. And he has a solution: “Everybody's worried about stopping terrorism. Well, there's a really easy way: stop participating in it.”

But those *we* (that is, the USA rulers) call terrorists are almost entirely from the Middle East, and it is reasonable to suggest that they see themselves as fighting a war against lingering imperialism, with the USA as the main culprit.

Fighting the foreign oppressor is not a new activity in the Middle East, where imperialism goes well back into the past. Its major participant (or more accurately *perp*, to use contemporary lingo) was Great Britain. Then, as noted earlier, when Britain began its withdrawal from its control over various parts of that region, it was not long before the USA stepped in, prompted mostly by the oil of that area and its strategic location with respect to a potential war with the USSR. An important addition to those reasons was the pressure of the American Jewish population to assist in the arming and protection of Israel (including cooperation in its secret possession of atomic weapons).

President Obama has vigorously gone along with U.S. wars and as yet done little to seek safe and peaceful relationships with Iran, made more difficult by its present leadership. Those difficulties are much due to Israel's obvious wish to have a war with Iran and to the eccentric and provocative behavior of Iran's leader. A war with Iran may well be unilaterally initiated by Israel, justifying the unprovoked attack as “preventive war.” In this regard, Israel could even cite a certain U.S. president, who during his reign in 2001 declared (at West Point, the U.S. war college): “If we wait for threats to fully materialize, we will have waited too long.” But a war staged by Israel alone

cannot be won unless this Mideast US proxy is joined by the mighty USA itself.

Such a ratcheting up of hostilities, a first step toward a wider war, should be seen as insanely dangerous. It would also be monstrous and disgraceful behavior on the part of both the USA and Israel (but both would shrug it off). Plus, it would serve as one more basis for the spread and deepening of terrorism among the peoples of the Middle East.

The Holocaust does not justify and support Israel's militarism. At worst, Israel is bent on the genocidal treatment of the Palestinians in a slow-motion replay of what happened to European Jews in World War II. At best, Israel is attempting ethnic cleansing, trying to make conditions so unbearable that the Palestinians who manage to stay alive will be only too glad to depart — for anywhere else. And those who choose to remain — or more likely, cannot leave — can then finally be herded into formal or de facto reservations. Or simply cut off (as is happening with Gaza). Israel will not be setting a precedent. There are slightly more than 300 federal ghettos for Native Americans in the USA, run by the traditionally barbarous and racist Bureau of Indian Affairs. For “Indian” the Israelis can simply substitute “Palestinian.”

At present, war with Iran is a volatile, very unstable possibility. Anything could happen — today or tomorrow. Stay tuned. (And stay tuned up for action!)

Behold the Poisoned Environment

At this late date, it should be clear — in fact, obvious — that unless substantial changes in how, what, and why we produce things are made, the world will soon sink into irreversible problems of air and water that will threaten our very existence. Throughout history, destruction and waste have been common, but not until the past century have they become lethal. Unless our destructiveness is substantially reduced and reversed — and quickly — all living creatures will face disaster.

Much that is justifiably worrisome has been and is being said of our precarious environment these days, but I find the following to be both penetrating and readable. I quote from a Fall 2011 article by John Bellamy Foster:

It is no secret today that we are facing a planetary environmental emergency, endangering most species on the planet including our own, and that this impending catastrophe has its roots in the capitalist economic system. Nevertheless, the extreme dangers that capitalism inherently poses to the environment are often inadequately understood [and give] rise to the belief that it is possible to create a new ‘natural’ or ‘climate capitalism’ in which the system is turned from being the enemy of the environment into its savior. The chief problem with all such views is that they underestimate the cumulative threat to humanity and the earth arising from the existing conditions of production. (*Monthly Review*, September 2011)

Foster goes on to quote Veblen who, writing in 1923, had seen the threat to the environment posed by the emerging giant corporations:

‘The American plan’ of resource exploitation is one of accumulation by encroachment on both the environment and the indigenous population with a settled practice of converting all public wealth to private gain on a plan of legalized seizure: to turn every public need to account as a means of private gain and to capitalize it as such....[In that process] staple resources were overexploited by speeding up the output and underbidding on the price, leading to a rapid exhaustion and the waste of the natural supply.

Often uncannily prescient, Veblen also foresaw that the mere foolishness of his time would become the utter disaster of the future. He observed and worried about:

1. Explosive consumerism, with its deceptive advertising, innumerable cosmetic product variations, planned obsolescence, and societal devastation;
2. Increasing military spending (and its jobs and profits);
3. Burgeoning economic, political, and social power for the giant corporations (the beneficiaries of both consumerism and military spending).

In 2005 alone, U.S. companies spent over a *trillion* dollars on advertising; and it paid off, not only in profits but also in clouding and corrupting minds and politics. As I pointed out in my *Waste of Nations* (1989):

To say that capitalism has been simultaneously the most efficient and the most wasteful productive system in history is to point to the contrast between the great efficiency with which a factory produces and packages a product, such as toothpaste, and the contrived and massive inefficiency of an economic system that has people pay for toothpaste a price over 90% of which is for the marketing, not the production of the dentifrice.

When I was a little kid, my hard working mother often said to me “Waste not, want not.” Since World War II, parents say, “OK, kids, let’s borrow as much as we can, drive to the mall, and then buy — everything.”

Conclusion

Whether in the USA or much of the rest of the world, “We the people” have allowed ourselves to be hypnotized by those seeking — and getting — always more profits and power. (“More! MORE! I’m still not satisfied!”
–Tom Lehrer)

What is bad already is soon more likely to become worse, with an always weakening economy and higher unemployment, endless and worsening wars, and a destroyed environment. It is up to *us* to become politically involved. We may not win if we do. We will certainly continue to lose ever (and forever) more if we do not.

When Obama was elected, many of us hoped the USA would turn toward being a decent and safe society. Our hope turned out to be a pipe dream. Obama is always more inclined to get along than to fight, and as most of us

relaxed, the Right, energized by racism and facilitated and manipulated by the rich, went to work. Obama may well lose the next election. If he does, those who are angry with his presidency will find the U.S. undergoing a sharp twist toward a worse economy and even worse foreign policy. Disappointed though we may be with Obama, I believe we nevertheless must give him vigorous support in the next election. At the same time, we must demand that he work hard for social decency and peace, and not continue to look the other way from our worsening indecency at home and deepening wars. Obama's commitment is timid and his inertia is overwhelming; we have to push him.

Meanwhile Wall Street, racists, socio-economic conservatives, and quasi-fascists will continue to be politically involved, putting lots of money and energy to make the society even worse. We who yearn for decency and peace must — as did our brothers and sisters in the past — put less time into shopping and more thought and more time into the politics of decency and sanity: and savor the process, enjoy the work. Otherwise, present tendencies will take us over the cliff toward Americanized fascism and suicidal wars, which will take us down in flames. If we work away at it, it we *could* become, finally, a nation “of, by and for the people.” It's up to us.

I'm in my 90s and I'm sure as hell going to do as much as I can. So how about you?

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