

Wall Street and the Financial Crisis — What's Next? (That's Up to Us)

by Doug Dowd

The modern era was born in the 17th century. Its defining characters were capitalism and the nation state. The functional role of the state was to protect and to enhance capitalism's needs and desires at home and abroad. As capitalist societies strengthened and expanded, their defining characteristics at home evolved: ruthless exploitation and poverty for most and riches for a few and never-ending imperialist actions abroad.

Among the consequences of those activities are (1) the Great Depression of the 1930s in the USA, (2) the two world wars, and (3) the revolutions and counter-revolutions throughout Europe. Fortunately, from those raging disasters some lessons emerged. Thanks to their military disasters, most of the Europe nation states lost most of their empires. Europe also became war-hating and less autocratic economically and politically. *For a while*. For several years after World War II, the USA combined good basic sense with generosity to assist Europe; at the same time, however, it made uncountable efforts to move in on the ex-imperialized societies.

A generation later, the constructive set of lessons learned from the bloody past went sliding down the memory hole. By the 1970s greed and violence had returned. Now they are at center stage, and we — the USA and the more developed nation-states — are stumbling once more toward socio-economic disasters and wars.

There are at least two great differences between the 1930s and now — in matters economic and military. First, economics. I begin with a right turn to the financial district.

Wall Street — Past and Present

As the 20th century began, scientific and technological developments provided the basis for much better and safer lives for all: a promise to be realized, *iff* (as mathematicians put it) — *if and only if* — accompanied by substantial democratization of both the economy and politics. Of course they were not. In the USA those developments were more fully realized than elsewhere. The strength of its economy had accelerated greatly as the 19th century was ending, and even more by World War I. The war's economic demands were not only a great gift to the U.S. economy, but the gift was greatly enlarged because the war was politically and economically disastrous to the UK and Western Europe.

As prosperity in the 1920s took hold, likewise did the explosion of Big Business and its associated political strength. The great crash of 1929 and the ensuing depression very much weakened the political powers of business, and especially those of Wall Street. *For a while*. For a few years in the mid-1930s there was a "New Deal," which — in spite of the blustering, threats, and slanders of Big Business — actually paid attention to the needs of the general public.

These policies which were augmented during and after World War II. The business community was enormously benefitted by the war and in effect looked the other way when decent social policies were being put in place in the 1950s and 1960s. However, as the 1960s ended the business community

concluded that workers didn't need anything more and systematically re-politicized. Meanwhile, all too much of the public, fueled by good times and inflation, de-politicized and went shopping.

Thus it was that since World War II, and accelerating since the 1970s, economic and other social policies harm the people and benefit Big Business. And these days, U.S. Big Business is no long manufacturing. ("What's good for General Motors-"). Big Business is synonymous with the business of Wall Street. We have experienced the financial takeover of politics and the increasing dominance of speculation over finance.

The shift didn't happen overnight. Already in 1990, *Fortune* announced: "500 *financial* companies have revenues equal to more than two-thirds of the production of the entire economy, exceeding the national totals of Japan and Germany, the next two largest national economies."

Here is some back story:

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 a 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. (Phillips)

That was in written in 1994. It only the beginning. Presidents, Congress, Democrats, Republicans: *Everybody* was in on the scam. Consider:

1. Clinton (a Democrat) was in the White House most of the 1990s. His main financial advisors and officials were Wall Street heavies.
2. Now Obama (a Democrat) has had as his advisors the same execrable people or their heirs and successors: Robert Rubin, Lawrence Summers, Timothy Geithner.
3. “General Electric Chief Immelt (head of General Electric) is to lead Obama’s job push, but will continue to run General Electric.” (*NYT*, 2011-01-22)
4. In that same week, Obama appointed William Daley as his Chief of Staff. He’s the top executive of Wall Street’s JP Morgan Chase.
5. Clinton severely cut back social services (in fact, essentially ending welfare as we know it).
6. Clinton deregulated financial services (started by Carter and Reagan).
7. Clinton and Congress instituted NAFTA, a boom for capital and a disaster for labor (around the hemisphere).

Things used to be very different. As World War II ended, the USA was Number One in all socio-economic and political terms, and the greenback was the unchallengeable currency of world trade and investment. Then as the other once-leading capitalist nations regained strength, globalization

took hold. Along the way, the USA was downsizing and outsourcing jobs, consumerism became its leading drug, and the USA was transformed from being *the world's largest lender* to become *the world's largest ever borrower*. (Reich)

In the year 2000 the *euro* became the currency of the leading European economies. The dollar and the *euro* exchanged equally. However, by 2007, the *euro* had risen by 50 percent, and traded at \$1.50. Meanwhile, as a frightening slump on Wall St was arriving, a justly admired financial commentator had this to say:

That ugly action was caused by fear about how badly banks will be hit by loan and securities losses and regulatory officials referred to the problem as 'contained.' That was how they described subprime mortgage mess two years ago, even as it devoured home owners throughout the nation. Because of its enormous and growing role in the economy, a financial services downturn is likely to have graver consequences than ever before. (Gretchen Morgenson, "Financial Sector Slump a Threat to the Economy" [*NYT*, 2007-12-12])

We will be lurching toward social suicide if we continue to allow our economy to be ruled over by high level gambling, if we sit back as our nation involves us in endless wars, if we allow our human and social needs to continue to be neglected.

And it's not just the U.S. society at stake. The world has become a smaller place, a shiny blue-white marble. We are one humanity, and business as usual will be the end of us.

Now a closer look at the ugly realities of Wall Street domination in the USA.

The Economy

So what if in recent decades finance has come to dominate economic and much social life in the USA? Doesn't somebody or something have to dominate? Morgenson (cited above) also provides some bothersome facts concerning *profits*, how they are made, and by whom: "Profits from the financial sector in 2007 accounted for 31% of total corporate earnings, as compared with 8% in 1950." She goes on to quote a major bank director: "No one knows how big the challenges in the financial sector are: what I do know is that we have never had a more highly leveraged household sector than we have today."

It is vital to add that just as the economy has come to be dominated by finance, finance has come to be dominated by *speculation*, ruled over by layers of grossly overpaid executives. Speculation contributes *nothing* to the economy or society; it is fun and games (and often vast fortunes) for the gamblers and only for them. Until recently, the financial sector served a lubricating function, much as simple loans did in the deep past, vital but not running the show. That state of affairs changed. As the 20th century moved on, economies came to be seen as inconceivable without crowded networks of financial institutions. And now in this 21st century, transportation and communications technologies have made intricate financial instruments common and more like live bombs than melodious instruments. Already in 2008, George Soros, one of the most successful financiers of our time, warned: "We are in the midst of a financial crisis the likes of which we

haven't seen since the Great Depression." (Soros, 2008; also see Foster, 2011.)

Three Aspects of Finance

Now let's take a brief look at three of the important dimensions of the ongoing financial system: (1) how the present situation came to be; (2) the system's functions and importance; (3) its great and always increasing fragility.

1. From banks to high finance to gambling casino In a capitalist world nothing ever stays the same. In our time financiers have changed from being "intermediaries" to *controlling* those they had once "mediated" in trade and production. Over time, and most markedly from the 1970s, they did so partially because the leading nations entered a prolonged slowdown in the realms of profitable production called "stagflation." It was then that speculative finance began its march toward sheer dominance. Stagflation began to return in 2007: deflation and recession in some countries, inflation and recession in the others. (Phillips; Dowd, 2004)

Financiers may or may not provide a useful service, but they do not *produce* anything. Decisions are often made for a producer by financiers and may be seen as contributing to production, but the vast incomes of CEO's are not in accord with their "work." Indeed, their incomes are often stratospheric even when, as now, the companies they have ruled over are ongoing severe financial losses.

In 2007, as jobs were already being lost and average incomes were decreasing, the U.S. Congressional Budget Office announced: "The

increase in incomes of the top 1 percent from 2003 to 2005 exceeded the total incomes of the poorest 20 percent of Americans: the total income of the top 1.1 million households was \$1.8 *trillion*, or 18% of US total income, coming from investments and capital gains. In 2003, taxes on capital gains were *reduced*. (NYT, 2007-12-17)

The early industrial capitalists were indispensable to the technological or the creative nature of their enterprises. But the “creative” functions of the industries following them (such as textiles, communications, and cars) are more accurately seen as those of *operators*, adept at putting together giant companies by any means at hand, barely distinguishable from the August military generals who let the GI’s “do the work.”

2. Changing how finance works My discussion will revolve around the USA. Realize, however, that the actual practice of finance has been globalized. The first big jumps were taken as the prosperous 1950s ended. They were the years in which the reconstruction of West European and Japanese economies had made them not only competitive with the USA (in autos and steel), but had done so in a world economy moving toward excess capacities. Those developments gave rise to the most dazzling round of mergers and acquisitions (“M&A’s”) — which then multiplied in the 1990s. Those developments reduced the incentive for “real” investment in new or existing production facilities.

As Wall Street became the ultimate home of M&A’s, it also became their main office and their prime beneficiary. The incomes of financial companies fall under the categories of both interest and profits but what is more important are their quantitative and qualitative meanings. In that connection, the statistical tendency after 1949 is illuminating (and

shocking): In 1949, corporate profits (of *non*-financial companies) were *ten times* as high as those as interest for financial companies; in 1959, *five times* as high; in 1969, two and a half times; in 1979 less than double; and since 1989 *non*-financial corporate profits have always been *less than* the interest paid financial companies. (*Economic Report of the President, 1995*)

Put differently, in those years the traditional role of interest in the economy was reducing. That signified a major transformation in the overall functioning of capitalism. Since the 1960s, corporate profits themselves have included large gobs of interest, not only because the number of financial corporations as a percentage of all corporations has risen greatly, but because an always rising percentage of the giant producing corporations have themselves merged with or created their own large financial institutions (e.g., both GM and GE are giant money lenders).

Here some consequences: In the 1970s the financial sector was subordinate to Congress and the White House and the yearly total of financial trades by Americans was less than GNP. But, to repeat what was suggested earlier, by the 1990s, through a 24-hour-a-day cascade of electronic hedging and speculation, the financial sector had swollen to an annual volume of trading *30 or 40 times greater* than the dollar turnover of the “real economy.”

Add to that enormous amount of financial dealings the growth and spread of numerous and interacting financial developments: Equities and pension funds, the astounding increase of household, business, and governmental debt, the spread and deepening of insurance companies and their mergers with other financial companies, the expansion of amateur and professional speculators and derivative markets and their inscrutable instruments. (Henwood) .

3. Increasing fragility — business as usual In the 21st Century Wall Street has become the HQ of big deal gambling, leaving the small potatoes to Las Vegas. How dangerous it has become was painfully revealed by the savings and loan (“S&L”) scandals of the 1980s. A quick look at the original function of the S&L’s reveals the scandals of our time and deepens the pain. Created in the 1920s, the original purpose of the S&L’s was to create “regulated neighborhood thrift banks” which, through ceilings on their interest charges, would enable middle-income working class families to buy a house. Given the low incomes of workers in the 1920s and 1930s, that lofty aim didn’t mean much — until after World War II.

Then came the war and prosperity. By the 1960s, two-thirds of US families were homeowners. Those good results finally ended and were pushed farther aside in the 1980s, when President Reagan (a former hero — of HUAC) and his pals began the financial deregulation that opened the door for, among other messes, the subprime disaster.

Financial activities were increasingly taken over by sharpies, fools, and outright crooks. By 1984 one after another of the S&L’s had collapsed, and the basis for *today’s* collapse(s) was set. What had been socially-useful banking had become a gambling casino (with many variations). The Reagan government and those since, White House to Congress, have seen to it that those who *caused* or overseen the subsequent debacle(s) were not themselves to lose any money for creating the basis or presiding over the disasters along the way. (J. Madrick and F. Portnoy, “Should Some Bankers Be Prosecuted?” *New York Review*, 2011-11-10)

All those shenanigans should have been a warning of what was to come in the 1980s and up to the present. But there were mere harbingers — and

completely ignored. Note first that the cost to U.S. taxpayers for the S&L debacle was \$100-to-500 *billion*. That was peanuts. Subsequent fun and games are in the process of costing *trillions* to bail out Wall Street's multi-millionaires and billionaires.

For the S&L crisis a new government agency was created. Its lawyers and accountants were paid \$600-plus *per hour*. (Soros; Pizzo, et al.) In November 2008 the bailout was \$700 *billion*. Financed by massive borrowing and enlargement of the federal deficit, the bailouts served largely to safeguard bank investors and assets. "The result has been and will continue to be not just to prop up the stock market but to allow it to keep hitting new highs, while Wall St. firms achieve always new record earnings and continue to eat the real economy." (Phillips)

Michael Lewis, who had been working as a bond salesman for Salomon Brothers, left in disgust and in 1989 wrote a revealing book about what was going on. It was called *Liar's Poker*. Nearly 20 years later he put together a set of articles by himself and others: *Panic: The Story of Modern Financial Insanity*. In it, he laments "I had hoped that college students trying to figure what to do with their lives would read it and decide that it's silly to phony up and become financiers....But I was knee-deep in letters from college students asking for other secrets to share about Wall St: they had read my book as a 'how-to-do-it manual.'"

When economists and politicians exhort us to "listen to the markets," the markets they have in mind are those for stocks and bonds, derivatives, and currencies, to which government leaders everywhere acknowledge *they* must listen. Were the general public to be reasonably well-informed on those "markets," they would deem it risky indeed to have their economic and

social well-being so dependent on the activities of speculating gamblers. More than 70 years ago, in his *Economic Consequences of the Peace*, Keynes put forth the dangers of what was already well on its way to take over the economy:

Speculators may do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes the bubble on a whirlpool of speculation. When the capital development of a country becomes a byproduct of the activities of a casino, the job is likely to be ill-done. (1936)

The foregoing treatment of the financial world would be worrisome enough if that were all; but there remains to be examined the dimensions and dangers of its household, financial sector, and U.S. external *debt*. In December 1999 the nature and levels of those debts had risen to the point that *Business Week* dedicated an issue to it: “Is the United States Building a Debt Bomb?” Their answer was given in the details below, preceded by the warning that “it is not only the high levels of debt but the reasons *why* they have been and continue to be incurred that are troubling.”

Household debt as a share of disposable income rose from 62 percent to 102 percent in 1999; *financial* sector debt as a share of GDP more than quadrupled from under 20 percent to 80 percent, and U.S. foreign debt more than doubled, from \$1 trillion to over \$2.5 trillion.

That was for last of the 20th century. Today U.S. foreign debt exceeds \$6 *trillion* (a third plus of which is owed to China). *Business Week* went on to state that “those outside the financial world would be startled to learn how much borrowing those inside have been doing (and why). It is common

practice for all financial companies to repackage the loans they have made and sell them as bonds and notes — creating debts of their own.”

The numbers were already huge in 1999. Now they are much bigger. This is, nonetheless, a replay of 1929, for there are many large and small differences. But they are more likely to be frightening than reassuring.

For all nations what happens nationally today is much more strongly linked to the international than in the past. The world is, in effect, smaller. During the depression of the 1930s, all of the leading nations except the UK and the USA were ruled by totalitarian governments. For better and for worse, that meant that the economic crisis of that past was not at all as interlinked as now.

Today a serious economic crisis in the USA or Europe is likely to spread very quickly over the rest of the one world. Such a crisis is in its first stage in the USA as I write (late 2011). Thus, as the USA struggles with a stubborn recession (all too similar with the years 1929–1934), Europe is also struggling with deepening and spreading financial troubles — which seem likely to spread and deepen and could lead to the breakdown of the European Community.

If so, what happens to world trade and the economies which depend upon it? What could China do to have its \$2 trillion debt paid off and still have its voluminous exports continue? China is a leading creditor, but it is not alone. But being in the same boat doesn't necessarily lead to cooperative efforts. Many or all of the nations involved are more likely to look out for themselves first (and perhaps last), rather than to work for the international cooperation that is essential for the good of all. (Bacevich)

After the depression and world wars had done their disasters, many sensible policies were passed by Congress in the USA and governments in Europe and Asia. The respite was, alas, temporary. Now, of late, the governments in Europe and the UK have reversed decent postwar policies and find themselves lurching toward a deepening financial crisis. Meanwhile, in the USA, Wall Street continues to have its way and continues to make its fortunes. It is enabled and assisted by a bowing, kowtowing, genuflecting Congress and a feckless, complacent White House. As Wall Street continues its enrichment, the public looks more at price tags and bank notices than at Congress and the White House.

Politics

The foregoing discussion of economic doings had politics at its spine. When economics began, it was called “political economy”; today it might well be called “The political economy of global big business,” for the *key* factors of economic, political, and social existence — including war and peace — are in its hands. Up to now, the USA has been in the lead of those realms, with the consent of giant European and Asian companies. Of course, from time to time there have been deviations, defections — even conflicts — but the USA has usually had its way. Now, however, because the USA has been transformed from being history’s largest lender to become its largest ever borrower, its decisions are beginning to be challenged.

Increasingly since the 1970s, the tendency of domestic policy has shifted from moderate to severe degrees of conservatism at home and to endless militarism abroad. As the 20th century began, Big Business had already taken the seat of power, and that power increased and broadened substantially in the 1920s. This unchallengeable power, however, finally had a downside,

when corporations and business moguls were blamed for the depression. The war and early postwar years were a period of substantial political strength *of the people*, including the birth of strong unions. But by the 1960s the popular push toward political strength was weakened and that of business regained. People were running away from the stresses of politics and toward buying and borrowing and media madness, while in those same years (and especially from the 1970s on) the business world consciously began to organize itself. (McChesney, 1999)

Thus it was that in the elections from the 1970s on, whether Democrats or Republicans took the White House (or local and state offices), the upshot was pro-business politics at home and pro-war policies abroad. The Republican poster boys were Nixon and Reagan; the Democratic poster boys were Clinton and Obama. The Democratic and Republican presidents: birds of a feather.

I will dare comment on the elections of 2012. As of now, the Republicans dominate the Congress. We must do as much as we to find, work for, and get elected reasonably decent candidates for national (and, of course, local and state) politicians. Given the economic troubles now well on their way, it is likely that decent men and women will seek offices around the country, but they cannot be elected without substantial assistance from us.

It is absolutely critical, in my view, that the Republicans do *not* get the White House. Although I worked for Obama's presidential election, I have also been among his severe critics. Nonetheless, I am convinced he *must* be re-elected. There is, I am sorry to say, no hope of electing a third party of our choice. But we need to help Obama to be re-elected. But — we must let Obama know that we will work for him if and only if he immediately goes

to work for decent national and foreign policies. That goal will not be easy to accomplish, but it will be much easier than trying to survive a Republican president and Congress. We must do all that we can to become the (countervailing) power of power politics.

Taxes, Taxes — We Don't Need No Stinkin' Taxes

Socio-economic realities in the USA have long been dominated by power politics. Look at how successful the politics of the rich have been regarding *taxes*. Here a few examples, given us in 2011:

In 1950 the top income bracket had a 91 percent rate; today the top is 35 percent, and for investment income. 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)

Here's a striking statement, both surprising and pleasing, from a few days earlier in the same paper. Warren Buffett, the incredibly successful (billionaire) investor, made this uncommonly frank admission with a stunning proposal:

While the poor and 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 incomes 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)

Mr. Buffett was serious and his fellow rich guys were furious for days after. It’s up to us get serious from this day on, and never stop. That takes me to a set of related set of three realms heavily influenced by the what the financial sector does or does not support: 1) wars, 2) social needs, and 3) the environment.

Wars and Windfalls

Question: What have wars got to do with finance? Answer: Plenty. Since the end of World War II the military have received much more by far from the U.S. Treasury than all the following taken together: health, housing, education, and environmental protection. I remember still how, for a while after World War II, it was generally hoped and assumed we had learned: “No more wars!” Meanwhile we were on the way to substituting for the French in Vietnam.

But the many years of countless dead and wounded behind there were not enough. As the 1970s were ending, thinking it could trick the Soviet Union to take a beating, the USA armed a minuscule group of militants called the Taliban to fight the invaders. The Russian bear was bloodied for nine years and left with its tail between its legs. The Taliban cooled off, got poor again, and then finally got smart and took over the opium business in Afghanistan.

As the 20th century ended the Taliban had both money and military clout. What happened next...

In the aftermath of September 11, 2001, President Bush conceived of a bold offensive strategy; vowing ‘to take the battle to the enemy, disrupt his plans, and confront the worst threats before they emerge.’ The military offered the principal means for undertaking this offensive, and U.S. forces soon found themselves engaged on several fronts. (Bacevich)

The USA went on the offensive in Afghanistan and Iraq. We are now in our 11th year of war against the Taliban and making believe we are exiting Iraq. We cannot “win” either war, but we have inflamed neighbors (most dangerously Iran). As a result, in my judgment, the USA has placed itself on a path to self-destruction.

But what has all this to do with finance? It should not be hard to guess, given that wars are fought with mountains of weaponry, the production of which is done and paid for — to put it politely — generously. Here a few facts, starting with the *trillions* of “milex” [military expenditure] dollars *before* the war in Iraq. The total cost of official milex from 1946 to *before* 2003 was about \$12 *trillion*. Since then, and looking at only the Iraqi war, the title of Joseph Stiglitz’s 2008 book gives this brain-boggling answer: *The Three Trillion Dollar War*. If anything, that amount is an understatement, for those trillions do not include the payments to 100,000 private contractors working in Iraq, 50,000 of whom are or were the private security operatives of a giant firm, the former Blackwater Worldwide, originally assigned to protect US diplomats.

That millex windfall is for only one war. Then there are the many years of Afghanistan, the announced or secret expenses for a potential war with Iran, or the ongoing expenses for new weaponry, what is being wasted on the phony, but much ballyhooed, “war on terrorism.” There’s no end to profits to be made...

The *International Herald Tribune* gave a useful summary statement: “The Pentagon’s budget spending on ongoing and potential wars in real dollars since 2000 is equal the rest of the world’s defense budgets combined; the highest level since World War II.”

Those *trillions* went and go mostly into the pockets of a few hundred of the already very rich who get countless millions a year, as young assistants get at least hundreds of thousands. Those might even be seen as acceptable if society as a whole were thereby improved; but it’s just the opposite.

Certain themes in history may repeat and, when they do, the encore is usually much worse. (Consider World War II vs. World War I.) In the financial world these days, just as in the 1920s, while the rich-getting-richer were having a fine old time (for themselves) with the economy, they were also unconcernedly digging graves for the rest of us. (But why not? As Noam Chomsky has observed, when you’re walking down the street, you’re not concerned in the least about the ants you happen to be stepping on.)

So there’s a connection today between Wall Street and Main Street. The USA has had worsening wars in recent decades. That is bad enough. That our society has deteriorated badly along the way makes it worse. But that Wall Street has also become greatly enriched along the way has the stink of criminality.

What Is To Be Done — Or Not

As financial sector took the place of the industrial sector in terms of political power, it also became liable for what is or is not being done in two absolutely critical areas. The financial sector now has a dual responsibility that it considers outside its purview. The financial world is not a moral agent. It has not moral culpability, its servants would argue. Plus, by law, corporations must — to the exclusion of all else — provide value for their shareholders. That's the way corporations have to operate. Their function is solely to make money. Non being nonprofits, they simply have no choice. So the financial sector has now on the hook for two commitments:

1. To maintain or increase social well-being
2. To protect the environment

What's happening? We are lurching downhill in both respects. Wall Street celebrates its always rising pile of money (and invests a lot of it in politics, to see to it that Congress and the White House are on board — which they are.)

But Are Social Needs Profitable?

Education, health care, housing, support for the aged and the needy: These are critical if there is to be a and decent and decently functioning society. After World War II they were beginning to be taken care of, more in Western Europe, but overall much less so in the USA.

Since the 1970s there has been an always stronger decline. The only achievements were made in years when a substantial percentage of the public involved itself politically. But today — in a kind of Veblenian pernicious emulation — an increasing percentage of the public in Western Europe has copied the USA M.O., in borrowing, in buying, in watching TV. To make matters worse, at the same time the business world created research groups (and the Right created think tanks) to advise the powerful what to do to keep society moving downhill and backward. Their efforts have paid off handsomely, with the displacement of relatively progressive politicians by conservatives (and ultraconservatives) in the USA, the UK, and Western Europe.

When Obama won the presidency in the USA, decent people expected (or a least hoped) that the tide was turning for the better in the USA. But Obama has consistently taken considerably more direction from the right-center than from the left-center. He has listened only to Wall Street, not Main Street. His flaccid and regressive tendencies cannot be reversed unless and until turn our energies more toward politics. For those accustomed only to a commitment to shop-till-you-drop and checking a name on a ballot every few years, a further commitment will be something of a chore. Paying closer attention to government means more than watching Fox News or listening to NPR. It means getting out and doing something about the distribution of power in the world.

An Environment To End All Environments

Unless substantial changes in how and what we produce and consume are made very soon, the world will sink into irreversible problems of air and water and ultimately, life itself. Although destruction and waste have always

been common, now they have become lethal. Unless and until our destructiveness is substantially reduced and reversed, all living creatures will face disaster, for we have increasingly poisoned the air, earth, and water. And the fire we make is nuclear.

Regarding our precarious environment, I find most penetrating a recent analysis by the John Bellamy Foster. Here's an overview...

It is no secret that now we are facing a planetary environmental emergency, endangering most species on this planet, including our own....This catastrophe has its roots in the capitalist economic system...Nevertheless, the extreme dangers that system 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 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)

In his analysis, Foster credits and quotes from Veblen's earlier critique of the wastefulness of monopoly capitalism (*Absentee Ownership* [1923]):

'The American Plan' of resource exploitation was one of accumulation by encroachment on both the environment and the indigenous population, converting all public worth to private gain on a plan of legalized seizure, every public need a means of private gain...as staple resources were overexploited

by speeding up output and underbidding on the price, leading to a rapid exhaustion with waste of the natural supply.

Thus was the stage set for monopoly capitalism and the collusive methods of turning public wealth to private gain by means of regulated scarcity and monopolistic pricing, especially in the timber, coal, and oil industries. That meant first prodigious waste and ultimately monopoly control by a few absentee owners who, Veblen remarked of lumber companies, “have destroyed appreciably more timber than was utilized.” (*Ibid.*)

As the 1920s rolled on the giant companies took the economic lead. Then, in combination with expanding consumerism and massive advertising, they reduced production costs, restricted outputs and made endless product variations.. Veblen foresaw all that in 1899:

The infiltration of salesmanship into production was the proliferation of waste...that does not serve human life or well-being. To which, Foster adds “Much of the initial demand for purchased goods under monopoly capitalism was due to Veblen’s ‘invidious pecuniary comparison,’ i.e., status distinctions arising from having something beyond the reach of others, and the associated forms of “conspicuous consumption’ and ‘conspicuous waste.’ (*Theory of the Leisure Class*)

The volume and composition of contemporary production is determined by profit maximization, period; they do little to meet human needs, but all too much to hasten social and environmental dangers. In sum, whatever else poisons the environment, industrial and financial capitalism have created always more destructive waste.

Conclusion

“We the people” have allowed ourselves to be hypnotized by those who live for profits, power, and wars. As I write, what is already indecent and dangerous is more likely than not to worsen. Few if any of the governments in the rich and powerful nations are seeking ways to reverse ongoing dangerous tendencies. Indeed, as in the interwar period of the first half of the 20th century, today’s main tendency is to accept functionally totalitarian governments, allowing economic and political matters to lurch from awful to suicidal.

The USA, once the leading nation of the world, is now on its way toward a shipwreck. I did a bit of political work for Obama in his election campaign, for it seemed that he might assist in turning our society toward decency and good sense. That remains possible, but only faintly. Whether or not he stays in the White House, it is more likely that the USA will continue (or worsen) its hard times, bottomless political corruption and insanity at home, with who knows what horrors abroad. In the summer of 2011 Noam Chomsky warned us of what lies ahead if we remain silent:

American decline is in no small measure self-inflicted....Corporate power is now concerned that the extremists they helped put in office may bring down the edifice on which their own wealth and privilege lies....Their mostly financial domination over politics and society has reached the point that both the Republicans and the Democrats are far to the right of the population on the major issues under debate, for whom the major issue is unemployment. That crisis can be overcome only by a significant government stimulus well

beyond the present one, which barely matches declines in state and local spending. For financial institutions the primary concern is the deficit: therefore only it is under discussion. A large majority favors addressing the deficit by taxing the very rich (72%; 27% opposed) Cutting health programs is opposed by overwhelming majorities (68% Medicaid, 78% Medicare). The likely outcome is the opposite. The public favors deep cuts in defense spending; the administration and the House propose modest increases. (“America in Decline,” published as an Op-Ed in *Truthout* [2011-08-05])

The public supports more spending on job training, education, and pollution. The deficit would be eliminated if the dysfunctional privatized health care system in the USA were replaced by one similar to other industrial societies.

Chomsky is an intellectual giant but what he argues can be easily understood by the rest of us. Wall Street and big business put tons of money into politics to become disgustingly and dangerously powerful and wealthy. The rest of us must put lots of thought and time into politics, before what we have let them get away with pushes us over the cliff. The USA is supposed to be “our country” but it’s “theirs”. We have to work away politically if the USA is ever to become — at last — *ours*. The longer we continue to sit back politically the more likely we are to go down in flames: literally.

I close with a long excerpt from the Nov. 16th speech in Washington Square Park of Arundhati Roy. She said better and eloquently what I have tried to put together:

We are all Occupiers. People the world over salute the Occupy movement for standing up to injustice and fighting for equality at the heart of empire.” We’re not fighting for the right to occupy a park here or there. We are fighting for justice; not just for the people of the United States, but for everybody. You have reintroduced the right to dream into a system that tried to turn everybody into zombies mesmerized into equating mindless consumerism into with happiness and fulfillment....Today we know that the “American way of life has resulted in 400 people owning the wealth of half of the population of the United States. It has meant thousands of people being turned out of their homes and jobs while the US government bailed out banks and corporations...The good news is that people have had enough and are not going to take it any more. The Occupy movement has joined thousands of other resistance movements all over the world in which the poorest of people are standing up and stopping the richest corporations in their tracks. Few of us dreamed that we would see you, the people of the United States on our side, trying to do this in the heart of Empire. They (the 1%) say that we don’t have demands. They don’t know that our anger alone would be enough to destroy them. But here are few ‘pre-revolutionary’ thoughts I had for us to think about together:

1. We want to put a lid on this system that manufactures inequality. We want to put a cap on the unfettered accumulation of wealth and property by individuals as well as corporation.
2. We demand an end to cross-ownership in business: e.g., weapons manufacturers cannot own TV stations, mining corporations cannot run newspapers; business houses cannot

fund universities; drug companies cannot control public health funds.

3. Natural resources and essential infrastructure — water supply, electricity, health, and education — cannot be privatized.

4. All must have the right to shelter, education, and health care.

5. The children of the rich cannot inherit their parents' wealth.

This struggle has reawakened our imagination. Somewhere along the way, capitalism *reduced* the idea of justice to mean just 'human rights,' and the idea of dreaming of inequality became blasphemous. We are not fighting to *tinker* with reforming a system that needs to be replaced. I salute your struggle.

The take-over of Wall Street two months ago was wondrous in itself. That it has spread (or even been done earlier elsewhere, e.g., in Wisconsin) and is being repeated all over the nation is wonderful. But a second look at Roy's list of demands shows the need for a strong *national* movement. As we know, in the 1930s such a movement got started, dwindled down, and started again after World War II, and dwindled away. The successes were needed and helpful, but they also did two negative things: they softened up those of us who had brought them about, and they hardened up the powers we had overcome. We got complacent, they got going.

That was the past. The present is very different. Our political fight is and will be more formidable. Since the 1970s Big Business has not only become much stronger and consciously politically itself, but it has acquired (mostly bought and paid for) an expanding set of allies.

In short, OWS and the Occupiers all over the USA deserve three cheers. But they also have to be seen as a point of departure — a great first step. Now, they and others must expand to have thousands become millions, an unstoppable coalition that will see to it that the five demands noted above mark the way toward a truly democratic society.

If we fail, we will do so honorably. If we win, the world will become wondrous in ways which, up to now, have been found only in dreams.

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