

The End of Capitalism?

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Cracks in the Foundation

The collective consciousness of the U.S. working class is on the brink of a profound transformation. We grew up being told that capitalism was the best of all possible systems, with apparent confirmation being supplied by the fall of the Soviet Union. But we are now entering a new reality that has the potential to overturn all the old, established assumptions perhaps, in the final analysis, even to overturn capitalism itself.

The U.S. government, which has been lecturing other countries for decades about the virtues of privatizing state-owned enterprises, has recently embarked on a campaign of reversing its own dictates by partially nationalizing many of the financial institutions that were teetering on the brink of disaster. In other words, the U.S. government became a stockholder in these companies, thereby ironically taking a step in the direction of socialism — socializing their losses, that is, not their profits. Meanwhile, for decades, the U.S. working class has watched helplessly as public education has been defunded, the environment has been progressively destroyed, and social services in general have shriveled, all supposedly because no money was available to launch a rescue operation. Yet the breathtaking speed with which the government threw a staggering trillion-dollar bailout to the financial institutions — with no strings attached — has not been lost on the working class. And more is on the way: the government has thus far pledged a total of \$8.5 billion to help rescue the financial institutions. Workers, too, through their unions, are now demanding bailouts.

Policies that only yesterday appeared as irrevocable as acts of nature suddenly appear as they truly are: political decisions made by the federal government where Democrats and Republicans are united in their commitment to rescue their friends — the rich.

And fuel has been thrown on the fire. Recently, when asked for an account of how they spent the bailout funds, the financial institutions refused to oblige. After all, they calculated, why should they start becoming accountable to the U.S. public after all these centuries? This, too, has not been lost on the working class.

The working class also took notice of the modest but resounding victory scored by the United Electrical workers at the small windows and doors factory in Chicago. These workers did not have the advantage of working in a key industry so that if it were shut down, the reverberations would echo far and wide, thereby providing them with bargaining leverage. But they were emboldened by the outpouring of public support from across the country, and Bank of America, one of the most powerful banks in the world, backed down.

Finally, the working class was assured that the Great Depression would never see a second coming. Lessons had been learned and mechanisms were inserted to guarantee everlasting

stability, we were told. All these assurances now look like more toxic assets, and working people will begin to draw the obvious conclusion: not only are recessions endemic to capitalism, but depressions are as well. And this realization will inevitably provoke questions about the desirability of capitalism itself.

The Defense

Harboring a rather grim view of human nature, capitalism's apologists have argued for centuries that we are incorrigibly greedy to the core, meaning that we focus exclusively on our individual self-interest, not the interests of our neighbors or the community at-large or those who are most needy, and we define our well-being principally in terms of the accumulation of material wealth. Accordingly, Milton Friedman, leading member of the notorious Chicago School of Economics, reasoned: "The problem of social organization is how to set up an arrangement under which greed will do the least harm; capitalism is that system."

Hence, capitalism is a system that embraces greed; its defenders insist that to do otherwise would be hopelessly naive and utopian. But, they continue, by placing certain restrictions on greed, such as rules of ownership and regulations governing production, distribution and exchange of property, capitalism succeeds in harnessing greed in order to maximize its effectiveness. In other words, greed is the fuel that energizes the system. Ayn Rand, the most virulent defender of capitalism, simply put it this way: greed is good.

Adam Smith, one of capitalism's earliest and most eloquent defenders, argued that when individuals are allowed to compete against one another and pursue their private self-interest, everyone's interests are advanced by means of an "invisible hand." For example, if two businesses are in competition, then the business that manufactures the best product for the lowest price will prevail. In this way, everyone is motivated to excel, and progress in the production of wealth seems almost guaranteed.

The Veil Slips

But with economic turmoil engulfing the world where millions of people are being thrown out of work — through no wrongdoing on their own part — and where homelessness and hunger are on the rise, the arguments in support of capitalism begin to lose their compelling force. As the crisis deepens, faith in capitalism will be dragged down faster than the value of a worker's 401k. And what was considered virtuous in the past will become the vice of the future.

For example, let us consider the role of individual self-interest and greed in the current crisis. The subprime loan debacle offers an instructive example. Financial institutions engaged in a frenzied flurry of brokering loans to people who wanted to buy a house but had bad or no credit. The loans were manipulated to entice the unsuspecting house buyer by originally pegging interest rates low, but, disguised by the fine print, jumping to much higher rates a few years later. Many homebuyers were consequently duped — after all, we are not taught how to buy a house in school — and put down their money only to discover not long afterwards that they could not afford the payments.

One might assume it was not in the financial institutions' interests to negotiate loans that would certainly fail, but the opposite was in fact the case. Lenders were often rewarded with handsome bonuses in relation to the quantity of loans they brokered, not their quality.

Moreover, these loans were routinely bundled together and sold to unsuspecting investors who had no idea what they were buying. The original lenders scored a quick profit and left the investors holding toxic bundles. It was all about greed and self-interest.

But the pursuit of naked self-interest, regardless of the misery inflicted on others in the process, surely does not represent an anomaly in capitalist society. Capitalist enterprises that are connected with fossil fuels are choosing to destroy the planet rather than curb their pollution. Clean operations cost money, and these companies would rather protect their profit margins than protect the environment. Automobile industries have vigorously lobbied against higher fuel standards, coal companies have invested millions in advertising in an attempt to convince the U.S. public to believe in the fantasy of “clean coal,” and oil companies, in a similar campaign, have tried to convince us that they are on the cutting edge of clean energy, while all of them are accelerating the destruction of the planet through the intensification of global warming. They have all carefully crafted policies in the self-interest of their particular company, and they have been willing to sacrifice everyone else’s interests in the process. This is business as usual for capitalism.

In a recent New York Times op-ed article (December 16, 2008), Thomas Friedman, in a fit of exasperation, vilified the toxic lenders, and concluded:

“The Madoff affair is the cherry on top of a national breakdown in financial propriety, regulations and common sense. Which is why we don’t just need a financial bailout; we need an ethical bailout. We need to re-establish the core balance between our markets, ethics and regulations. I don’t want to kill the animal spirits that necessarily drive capitalism — but I don’t want to be eaten by them either.”

But isn’t this rather like asking wolves to become sheep? Capitalism is driven by a basic set of rules, and if you do not adopt the rules, you do not survive. Accordingly, ruthless competition in the business world is a virtue. Selling products to people without warning them of their potential flaws, even fatal flaws, is simply good business sense. On the other hand, hiring people who are nice and desperately in need of work, regardless of their abilities, is a vice because, if such policies become the norm, the company will collapse under the weight of incompetence.

Morality isn’t something that is suspended in midair — always waiting for us if we tire of acting selfishly. Morality is nurtured by, and is inseparable from, the social structures we operate in, as Philip Zimbardo’s famous Stanford prison experiment illustrated. It showed that when people are placed in relations of vastly unequal power “some were assigned the role of prison guards while others the role of prisoners” individuals who are otherwise good, decent people will turn sadistic. Our morality is molded by the structures that surround us, and today these structures are defined overwhelmingly by market relations with their own agenda: profits are the highest good.

These market relations are not just a side-show in our society; they radiate from the economy and penetrate almost every sphere, particularly the political. Corporate America routinely gives huge sums of money to politicians. Does anyone really believe corporations would engage in this practice if they did not get a return on their investment? That is why, when Friedman states, “We need to re-establish the core balance between our markets, ethics and regulations,” one can only wonder, whom is he addressing? If he is directing this plea to the working class, we should point out that our concerns have never constituted a

political priority. If he is addressing corporate America, Friedman should be informed they do not care about ethics except in rare cases when ethics and profits coincide. And if he has the politicians in mind, then the question should be redirected back to the corporations, their handlers.

Ben Stein, economic writer for The New York Times, paused after losing considerable wealth in the current economic meltdown and offered these musings in his December 28, 2008 column: "We are more than our investments... We are what we do for charity. We are how we treat our family and friends. We are how we treat our dogs and cats. We are what we do for our community and nation. If you had \$100 million or \$100,000 a year ago and now you have a lot less, you are still the same person." In other words, he rightly concluded that family and community have real value, as opposed to the acquisition of meaningless things. Unfortunately, this insight only rises to consciousness when capitalism breaks down, and a lull interrupts the frenetic race for profits. As soon as capitalism revs up again, this insight is submerged and we are back to the routine of equating morality with money, offering our greatest respect to those with the greatest wealth and the most expensive cars.

The Problem

People are a social species. We need each other, not only to satisfy our basic physical needs, but also to satisfy our deep-seated psychological needs. We need to be appreciated, loved, and enjoy the pleasures of friendship. Capitalism, however, directs people to look to the accumulation of wealth as the highest good so that each of us competes against the others for "success."

While some material wealth is obviously necessary for survival and for a comfortable life, when wealth is promoted to the supreme good — when people are valued on the basis of their income and not on the content of their character — then human needs become subordinated to the accumulation of material things. Genuine needs are forsaken for artificial substitutes. Once people accept this premise, then they embark on a lonely, futile road. When the accumulation of wealth proves unfulfilling, then these unwitting victims pursue even more wealth, but fulfillment and satisfaction always seem to recede to a more distant horizon. In short, they become more like drug addicts, always identifying happiness with a bigger fix, but becoming progressively more miserable in the process.

Capitalism has placed us at a crossroads in history. Our planet can no longer sustain the hyper consumption that this economic system encourages. 70 percent of the U.S. economy has been dependent on consumption; without it, we slip into a recession. When there is a national disaster, we are encouraged to go shopping. Meanwhile, the environment is breaking down. If these tendencies are not checked, it will suffer irreversible damage.

We are not greedy to the core; greed is not the origin of capitalism but to a large part its effect. People are placed in structures in which greed and selfishness are rewarded. Hedge fund operators have walked away with tens of millions, sometimes hundreds of millions of dollars, and then successfully used their wealth to lobby Washington for low taxes. Meanwhile, teachers who are dedicated to helping everyone achieve their full potential must struggle to get by. Artists who want to make our world more beautiful, and us happier in the process, must struggle to get by. Hard-working maids and janitors must struggle to get by. People who do not like to compete but just want to do a good job must struggle to get by. But those who are only dedicated to money and themselves can indulge in every imaginable

luxury.

If the environment were healthy and the rest of us had plenty, who would care? These money-obsessed fanatics could be dismissed as immature, self-absorbed and self-indulgent degenerates. But the irrationality and injustice becomes intolerable when this rapacious greed implies that millions of others will not have their basic needs met and the environment will be destroyed.

The Solution

Socialism is predicated on the premise that in order for society to operate in the interests of the majority, everyone must have both a voice and vote in democratically determining its direction. Instead of the economy being owned by a wealthy elite who run it entirely in their own interests while impoverishing billions of people around the world and destroying the environment, it would be placed in public hands. And its basic operating framework would then be determined by a public discussion, with all the relevant information available, followed by a debate and vote. In this way, the economy could be steered onto an entirely rational foundation so that its ability to serve the interests of ALL members of society would be maximized coupled with the recognition that our collective interests can only be served when the environment, which nurtures and sustains us, is healthy and vibrant.

Such a revolutionary transformation would represent a tremendous moral advance for humanity: the impulses of individual self-interest and greed would be replaced by a conscious commitment to defend the interests of everyone. Instead of the weak and frail being cast by the wayside to fend for themselves, society would redouble its efforts to ensure that their needs, too, were properly addressed. Instead of living by the uninspiring dictum, "Everyone for him or herself," we would embrace the principle, "An injury to one is an injury to all" because, in the final analysis, the well-being of each individual is bound by millions of invisible threads to the well-being of all others.

Conclusion

The stakes are high. The U.S. working class will be reevaluating everything in these next years, and in particular the nature of the capitalist economy which runs most efficiently when wages and benefits are at rock bottom, or when workers can be replaced by machines and when unemployment is high. Although workers might not succeed in overthrowing capitalism during this profound economic crisis, their consciousness will emerge transformed. Capitalism will never again enjoy their unquestioning loyalty. If this crisis does not prove to be the end of capitalism, it will be the beginning of the end.

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