

The Short, Miserable Life of American Prosperity

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Global Research, September 14, 2012

Region: [USA](#)

Theme: [History](#), [Poverty & Social Inequality](#)

“To forget one’s purpose is the commonest form of stupidity.”— Friedrich Nietzsche

History is not always progressive; there have been many instances of extensive regression. Immoral institutions can more easily become worse than better. When the Capitalists have accumulated all the wealth there is and have the means to take away any that is subsequently created, what will the mass of mankind have become? Dignified people enjoying the good life? Wherein does mankind’s fate lie?

Nothing can be judged properly without knowing its purpose, but human purposes are not always evident. People with nefarious goals attempt to keep them secret. And what the goal of what economists call economics is is entirely mysterious. One view, often held by most people, is that the legitimate purpose of commerce is to provide goods and services that people need. Judged by this goal, the economy is an abject failure. Another, often held by vendors, is that markets exist for efficient capital formation while protecting the interests of investors. As Peter Drucker has said, “The purpose of a business is to create a customer,” and such businesses can be successful by marketing bads and disservices as well as goods and services. Whether this makes a difference to economists is unclear. Of course, if capital accumulation is the goal, American-style Capitalism functions very well; it stamps out billionaires as regularly as it stamps out automobiles, but it certainly does not provide people with the goods and services they need. The question is, why not?

Kenneth Arrow, an eminent American economist, has said “Virtually every commercial transaction has within itself an element of trust,” and Alan Greenspan, in his *mea culpa, mea culpa non*, has said much the same thing by remarking on the trust people have in their pharmacists. Yet everyone should know that this trust is misplaced.

As early as 1523, more than half a millennium ago, *caveat emptor* came to be used commonly in Europe in relation to commercial transactions. As I’m sure most readers know, the phrase means, “let the buyer beware.” The expression came into use because it was common knowledge that vendors would lie and cheat whenever given an opportunity to. To protect themselves from this common lying and cheating, buyers were warned to be wary of vendors bearing goods since they were, more often than not, Greeks bearing gifts.

The general commercial practices of lying and cheating were legalized in American jurisprudence in *Laidlaw v Organ* (1817) where it is argued that buyers must take responsibility for their purchases because, “The interest of commerce not permitting parties to set aside their contracts with too much facility, they must impute it to their own fault in

not having better informed themselves of the defects in the commodities they have purchased.” Although this principle now lacks the universal application it had in the 1800s, it still is applied generally in most consumer transactions. Thus *caveat emptor* makes commerce an untrustworthy, fraudulent activity. Every buyer should always expect to be cheated, especially in today’s markets where products are designed to make thoroughly inspecting them impossible.

Any society with such a commercial and legal system is, in its very essence, unjust. No harmless person, child, adolescent, adult, healthy or infirm, young or aged, educated or ignorant, would ever need to be wary of any legal commercial transaction in a just society. And no unjust society can ever be a force for good in the world. There is no question that Western Capitalism in general and the American economy in particular are unjust in this very way, and whatever force it exerts in the world must perforce be a force for evil. That it is becomes more and more apparent everyday to more and more people everywhere. Western Capitalist nations are indeed Satanic. In a just society, no person, vendor or buyer, should have to beware!

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So what is the “element of trust,” then, that every commercial transaction has within it? Is it the misplaced trust that every customer has in his/her pharmacist? Why do consumers still display this “trust”?

Is it because they have little choice? If someone needs a pharmaceutical product, it, pretty much, must be gotten from a pharmacy. and the legal system allows pharmacies to lie and cheat to sell their products. Is the system rigged against ordinary consumers? Of course it is!

Many [claim](#) that Western Capitalism is on the verge of disintegration.

“A dozen Labor Days — and three presidential elections — ago, the world was in the thrall of American-style capitalism. Not only had it vanquished communism, but it was widening its lead over Japan Inc. and European-style socialism. Today, that economic hegemony seems a distant memory. . . . Retooling American capitalism has become something of an national — and even international — obsession.”

But no consensus on how to “retool” it emerges which is reminiscent of Harry Truman’s

quip, “If you took all the economists in the world and laid them end to end, they’d still point in different directions!” Economics might best be described as the science of pretending to be a science. As Roger Schank [writes](#),

“Professional economists don’t really understand economics. The arguments they have with each other are vicious and when the economy collapses there are always a thousand explanations. . . .”

So where is a blueprint for a new American capitalism likely to come from? Not from economists.

Before a new blueprint for American Capitalism can be drawn, however, an even more fundamental question must be answered—Could Capitalism even function without the lying and cheating? Could capital accumulation ever occur if consumers and workers were not exploited, lied to, cheated, and stolen from? If not and if Capitalism is not abandoned, there can never be a new blueprint for a new American Capitalism that won’t repeat the depredations of the past and the present. Such a Capitalism is simply impossible. Capitalism is Capitalism because its only function is to accumulate capital.

Surplus value is the source of capital accumulation; it is the value created by workers that exceeds the cost of their labor. In Capitalist societies, the legal systems allow capitalists to appropriated all of the surplus value. Since capitalists never pay for it, its accumulation in the hands of capitalists leads to enormous wealth. Workers, on the other hand, acquire little of the wealth they create. Keynes predicted that by 2030, the productivity of workers in advanced economies would be so great that people would be able to live better and work half as many hours. The prediction about productivity proved true; those about the benefits to people and labor did not. The continual increases in productivity because of technological advances lead to more and more surplus value, but all of it is expropriated by the capitalists. The rich get richer at everyone else’s expense.

These depredations of American Capitalism are described as though this avaricious economy only recently came into being. Current economic conditions are invariably compared to those during the Great Depression. But the Great Depression was not America’s only previous economic collapse. Collapses that impoverish Americans are regular events. The American Gilded Age (c1870-98) had many of the characteristics America displays today. The age was noted for political corruption, financial speculation, and the opulent lives of wealthy industrialists and financiers. The corruption was so extreme that the wealthiest became known as “Robber Barons” who today are known for little but their thievery. What is hardly ever mentioned, however, are the frequent economic collapses Americans have endured.

The Panic of 1873 was a financial crisis which triggered a severe international economic depression. It was known as the “Great Depression” until the 1930s, but it goes unmentioned today. In the United States, this depression was caused by the collapse of Jay Cooke & Company, a major American banking establishment. Jay Cooke & Company was the Lehman Brothers of the time. The economy was brought down by, yes, bankers.

It happened again in 1893. Deceptive railroad financing set off a series of bank failures. The bankers did it again.

If that weren’t enough, it happened again in 1907. The panic, also known as the 1907

Bankers' Panic was triggered by a failed attempt to corner the market on stock of the United Copper Company. When this attempt failed, banks that had lent money to those who had concocted the cornering scheme suffered runs that later spread to affiliated banks and trusts, leading to the downfall of the Knickerbocker Trust Company—New York City's third-largest trust. The collapse of the Knickerbocker trust spread fear throughout the city's other trusts as regional banks withdrew reserves from New York City banks. Panic extended across the nation.

Is that all? No, it happened again in 1929, causing what is known as the Great Depression.

People, these are not isolated events. They are not infrequent. They are not accidental. They always result from bankers trying to acquire greater profits by cheating. Wikipedia lists "as many as 47 recessions in the United States since 1790." That averages out to one every 4.7 years. Never in America's history has there ever been a significant period of prosperity. This economy is designed so that it even steals the milk off the lips of infants. Jefferson knew what apparently no American officeholder knows today. "banking institutions are more dangerous to our liberties than standing armies!" Anyone who trusts a banker trusts a scoundrel.

Originally, people deposited their specie with bankers for safekeeping. The bankers lent the depositors' money to others at interest and kept the proceeds for themselves. That's what fractional reserve banking does. It can be likened to situations that are clearly dishonest, such as this one: A person takes his/her family to the opera in the family car, puts his automobile in the hands of a valet who is expected to park it, and enters the opera house. The valet, instead of parking the car, uses it as a taxi cab for the two hours the opera is performed and pockets the taxi fees. Anyone to whom this happened would scream bloody-blue murder, but bankers are allowed to do it every day of the week, and the people and even governments trust banks. How's that for being snookered? Can this economy function without the lying and cheating? No, it can't.

People wonder whether American Capitalism can be saved. What sane person would want to save it? When this economy "recovers," what will it have gotten back to? Two thousand and Eight? What about nineteen seventy? Or nineteen forty-five? Or nineteen twenty-eight? Or nineteen naught six? Economists talk about recovery all of the time, but none says what the recovery will look like. What if it looks like 1523? Will everyone be pleased to be once again living in the sixteenth century? But even if it "recovers" to say 2007, be assured, it will collapse again, and again, and again, and again! An economic collapse is nothing but the bankers' way of taking back what they have let consumers to believe they had acquired.

History is not always progressive; there have been many instances of extensive regression. Immoral institutions can more easily become worse than better. When the Capitalists have accumulated all the wealth there is and have the means to take away any that is subsequently created, what will the mass of mankind have become? Dignified people enjoying the good life? Wherein does mankind's fate lie?

John Kozy is a retired professor of philosophy and logic who writes on social, political, and economic issues. After serving in the U.S. Army during the Korean War, he spent 20 years as a university professor and another 20 years working as a writer. He has published a textbook in formal logic commercially, in academic journals and a small number of commercial magazines, and has written a number of guest editorials for newspapers. His on-line pieces can be found on <http://www.jkozy.com/> and he can be emailed from that site's

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