

The Triumph of Capitalism: Jobless Nations

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The Obama administration is intent on applying supply side principles to get the American economy out of the present recession, but supply side principles are based on the belief that if the government cuts taxes on the wealthy, they will invest their savings in new factories, that newly hired workers will increase employment, and that more output will increase tax receipts. But there is no way to make sure the wealthy actually invest their wealth in productive enterprises, especially in the U.S.

This entire theory is based on the mere pop-psychological belief that if you give a person money, s/he will invest it in productive ways. But nothing forces wealthy people to do that, and they haven't, worse, never really have, since creating jobs is not an essential business function, only making money is, and getting financial incentives from government is merely another way of making money, Giving money to businesses will not end recessions or depressions. In fact, it is likely to prolong them, since businesses will not create jobs until it is evident that those jobs will result in profits.

During the California Gold Rush, merchants went to the camps only after gold was discovered, and they left when the lode petered out. They did not use the capital they acquired from the miners to open productive businesses to provide jobs to the now jobless prospectors. In capitalist economies, capital is not acquired to be spent; it is acquired to be accumulated. Businesses do not exist to create jobs. Jobs are created by businesses only when it suits their purposes.

Beliefs in conventional wisdom are always dangerous. More often than not, conventional wisdom is wrong. But there are two kinds of conventional wisdom—the *pro* and the *con*. Every bit of conventional wisdom has its naysayers, and just as conventional wisdom can amount to nothing more than mere beliefs, so can the beliefs of naysayers. For instance, that today's economy is failing is rather evident, but many critics of it seem to believe that the problems with today's economy are of recent origin. But that's false. The economy today is little different in essence than it was in the 1600s when the colonists brought it with them from England. The horrors of England's 17th Century economy then are exactly its horrors today. Wealth held in the hands of a few and poverty experienced by the many. High levels of crime infused throughout society. Widespread unemployment, underemployment, and degrading employment. The destruction of human dignity. Homelessness, hunger, and frequent wars fought by common people for the benefit of the merchant class. Prevalent discrimination of various kinds. Government which governs for the wealthy and not for the people in general. And although there have been short-lived periods when the people were led to believe that their prospects were improving, these periods have regularly ended in economic collapses that wiped out any gains the common people had acquired.

The universal features of this economy are exemplified in the following historical vignette.

On January 24, 1848, gold was discovered by James W. Marshall at Sutter's Mill in Coloma, California.

When people learned about the discovery, hundreds of thousands rushed to California. Wherever gold was discovered, miners collaborated to put up a camp and stake claims. Rough and Ready, Hangtown, and Portuguese Flat, among many others, sprang up, and merchants flocked to them, set up business in hastily built buildings, lean-tos, tents, and anywhere else serviceable to sell everything imaginable. Miners lived in tents, shanties, and deck cabins removed from abandoned ships. Each camp often had its own saloon and gambling house. Women of various ethnicities played various roles including that of prostitute and single entrepreneurs.

At first, the gold was simply "free for the taking." Disputes were often handled personally and violently. When gold became increasingly difficult to retrieve, Americans began to drive out foreigners. The State Legislature passed a foreign miners tax of twenty dollars per month, and American prospectors began organized attacks on foreigners, particularly Latin Americans and Chinese. In addition, the huge numbers of newcomers drove Native Americans out of their traditional hunting, fishing and gathering areas. Some responded by attacking miners. This provoked counter-attacks. The natives were often slaughtered. Those who escaped were unable to survive and starved to death. Natives succumbed to smallpox, influenza, and measles in large numbers. The Act for the Government and Protection of Indians, passed by the California Legislature, allowed settlers to capture and use natives as bonded workers and traffic in Native American labor, particularly that of young women and children, which was carried on as a legal business enterprise. Native American villages were regularly raided to supply the demand, and young women and children were carried off to be sold. The toll on the American immigrants could be severe as well: one in twelve forty-niners perished, as the death and crime rates during the Gold Rush were extraordinarily high, and the resulting vigilantism also took its toll.

Hydraulicking as a means of extracting the gold became prevalent. A byproduct of this was that large amounts of gravel, silt, heavy metals, and other pollutants went into streams and rivers. Many areas still bear the scars of hydraulic mining since the resulting exposed earth and downstream gravel deposits are unable to support plant life.

The merchants made far more money than the miners. The wealthiest man in California during the early years of the Gold Rush was Samuel Brannan, the tireless self-promoter, shopkeeper and newspaper publisher. About half the prospectors made a modest profit. Most, however, made little or wound up losing money. By 1855, the economic climate had changed dramatically. Gold could be retrieved profitably from the goldfields only by medium to large groups of workers, either in partnerships or as employees. By the mid-1850s, it was the owners of these gold-mining companies who made the money. When the lode petered-out, the merchants abandoned the sites faster than the miners. The gold rush was over.

I have, in the past, written about many of these horrid features of Capitalist economies, especially its abject immorality. Today I want to discuss an obvious falsehood that still gets repeated especially by right wing politicians and their counterparts in the economics profession and the business community, that is, businesses, not governments, create jobs.

This generic claim is, of course, obviously false and its generality makes it grossly ambiguous. What precisely does it mean, especially since the politicians who utter it spend piles of money and time trying to get jobs that are not created by any business? No business created the jobs of Congressman or President, so what sense does it make for such a person to claim that businesses, not government, creates jobs? The claim is utterly stupid.

In fact, businesses have no interest in creating jobs. Consider the vignette described above. Merchants flocked to the mining camps after gold was discovered and they left when the lode petered out. They did not use the capital they acquired from the miners to open productive businesses to provide jobs to the now jobless prospectors. In capitalist economies, capital is not acquired to be spent; it is acquired to be accumulated. Employees are merely means to that end, and whenever a business can accumulate capital without the use of employees, it will do it. And that is what has happened in large measure in America today. Businesses have found ways of accumulating capital without the need for American employees and government has aided and abetted businesses in doing so.

So, when a politician advocates giving financial incentives to businesses to induce them to create jobs, those politicians are involved in a ludicrous absurdity. All the proposal does is provide businesses with another tool for extracting money from common people without even having to deal with them, and the capital acquired by businesses in this way will merely be added to the capital accumulation bank. Why would a business want to create a job with it and put that capital in jeopardy? To assume that businesses will use that capital to create jobs is the fallacy of supply side economics, which, incidentally, is based on nothing but pop-psychology.

Supply side economics is based on the belief that if the government cuts taxes on the wealthy, they will invest their savings in new factories fitted with new technologies that will produce goods at lower costs, that newly hired workers will increase employment, and that more output will increase tax receipts. The economy will lift itself by its bootstraps. But there is no way to make sure the wealthy actually invest their wealth in productive enterprises, especially in the U.S. This entire theory is based on the mere pop-psychological belief that if you give a person money, s/he will do "the right thing" with it, namely, invest it in productive ways. But nothing forces wealthy people to do that, and they haven't, worse, never really have, since creating jobs is not an essential business function, only making money is, and getting financial incentives from government is merely another way of making money. Giving money to businesses will not end recessions or depressions. In fact, it is likely to prolong them, since businesses will not go where money cannot be made, because merchants are attracted to money like flies are attracted to dung. Businesses do not exist to create jobs. Jobs are created by businesses only when it suits their purposes.

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