

Two Capitalisms

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With a kind of religious fervor, American conservatives love to talk about their love of capitalism, as if it has a singular definition and can always be counted on to serve public and national interests. The intelligent way to think about capitalism is that it can be of two kinds. The good kind is patriotic and stakeholder oriented, the bad kind is selfish and shareholder obsessed. The global economic downturn is strong evidence of the dominant second form of capitalism that has caused so much human suffering while it has served the rich and powerful.

When those with power take actions purely to serve corporate financial interests even though it greatly harms employees, the middle class and the national economy then the bad kind of capitalism is being pursued. Think of the mass export of good jobs, especially in manufacturing, the preference for imported goods, and the investment of capital to build new manufacturing and research facilities in other countries. Maximizing financial returns to reward corporate bigwigs and stockholders even though the actions greatly harm the US economy and society results from US companies practicing bad, immoral capitalism. Think of this development as the conquest of Wall Street over Main Street, of those who make money over those who create and make products, of those who promote economic inequality over those who value the middle class.

The power elites that have succeeded in perverting capitalism have also succeeded in making much of the American public so dumb and distracted that they no longer function as informed and effective citizens, which has allowed the government to be hijacked by the rich and powerful through a two-party plutocracy.

Selfish capitalism was exemplified by the role of Fannie Mae in creating the economic disaster by perverting the housing market, as conservative [David Brooks](#) correctly concluded; he noted the “leadership class is fundamentally self-dealing;” it practiced “shameless self-enrichment” which produced disastrous results.

To be clear, the conflict is not between capitalism and socialism, the way right wing ideologues talk, but between the good and bad kinds of capitalism, which those on the left need to learn how to talk about. Bad, greed-driven, too-big-to-fail capitalism has ruined the US for all but the rich which have sucked off much of the nation’s wealth.

A fine analysis by [Harold Meyerson](#) on the difference between the highly successful German economy and the dismal US one drives home the crucial differences between the two forms of capitalism. The need is for the US to learn from the more successful German, good form of capitalism and develop policy reforms that could rejuvenate the US economy by curbing the bad form of capitalism. The ideas that Republicans keep advocating are all wrong

because all they want to do is promote bad capitalism, which only serves the interests of the rich and powerful, not ordinary Americans, not the middle class, and not workers. [Peter Coy](#) has also assembled great information on what can be learned from other nations.

The German economy makes the US one look like it is on its deathbed. The German tripartite system has business, labor and government working together. Faced with the same competition from low wage developing countries and the entire globalization condition, Germany has a booming manufacturing sector that constitutes almost twice the share of the economy than that in the US . And even in the current global economic recession German unemployment is 7 percent. The tripartite system has kept German labor unions strong and, therefore, protects the middle class whose pay has risen at roughly the same rate as top incomes. This is in stark contrast to the rich-getting-richer and union-busting situation in the US . Indeed, the top 1 percent in the US are seeing their proportion of total income rise dramatically, even as their German counterparts are seeing *their* share of total income shrink. German corporate boards are required by law to have an equal number of management and employee representatives. By law!

Germany 's stakeholder capitalism benefits the many unlike the US where selfish capitalism benefits the upper class and brutalizes everyone else. Corporate power has not captured the German government the way it has hijacked the US government.

One powerful and highly successful public policy used by several democracies with strong capitalistic systems in the current economic downturn is providing companies with funds to keep workers on the payroll until demand improves. This directly fights unemployment and puts government dollars directly in the pockets of workers, in stark contrast to the many billions of dollars the US has spent which have not helped fight unemployment nor helped ordinary Americans, because the billions have flowed to corporate and financial interests. This more sensible approach that boosts consumer demand and spending has been used by Singapore , Germany and Japan , for example.

[Steven Pearlstein](#) recently examined the history of IBM and noted its “outmoded ethos – namely that the company exists not simply to maximize profit for shareholders but to maximize the benefits it can offer to customers, employees and the society as a whole.” Exactly right.

If President Obama was as smart as he and so many others think he is, and if he was a genuine leader and seeker of deep reforms, he would learn, respect and work like a dog to apply the best practices other nations are using to get better and fairer economic results. But as the [Center for Public Integrity found](#), Obama has showered benefits on big time funders of his presidential campaign. Will he be a forceful advocate for capitalism with a human face?

Don't hold your breath.

If Republican presidential hopefuls and crony capitalists cared as much about serving the public interest as serving corporate desires, than they would stop their nonsensical free market claptrap embracing selfish capitalism and seek a more patriotic form that puts the nation first. Time to stop talking about cutting taxes. Pursue new and better ideas. Face reality, a free market that provides freedom for corporate and financial interests to victimize the public must be changed. Admit that!

Don't hold your breath.

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