

The Myth of a Moral Capitalism

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In a Sept. 5 blog, former Secretary of Labor and liberal commentator Robert Reich, asks,

“What Happened to the Moral Center of American Capitalism?” It’s not satire.

Reich writes:

“We’ve witnessed over the past two decades in the United States a steady decline in the willingness of people in leading positions in the private sector—on Wall Street and in large corporations especially—to maintain minimum standards of public morality. ... CEOs of large corporations now earn 300 times the wages of average workers. Wall Street moguls take home hundreds of millions or more. Both groups have rigged the economic game to their benefit while pushing downward the wages of average working people.”

The vast and ever-widening inequality in the U.S. and capitalist world as a whole is, of course, undeniable. Reich’s answer is to harken back to an earlier, supposedly more “moral” period of capitalism:

“By contrast, in the first three decades after World War II—partly because America went through that terrible war and, before that, the Great Depression—there was a sense in the business community and on Wall Street of a degree of accountability to the nation,” he writes. “It wasn’t talked about as social responsibility, because it was assumed to be a bedrock of how people with great economic power should behave.

CEOs did not earn more than 40 times what the typical worker earned. Profitable firms did not lay off large numbers of workers. Consumers, workers, and the community were all considered stakeholders of almost equal entitlement.

It’s pretty hard to cram so many illusions as well as factual errors into so few words.

The Great Depression of the 1930s was the most catastrophic of the recurrent economic crashes that are a built-in feature of the capitalist system. During the Great Depression, when the unemployment rate topped 25 percent and millions of people were made homeless by banker evictions, most capitalists opposed unemployment benefits, social security or any kind of government relief, as well as the right of workers to form unions.

It was the massive labor organizing wave starting with general strikes in 1934 that prompted the Roosevelt government to make concessions in the form of social programs, and won for millions of workers the power to negotiate for better wages, benefits and

conditions.

By 1950, 35 percent of workers were unionized, one of the major factors in the improvement of living standards in the post-World War II period, a fact which Reich omits. Another major factor was U.S. domination of the world market in the aftermath of the war.

While the war had indeed been terrible for the tens of millions around the world who were killed, maimed and starved, and the hundreds of millions displaced, it had been a bonanza for U. S. corporations and banks. Big business reaped immense profits from supplying the most powerful war machine ever created and vastly expanded their productive capacities. In addition, the mainland of the U.S. suffered no damage to its home front. By the war's end, the U.S. was producing more than 50 percent of total world output.

Out of its super-profits gained from domination of the world market and exploitation of the colonized and neo-colonized world, U.S. capitalists were able to make economic concessions to the working class. At the same time the government was successfully moving to weaken the unions by purging communists and other militants, and passing anti-union laws like the Taft-Hartley Act.

It was this highly unusual combination of factors, rather than some new-found "morality" among the capitalists, that led to the 1945-75 period being one of significant improvements in living standards for millions of workers.

Capitalist intellectuals and mass media relentlessly proclaimed Marxism had been proven wrong. Marx had written that a fundamental characteristic of capitalism was, "Accumulation of wealth at one pole is at the same time accumulation of misery, agony of toil, slavery, ignorance, brutality, mental degradation at the opposite pole."

Subsequent developments have irrefutably shown the postwar period to have been not some new reality for capitalism but instead an aberration.

Today, economic inequality is at its highest level ever. One family, the Waltons of Walmart, possess as much wealth as the poorest 42 percent of the U.S. population, and 400 billionaires own as much as the poorest 3,500,000,000 people on Earth.

A bloody, racist ruling class from the start

Contrary to Reich's assertion, "Profitable firms" did indeed "lay off large numbers of workers" innumerable times between 1945 and 1975, particularly but not exclusively in times of economic contraction. It's surprising that someone who was formerly in charge of the federal Labor Department could make such a ludicrous claim.

For the first two decades of Reich's imaginary "good old days," segregation—in law and/or in fact—prevailed across the country. Until the 1964 Civil Rights Act and the 1965 Voting Rights Act, both won through hard struggle by the Black Freedom Movement, African Americans were denied the right to vote in many states, and continue to be denied equality down to the present.

The idea that "consumers, workers and the community were all considered stakeholders of almost equal entitlement" by the capitalist ruling class and its government at any time in U.S. history is an unintentionally comic touch.

And in Reich's three "moral" decades, that same ruling class and government waged genocidal wars in Korea, Vietnam, Cambodia and Laos, engineered murderous coups in Iran, Guatemala, Congo, Brazil, Indonesia, Greece, Bolivia, Chile, and Uruguay, supported the apartheid regimes in South Africa and Rhodesia (today Zimbabwe), armed the Portuguese fascists in their colonial wars in Africa, invaded and blockaded Cuba, played the key role in Israel's dispossession of the Palestinian people, built the most deadly arsenal ever assembled and repeatedly threatened nuclear war, etc., etc.

Robert Reich is a critic of the excesses of capitalism while at the same time a defender of the capitalist system. To resolve this dilemma, he is compelled to locate a time in history when capitalism functioned in a just fashion.

But in reality, no such time has existed. There has never been a "sense in the business community and on Wall Street of a degree of accountability"—to anything but maximizing their profits and maintaining their power. That is the nature of capitalism.

The only way to put an end to capitalist excesses is to put an end to the system itself.

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