Critical Sociology

Article

Capitalism's Shell Game

Critical Sociology
37(1) 3–6

DOI: 10.1177/0896920510383455
crs.sagepub.com
SAGE

David Fasenfest
Wayne State University, USA

We are inundated almost daily with word that the economy remains sluggish, that we may be in for a double dip recession, that there is a worry about a deflation, that the economy is barely limping along, that unemployment rates will remain high, that unemployed workers over 55 may never find a job that pays a living wage, that the days of secure and long term employment are behind us, and many more prognoses for a society in the economic doldrums with no immediate relief in sight. This is a dire scenario indeed!

But wait. Bank profits in the first quarter of 2010 soared to an amazing $18bn, with 'big' banks (defined as those with over $10bn in assets) booking almost $16bn in profits, over 85 percent of total bank profits. And yet, in the same FDIC *Quarterly Banking Profile*, First Quarter 2010 (http://www2.fdic.gov/qbp/2010mar/qbp.pdf), it is reported that about 775 banks are in danger of failing. The banking industry is shaking out, with all signs pointing to consolidation – apparently worries over banks being 'too big to fail' translates into 'let's get bigger'. Furthermore, one of the main reasons for this large upsurge in profits is that big banks have drastically reduced the amount set aside to cover potential losses. These are the big banks that received major infusions of taxpayer dollars to sustain them during the 2008–9 financial crises as a result of under-estimating risk and taking big financial losses (many have returned these TARP funds to relieve themselves of the limited TARP-related obligations and controls; see http://bailout.propublica.org/list/index for an accounting). And now these are the same banks which are holding on to capital and making it near impossible for small businesses to borrow in order to expand and hire (it is a well rehearsed tale that most job growth occurs with the expansion of small businesses). The profit picture is rosy for manufacturing as well. After all, as the US Census Bureau *News* reported (http://www2.census.gov/econ/qfr/current/qfr_mg.pdf), in the first quarter of 2010 manufacturing firms earned $107.8bn in profits, up about $4.5bn from the previous quarter.

These are not numbers one expects to see in a society whose economy seems to be tanking or in a tailspin (or so it would seem when you are on the bottom). How can one explain these two sets of numbers? In the end it is easy. First, as has always been the case, productivity gains have enabled many manufacturers to maintain or increase output (and after all, whether you adhere to basic Marxism or capitalism, both teach you that you have to produce to generate profits), all with fewer and fewer employees. As noted in a report to Congress (Platzer and Harrison, 2009: 8) there were almost four million manufacturing jobs lost between 2000 and 2008, yet manufacturing output between 1997 and 2005 increased by 60%, a clear indication of the productivity gains that require fewer workers in this sector. Since 2008 the forecast for employment in manufacturing continues to worsen even as production and (as we note above) profits continue to climb.

Clearly, as Rick Wolff (2010) points out, this truly is a recovery for a very few while most of us suffer. And what is the way forward, how are we to hasten this economic recovery for the rest of society, and where can we lay the blame for this failed recovery? The answer seems clear to most pundits – employment growth, a drop in the unemployment rate, more income to the average household. And what is stopping this from happening? One might suggest, trying not to feel like a grade school child wondering if the answer is all so obvious, cutting back on profits through special windfall taxes. Or, as Wolff demonstrates, suggesting we take a very small share of the very large gains of the super rich, his High-Net-Worth-Individuals (HNWIs) and Ultra-High-Net-Worth-Individuals (Ultra-HNWIs). HNWIs owned $39tn in investible assets, and the Ultra-HNWIs comprising only 1 percent of all HNWIs owned 35.5 percent of that total. Wolff reports that '(t)he combined GDPs of the world's nine richest countries (USA, Japan, China, Germany, France, UK, Italy, Russia, and Spain) totaled less in 2009 than the investible assets of the world's HNWIs.' In other words, we can hardly make a significant dent in the great wealth that these people have been able to amass over the past several years (according to Wolff HNWIs saw their asset values increase over 17% while all major economic indicators still lag) by taking a bite and alleviating much of the fiscal stress on communities, countries and the poor globally.

But wait, is that not class war? At least that is what we hear all the time. And that is the great shell game of capitalism. We watch the non-existent pea representing shared prosperity, with only ourselves to blame when we do not guess correctly and find that path to wealth, that pea under the shell. Try to topple all the shells to either find that pea, or prove there never was a pea due to a clever sleight of hand, and we are accused of proposing and fomenting class war. But when none but the top 5 percent benefit from a system that works against most people, we do not call that class war but rather a well run economy. Like infants ever surprised by the return of your face when playing peek-a-boo, we seem not to retain any memory of how we are being fooled. We listen to talks about austerity and budget deficits and nod in agreement that we have to cut social services and pensions, that we have to starve state and local government, that we have to sacrifice so many public benefits because we cannot afford them … all the while never considering the notion that perhaps the top earners do not actually pay their 'fair share' to sustain the general weal, never considering that tax breaks for wealthy corporations and individuals contribute to this real class war on workers and their families.

Well, if we cannot take it from those who have it, what do we do to get out of these economic doldrums that threaten our economy? The answer is simple, say the apologists; the sleight of hand is to argue that the average consumers are not spending enough! After all, as Frank (2010) points out, the top 5 percent of all earners account for 37 percent of consumer spending, and the bottom 80 percent (that is, most of us) account for just below 40 percent of all spending. Never mind that for this 80 percent there has not been a growth in real wages for almost three decades, and never mind that the unrestrained growth in credit-fueled expenditures that the 80 percent used to compensate for no income growth have been blamed in large part of the bubble that burst, and never mind that banks eager for fees cast aside good financial decision making and burdened many of those households with mortgage debt they could not sustain on top of all the credit card debts. People worried about their jobs as neighbors lose theirs, people unwilling or unable to boost their credit lines because they cannot pay back what they owe already, people facing falling wages as working hours are cut back, are all now being chastised because they are not flocking to malls and going online to continue the orgy of consumerism.

And that is our problem! If consumers, the argument goes, do not shop then why should shopkeepers and retailers hire, why should merchants order more goods, and why, at the end of the day, should manufacturers increase employment in order to increase production? But by now we have had our attention successfully diverted; we have looked away and forgotten that manufacturing firms have seen profits grow without hiring new workers due to the growth in productivity. The real problem with lower levels of consumption is that sales are lagging so profits cannot grow even more (this is not the case across the board as sales of some consumer durables – so-called big ticket items like cars – are increasing). After being flogged for carelessly spending above their means, consumers are now being chastised because the savings rate has been climbing since the Fall of 2008, and when they actually do spend it is not with credit but increasingly with cash (mainly in the form of debit card purchases).

Lest we forget, in capitalism one has to sell in order to realize the surplus labor that has been appropriated during the production process. I do not want to go back to the old debates over whether under-consumption or over-production is the root of capitalism's decline. Sadly, we have to admit that, as a system, capitalism does just fine and finds ever more clever ways of sustaining itself from one seemingly systemically shattering crisis to the next. But we do not have to concede victory because the system does not seem to be able to collapse due to its own weight. Rather, we have to expose this shell game being played and look to other models of economic activity that do not depend on exploiting a large portion of society. The fault is not with those who do not play the capitalist game properly, but with those who play the game at all. Thanks to Rick Wolff for pointing out that there are places, even in capitalist countries, where people show how we can take power, rewrite the rules, and participate in a better society (Hamilton, 2010). If it is possible there, then it is possible everywhere.

This issue of the journal opens with Richard dello Buono's narrative about the role of the media in both paving the way for the neoliberal agenda (however imposed) in Latin America, and its importance in the formation of a liberatory counter-neoliberal movement that is slowly dominating in the region. It is a prophetic tale because we are in the midst of a period in which the media in the USA has been generally uncritical of the government's actions and policies on one end, and shameless purveyors of misinformation and distortion on the other. The constant repetition of fabricated stories – for example the drumbeat surrounding whether or not Barack Obama was born in the USA – has begun to create its desired results as all too many citizens are now starting to question that fact.

Beeman, Glasberg and Casey delve into the impact of the current financial meltdown and document the race-based pattern of home lending. Their findings that non-white families are less likely to get traditional financing and more likely to be saddled with high-cost risky home loans is nothing new, but rather a continuation of a routine pattern exacerbated during the period of predatory lending that contributed to the ongoing financial collapse begun in 2008. Gowan explores the notion that social capital (or rather its absence) is an important component to explain the economic outcomes of inner city African-American males. Stressing the critical role played by inadequate economic and educational capital, these men could not properly utilize the social networks in the same way suburban whites could, given otherwise similar circumstances. As a result, the geographically centered inequality persists.

The remaining papers, by Malešević, Correa and Hughey, explore how ethnicity and ethnic identity play out. In the first, Malešević argues for a new framework to understand and analyze ethnicity as a universal social concept. Correa offers us a look at how state repression and violence played a role in suppressing ethnic aspirations and progress. Following the case of the Brown Berets, Correa documents the role of racism, sexism and class in the decline of efforts at social and economic advancement among Hispanics. The paper by Hughey brings a level of cultural criticism to how black fraternities and sororities are portrayed by Hollywood, arguing that these representations create and recreate the most extreme forms of stereotype (of inner city poor versus suburban middle class African-Americans). Doing so blurs and diminishes issues like the continued resistance to racial inequality and the role such college organizations play in promoting and advancing the civil rights of African-Americans.

References

Frank R (2010) *US Economy is Increasingly Tied to the Rich*. *Wall Street Journal*. 1 August. Available (consulted 13 August 2010) at: http://finance.yahoo.com/family-home/article/110258/us-economy-is-increasingly-tied-to-the-rich

Hamilton D (2010) *Marinaleda – Where a Better World Exists*. *Morning Star*. 10 June. Available (consulted 13 August 2010) at: http://www.morningstaronline.co.uk/index.php/news/content/view/full/91375

Platzer MD and Harrison GJ (2009) *The US Automotive Industry: National and State Trends in Manufacturing Employment*. Congressional Research Service. Available (consulted 13 August 2010) at: http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1671&context=key_workplace

Wolff RD (2010) *Economic Recovery for the Few*. *MRZine*. 29 July. Available (consulted 13 August 2010) at: http://mrzine.monthlyreview.org/2010/wolff290710.html