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Profits of Doom

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Robust economic growth during the last half of the 20th century resulted in many changes: workers increasingly acquired the trappings of a middle class existence as they bought homes, cars and all the 'modern appliances'; families moved into better housing in suburban neighborhoods, abandoned the worst of the inner cities in the USA (or moved into the more affordable environs surrounding the older European cities); it seemed like everyone improved their standard of living and laid the groundwork for their children and grandchildren to live even better lives as they went to university for the first time, became professionals, and moved ever further out into shining new suburbs accessed by an ever expanding Federal highway system. The evils of the Industrial Revolution with exploitation of children and women workers, wages that barely kept workers and their families out of the most extreme forms of poverty, and working and living conditions in sweatshops and tenement slums all seemed a thing of the past, and the memories of the Great Depression faded for all but the oldest workers. Capitalism, it seemed, delivered the 'goods' in more ways than one.

Profits and the quality of life for many rose in tandem for at least 25 years into the middle of the 1970s, but apparently that was not enough for capitalists. As many have pointed out, the last two to three decades of the 20th century were a period when median incomes stagnated in real terms (and even fell for those at the bottom), where consumption levels were sustained by an ever growing level of consumer debt, and when the incessant drumbeat of home ownership led to unsustainable mortgages and false notions of an unstoppable upward spiral of home prices that would justify an equally rising level of debt to finance lifestyles that were not, by most standards, exorbitant but simply the presumed delivery of the 'American Dream'.

As long as credit fueled lifestyles were intact no one noticed the steady increase in the incomes and the every greater concentration of wealth at the very top, nor did they notice the steady erosion of the same for people of color and working men and women. The American Dream was sustained by a lie, and productivity gains accrued to the owners of capital at historically high rates. Few paid attention as long term R&D investments gave way to short term financial returns on investments, as the bottom line and the next profit report became the measure of prosperity, and as society shifted from one which made things, to one which worried about hedging and arbitrage. The safeguards born of the financial excesses that brought on the Great Depression were dismantled to the cheers of Wall Street, a liberal Democrat in the White House began the first assault on social spending (ending 'welfare as we know it'), and the 20th century ended with unbridled optimism that there was no ceiling to all that was transpiring.

Massive levels of unfunded government spending and loss of revenue (tax reductions for the wealthy, two wars and a drug program) in the first decade of the 21st century were but one of the early symptoms of this euphoria. By the time of the housing crash and the fall of the financial dominoes constructed out of the fiction of housing backed securities no one seemed to be prepared.

Conservative forces that had sought to end the New Deal era programs pounced – the problem was excessive government spending, too many restrictions and too much regulation on corporations and the wealthy, and a system of largesse (i.e. programs to help the poor) born out of a nanny state supported by a large government apparatus. The fiscal crisis spread throughout Europe and other capitalist countries, and the new catchword of neoliberalism was austerity. Governments have to scale back, people have to rely on themselves, capital has to be sustained and otherwise propped up if there is to be any hope of recovering and putting the economy on a firm footing. Western capitalist nations are now, for the most part, rushing headlong in their neoliberal charge to dismantle the social safety net won during a half-century of struggles on the part of workers.

And while the rush for neoliberal austerity slashes at social services and support for workers and retirees, conspicuous spending to promote image and chase questionable hopes abounds. Detroit MI, the once proud icon of industrial might, the cradle of the automobile industry, and one pillar of the increasingly defunct American union movement, recently filed for bankruptcy protection. At the same time, plans continue for a new hockey arena that will be supported by around $250m in public dollars (enough to fund almost 20,000 public worker pensions now at risk). The reaction to date is muted; perhaps Detroit's citizens have been worn down after literally decades of decline and poverty. But others are not so quiet, and public outrage can be quickly triggered. Brazil is spending billions on its preparations for the World Cup and the Olympics, and now its population has had enough of the government saying it does not have the funds to alleviate poverty and social decay; just look at the images of recent mass protests throughout the country: Brasilia (http://g1.globo.com/globo-news/jornal-globo-news/videos/t/todos-os-videos/v/policiais-retiram-manifestantes-do-palacio-do-itamaraty-no-df/2646431/), Salvador (http://g1.globo.com/globo-news/jornal-globo-news/videos/t/todos-os-videos/v/policiais-e-manifestantes-entram-em-confronto-em-salvador/2646151/), Rio (http://g1.globo.com/globo-news/jornal-globo-news/videos/t/todos-os-videos/v/confusao-na-porta-da-prefeitura-do-rio-de-janeiro/2646300/), São Paulo (http://g1.globo.com/globo-news/jornal-globo-news/videos/t/todos-os-videos/v/manifestantes-continuam-na-avenida-paulista-em-sao-paulo/2646457/) Campinas (http://g1.globo.com/globo-news/jornal-globo-news/videos/t/todos-os-videos/v/policia-reprime-com-violencia-os-manifestantes-em-campinas/2646367/) and Vitória (http://g1.globo.com/globo-news/jornal-globo-news/videos/t/todos-os-videos/v/manifestante-depredam-o-pedagio-da-maior-ponte-do-espirito-santo/2646519/). The events in Brazil are complex and not easily reduced to one political or social explanation (see Alfredo Saad Filho's analysis in this issue). Indeed, both the left and right forces in society share common space – perhaps for different reasons and towards different outcomes – that mobilizes mass protest.

Austerity has nothing to do with profits; while unemployment remains 50% higher than it was in 2007, real wages remain depressed, and benefits and job security are disappearing, corporate profits as a share of GDP and stock prices have rebounded and are at record levels (see Wolff, 2013). What is lost in all of these discussions of the massive changes in our political economy in the guise of austerity is the devastation created on a personal level. And this is not just metaphorical devastation but death and destruction as lives are lost in the ever more frantic pressure for profits in areas with weak safeguards and lax oversight. On 24 April 2013 the news was full of images of a collapsed building in the middle of a shantytown in Bangladesh. Rana Plaza, housing garment manufacturing sweatshops, toppled and in the process killed 1,127 people. Fires routinely break out in these sweatshops, and several month prior to the Rana Plaza collapse, the Tazeen Fashions factory in Ashulia was destroyed by fire with the result that 112 people died and thousands more were injured (Cyran, 2013). These fires were reminiscent of the Triangle Fire in New York in 1911, when almost 150 died in the fire which broke out in a similar garment sweatshop employing mainly young immigrant women who worked under terrible conditions for a dollar a day (the wage of the Bangladeshi women at Tazeen Fashions).

And while dramatic events like these fires put a spotlight on the dangers of pursuing profits are all costs, the long term impact on all of us cannot be underestimated. Stress over family finances, concerns about whether the rug will be pulled out from older workers who fear dismissal and a dismal job prospect, worries about financing children's education to give them a chance to succeed, and the aching knowledge that all indications are one's children will not have the economic security – however tenuous – parents now enjoy. The consequences for the individual are clear: '…the real danger to public health is not recession per se, but austerity.' For societies with rising social welfare spending per capita, experience increases the life expectancy of its citizens (Stuckler and Basu, 2013: xiv). Iceland's population fared better than those in Greece because it held on to its social welfare programs supporting housing, the unemployed, pensions and healthcare. As Greece became the poster child for austerity the human cost of its recession is strikingly clear as social programs were cut. In the USA, as a sign of the times, people are giving up and walking away from homes in or under threat of foreclosure. Currently, as a result as many as 30% of all foreclosed properties now sit empty in cities around the country (Sauter, 2013).

Whether it is the dying of workers around the world struggling to make meager incomes in the ship dismantling waters off Bangladesh, in the mines of Africa, in the dismantling and reclaiming of heavy metals from scrapped electronic equipment in China, or in sweatshops all over the world, and now as we witness the stunned despair in Detroit and in cities around this country and in countries around the industrialized world – the evidence is clear. Capitalism is a system that survives on some level when it has enough sense to police itself; whatever the final decision on their effectiveness at least the laws in place between 1935 and 1980 put some limits on both the top and the bottom and oversaw a period of shrinking disparity and greater shared benefits of capitalism. During the past three decades even these limited protections and constraints have been removed, and today we experience the rising human cost globally. Some make pathetic arguments to defend this growing inequality. Noting the share of income for the top 1% more than doubled from 1973 to 2010, Mankiw (forthcoming) defends this as returns to human capital at the top rather than rent-seeking avarice taking advantage of protectionism and favorable national and international legislation. Furthermore, in language reminiscent of the discredited socio-biology of the recent past, he argues that inherited traits are passed on from parents—that is, good genes and not fat trust funds account for this concentration of wealth. Income inequality is, he argues, essential for providing a system of incentives to encourage the 'best' outcomes (a la Steve Jobs, et al.).

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