

Nostalgia for the Future: Rethinking today's society

Thank you Don Snow.

Two years ago I said here that our crisis was the best opportunity to rethink capitalism we will have in our lives. I also said that you in the hall knew as much about what was going on in our society and what needed to be done as the experts who brought us the crisis. I want to follow up and say what I think is going on in the world since I made those remarks. What is happening now in the US, Latin America, and Europe? As was true for Charles Dickens in the Tale of Two Cities, about the French Revolution, this is the best of times and the worst of times.

The last time there was this big a crisis of capitalism was 75 years ago, and the response was to create many mechanisms by which the government took care of ordinary people. The reason that happened is that people organized, unions were vibrant, and this resulted in so much progressive legislation.

That previous big crisis of capitalism was preceded by the biggest polarization of wealth perhaps ever seen when the richest 1% held close to half of all the wealth in the country. Such extremes are very unstable. The response to the New Deal legislation was that the richest 1%'s wealth declined to having only 23% of all the wealth by 1975. As the rich saw it coming, they began organizing back in the 1960s to get it back. In 1946 the highest tax bracket in the US was 96%, hard to believe but true. I sometimes show students front pages of New York Times. On April 28, 1942 the headline read: \$25,000 income limit asked by President. Roosevelt proposed a 100% tax on all incomes above \$25,000. That didn't pass, but a 94% tax passed that was later raised to 96%. The key values in the country that were prevalent in the 1950s with the GI bills and housing support, went as far as the Family Assistance Plan in 1969, again making the lead headline in the NYT on August 8. It was to have a guaranteed income for every American family with children. Imagine a Republican, President Nixon, proposing that.

But we are now back to the levels of wealth the rich had in the 1920s after the rich got their act together. How did they do that in the US. They distracted us into thinking of individual pursuits rather than organizing together.

For example, President Reagan was very specific with his form of economics which we embraced in the 1980s. He said we should help the rich get richer and something will trickle down to us. I remember in the 1980s how crazy this seemed, but that is what happened. By preaching taxation as a bad thing, and the idea that we can all become rich some day, we bought into this. Today workers believe the rich shouldn't pay taxes because they believe they will strike it rich before they die.

I worked as a emergency doctor for thirty years. I had a rule of 4s to guide me. You can survive 4 minutes without air, 4 days without water, and 4 weeks without food. Now I've added another 4, namely we can survive 4 decades of economic inequality.

What happened with our crisis that burst forth 2-3 years ago is the result of processes set in place 4 decades ago.

Let me sketch these processes out. About 40 years ago the rich said their wealth share had declined so much that they weren't going to pay us more and they accomplished this in a variety of ways:

- they automated production, using technology and computers

- after WWII, the US was almost the only producer, but as other countries got up to speed, US companies faced competition. So they got legislation passed to offshore production to remain competitive

- the rich supported waves of immigration of people who would work for less

- and women entered the work force.

To understand the scale of the changes, back in 1970 the median family with 2 parents with only one working outside the home and 2 children had more disposable income than a median 2000 family with both parents working. Beyond putting more family members to work, another way to cope was to use consumer credit which became very easy so in effect you could borrow your salary.

During this period the US went from being an industrial economy to a service economy, and financial services became prominent. Many US corporations got into banking.

Back in the 1950s and 60s organized labor was one of the biggest contributors to the election process, but now the biggest contributors are big corporations so they have much more influence, while ordinary people have come to have very little sway, and the same is true of organized labor.

Political lobbying has become a huge industry as the number of lobbyists increased over ten fold since the 1970s. Yet ordinary people, or the homeless, or the poor don't have their own lobbyists. Strange but they can't afford them. So they get no benefits.

Our democracy has become transformed so that corporate lobbyists masquerade as elected officials and we have the best democracy money can buy. We should just call our system a corporatocracy.

Let me give you an example. General Electric was a company I remember as a child. "We bring good things to light" was their slogan then. Today their line is "Imagination at work." How does their imagination really work? GE has grown immensely and last year made worldwide profits of \$14.2 billion with \$5.1 billion of that from its US operations. Yet their US tax bill for last year was a credit of \$3.2 billion. They made \$5.1 billion in US profits and we paid them \$3.2 billion as their tax credit. GE doesn't do much business with light bulbs or electric kettles anymore. Much of its profit stems from the banking business. It has

offshored many tens of thousands of jobs. Last year it spent \$4.1 million on lobbyists. That is what the invisible hand does, get lobbyists to wave it so they don't pay any taxes. Furthermore, their CEO is the chairman of President Obama's Council on Jobs and Competitiveness. That is why our vote is no match for the power of the market.

Along the way neoliberal reforms came into being. These reforms meant privatizing something once it becomes profitable. Massive subsidies for many industries and technologies were put in place that benefitted the rich both directly and indirectly. Unprofitable research was paid for by the government and when it became profitable, it was privatized. Examples include the computer industry. I worked with computers in the 1960s at a time that IBM and Control Data were heavily subsidized by the military because few profits could be made, but by the late 1970s with the advent of the PC huge fortunes could be amassed that used the technology whose development we paid for through our taxes. The internet was similarly developed by the US army and in the late 1980s given away to industry who then made huge profits. The modern commercial passenger airliners are basically modified military bombers that were developed entirely at taxpayer expense. That's privatization at work.

Neoliberal reforms cut spending for social services such as education, public transportation, and national parks. At UW where I teach increased tuition fees and pay as you go programs are now becoming more common.

Another neoliberal reform was to deregulate, since the market and the invisible hand is considered the best regulator. Among key deregulations were those policies put in place back in the last great crisis of capitalism, especially the Glass-Steagall act. It was passed in 1933 to separate investment banking from commercial banking and was designed to limit speculation. These important protections were slowly whittled away with major emaciation in 1980, and ending with a bill that repealed the Act in 1999 during the term of President Clinton. Now banks could gamble with depositors money and create new instruments such as derivatives, credit default swaps and many others that allowed enormous amounts of virtual wealth to be generated on the order of hundreds of trillions of dollars.

The housing bubble which came crashing down in 2008 was just the tip of the iceberg of a crisis of capitalism, but capitalism has this remarkable ability to sell us its mistakes, namely what we have been doing since then is giving the rich ever more and making sure that they don't pay for any of the problem that they created.

Naomi Klein wrote *Shock Doctrine, the rise of disaster capitalism* in 2007 which helps us understand how during a crisis the rich can push through all sorts of processes that benefit them, which is exactly what has happened since the made in America global crisis began.

The other amazing event was the Extreme Court's 2010 decision on Citizens United that allowed corporations unlimited spending to influence the political process in the United States. The corporate influence in the future will become ever more powerful and opaque,

since now they don't have to disclose their spending. Another example of the Shock Doctrine at work.

What happened after the crisis in the US? We have bailed out the rich to a huge amount, estimates range in the trillions with some around 10-11 trillion dollars. But somehow that was not enough and so we now are being told we need more austerity in order to lower the national debt

It is amazing how brazen the rich can be, they can never have enough. They want everything. That increases instability in society so they are testing how far they can push getting everything.

Capitalism can adapt to just about anything with today's example where it is selling back to us its failures. What do I mean? Some people wanted to hedge their bets on the bubble and profit from it. Last year's highest income earner made \$4.9 billion dollars as a hedge fund manager. He bet on the falling housing market and made lots of money. His take works out to about \$10,000 every 15 seconds. That is what \$4.9 billion looks like. To put that figure into some perspective, in Washington State the minimum wage earner makes a little over 3 pennies, 3 cents, every 15 seconds. That is an income gap of almost 400,000 to 1, a world record. Nobody is upset at that. All of you in this hall likely paid more tax last year than the highest income earner did. Capitalism is a very unpredictable beast that will come out on top of all of us. We thank the invisible hand for this providence. We still need to rethink whether or not we want to be slaves of the market and of capitalism.

Limits are emerging in the US. In February in Wisconsin there was the biggest support for organized labor since the 1960s that is a very healthy sign. More will come.

Today people in this country are confused, and not knowing where to turn and the rich are trying to hold the front of the battle by various means. These include the corporations spawning the tea party to distract people from the core issues. We have corporate astro-turf where corporations pay companies to blog and tweet as individuals with extreme right wing views. People think this is what others believe so they began to change their perspectives.

The media continues its focus on individual stories, singling out the unfortunate and distracting us from the big process going on. What would be a minor story, a congressman sending pictures of himself in his underwear to others becomes a major scandal. Celebrity gossip holds sway. Now telephone hacking, while symptomatic of corporate malfeasance, becomes a scandal of individuals rather than being presented as a symptom of the decay of capitalism.

There is a transition in the commercial media from major analyses of what is going on to focusing on bringing back consumption to its previous levels. I read the New York Times every morning. It has really changed so that now a better name for it would be "Better Homes and Gardens for ultra-rich New Yorkers." Independent journalism is fast disappearing, so now we have a press corpse.

People say the internet is replacing the press corpse, but search engines tailor what you get when you search to your own proclivities. Two people making the exact same search get different results that are designed to please them. So we are limited in what information we can access easily.

Social media has become incredibly popular but in this country it is not being used for progressive purposes the way it is elsewhere. What is happening elsewhere?

In Latin America beginning in the 1980s, they began to question the neoliberal perspective and started popular organizing so today the most progressive governments and activism are taking place there. They did not suffer so much for the economic meltdown in 2008. We should look to them for ideas.

In Europe the rich saw their situation deteriorating. In the US the rich were just doing so much better, so in Europe the rich decided to craft policies after the crisis that were bound to fail, especially in Ireland, Spain, Portugal and Greece. The rich began preaching austerity to the less fortunate in various ways that seem non-sensical to us. They wanted to raise the retirement age in France from 60 to 62. In Europe people work to live and want to enjoy life, whereas here we live to work, and now that unemployment rate is so high, we are unhappy, whereas in Europe people expect benefits from their governments when they don't work.

Germany is a country whose economy hasn't tanked because they were not focused on consumerism. The people have pushed to have green power by 2020 and not depend on any nuclear plants.

Greece with their pensions and civil service jobs, are presented to us as inordinate demands because our pensions are so low or even non-existent, so we laugh at their demands and ignore the massive demonstrations. In England they want to raise tuition at colleges and this produces massive protests.

Debt in Europe is seen as something taken on to invest in the future, something we used to do as well, but the rich see the opportunity there to cut benefits to ordinary people as a means of paying back the debt. Europe's ordinary people say to the rich: "you brought us the crisis but you are not going to make us pay for it." Millions take to the streets in France, Greece and England, while our media downplays these efforts.

In Northern Africa and the Middle East there have been massive uprisings linked to the repression of the last 30-40 years. The rich and powerful are scheming to get their power back. The military in Egypt scheming to take control for example.

Japan had a disaster in March producing the nuclear meltdown from the tsunami. Because Japan had been trying to get the economy out of recession for a long time, they were planning to give corporations there a tax holiday. But after the tsunami, the corporations

said they would forgo the tax breaks so the government could use the money to rebuild. Can you imagine such a thing in the United States?

What is happening to rethink capitalism? I used to think that people in the US were lugubrious and not looking at what is going on but that isn't true. We just aren't buying stuff we don't need with money we don't have the way we used to. We realize that having all the latest gadgets, and the newest clothes we wear once or twice, or cosmetics promising hope in a jar, or two garage cars, just isn't what life is all about. Because we are not spending money we don't have frivolously, business has less demand and thus less reason to produce goods that we don't need. Jobs are down. This is today's rut. Americans are smartening up and realizing that it isn't stuff that makes you happy or helps you live the good life.

Meanwhile the experts who made all this happen have been useless at changing the situation except in ways that benefit the rich by trying to restart the engine of economic growth.

The world today is quite unstable, the climate is changing, human populations are growing, food production is tenuous, and we are running out of water where it is needed. In rethinking capitalism we must recognize that economic growth has raised our standard of living as much as will benefit our health and well being. More growth will not be better for us, nor better for the planet.

We desperately need to start thinking of a post-capitalist system, or structuring an economy that benefits our lives. The economy as it has existed over the last 40 years doesn't even benefit the rich and powerful in this country. The most recent studies that came out last month from UW's Institute of Health Metrics and Evaluation showed that length of life is now declining for women in close to a third of US counties. Our rich aren't as healthy as ordinary people in much of Europe.

We are in the midst of a major scientific revolution. In the middle of this it is hard to see what is happening. These revolutions take a long time and it is only after one has occurred that you gain insight into what happened. To see this think of past scientific revolutions:

The media revolution began by changing the copying of manuscripts by hand to using the printing press. This effort was strongly resisted and took hundreds of years.. Now we are in a new state of that revolution as we transition from printed pages to digital format.

The Copernican revolution, where we came to see the sun at the center of the planetary system rather than the earth, took hundreds of years to be accepted though it didn't matter to us except conceptually until we tried to launch rockets to the moon and other planets.

Capitalism took hold with the industrial revolution. The focus on economic growth really only began some 75 years ago when Simon Kuznets created a new measure, the GNP, for a new goal for the US government in the 1930s namely to increase economic output. The GNP became the indicator that was followed. We got what we measured, namely a focus on

economic growth meaning producing more goods and services. That might have been a good idea back in the 1930s, but it isn't what we should be looking at now.

What should we be measuring today? That should be the topic of global discussion. Where do we want to go as a species on this finite earth? I would hope the measure would be for everyone to have enough of the basics for a good life, one that is sustainable, and doesn't create havoc for the planet. That will require a post-carbon economic transformation.

If that is the case, then this would require rethinking many aspects of society, namely how we organize ourselves and what we focus on. Among concepts that require rethinking are:

- the nation state as a unit of organization, does it serve human welfare?

- corporations as entities, especially now that they have the rights of individuals in perpetuity whereas our rights are gone when we die, and we don't live that long as individuals in the United States compared to other countries so that needs fixing

- the small units we associate with, the family, the community and society. The community and society needs to scale down in size in order for our voices to be heard and manageable decisions made. We need to become societalists.

- how our time gets used, and whether technology is making our lives better, and what sorts of technology really matter for that.

- money and finances, since money today is really debt held by banks, is that in our best interests?

Latin America is soundly rethinking capitalism, with a lot of tension between those who are too rich and those who don't have enough. It is healthy to be engaged in these ideas

Europe is better able to do engage in this revolution because there is more vibrant political discussion there, both on the streets, in the workplace, and in homes.

In the United States we have people in my age range who can remember the turmoil of the 1960s and the sense of a purposeful society dedicated to creating the good life for all of us. There were the demonstrations supporting the civil rights movement, the opposition to our military engagement abroad and what the purpose of democracy was.

Today we have a large segment of young people who sense that their lives may not be as good as those of their parents. They are trying to figure out what the world is like and what they have to do. Then there are the in-between's who are very confused.

Perhaps we need those like my cohort to interact with the youth and work together. Old and young together, and then sweep in the middle.

We must recognize that there are only two superpowers left in the world. One is the rich and powerful that control huge military might and awesome weapons of both mass destruction and mass distraction. They number at most a few million. The other superpower is vast, numbering six billion. I'm talking of all of you here and around the world. We have to recognize our collective superpower status that will only come when we work together. Being physically together as in Tahrir Square in Egypt was a good example of sensing superpower status. Other countries in the Middle East have responded as well. We are a threat to the rich and powerful.

What can we do?

We have already started by not moving the consumer muscle as much as we used to. Next we need to move the citizen muscle.

We need to understand what is going on. There are three levels of understanding.

Most of us perceive there is a problem. After perception, we need a rationale, a way of understanding what the core problem is and why it has happened. Then we need to respond, use some strategy to deal with the problem.

We need to develop a response ability. We need to have the ability to respond. Our ability to respond can take a variety of forms. We can talk in our families, at work in our communities, such as this one, especially face to face. Despite all the technologies at our disposal, acting face to face remains the most effective response.

We need to ask the right question. Far better an approximate answer to the *right* question, which is often vague, than an *exact* answer to the wrong question. If you don't ask you don't know, and if you don't know, you can't act.

We can blog, we can tweet, and use social media. But how much will these media help us work together unless we have face to face discussions? We need to use both in new ways. There is no recipe for success here.

We are drowning in information, yet starving for wisdom. Mark Twain said: "It ain't what people don't know that worries me, it's what they know that just ain't so." Seek out those of us who can synthesize, who can put together the right information at the right time, and think critically about how to make important choices wisely.

Great things always begin from inside. Think of an egg. If an egg breaks from an outside force, the life inside ends. But if it breaks from inside, life begins. So great things happen from the inside. We need to get inside and break out.

Today's crisis is a terrible thing to waste. The rich and powerful have been using it for their ends. But we need to use it for benefit of we the people on this earth.

We can't rely on hope. Hope is an opiate. We have to rely on ourselves to work together. Solidarity is the best medicine. The way to fight organized money is with organized people.

The way forward will depend on acting, that is doing something and then doubting whether or not it works, then acting again perhaps differently and doubting whether that works or not. The metaphor of the political right or left may not serve us. You can't fly a plane with just a right wing. Or just a left wing. We will always be setting a correction as we move forward.

Gandhi said you may never know the results of your action. But if you do nothing there will be no results. We won't know what has been the outcome of this process for a long time. The history books will write it up. But in the meantime don't be missing from the action.

Thank you.

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