

MYTHS
of
CAPITALISM

A GUIDE FOR THE 99%

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Preface

I have long been astonished (dismayed?) by the inability of so many of my fellow Americans to distinguish between a political and an economic system – usually incorrectly fusing them. With ongoing crisis in both these arenas, this confusion between democracy, our political system, and capitalism, our economic system, has made many suffering Americans aim their guns of discontent at themselves. Mounting anti-government salvos jeopardize the only institution deliberately and meticulously designed to protect the citizenry: democratic process. This misplaced animus poses a real threat to the liberties and self-determinations inherent in that process - as evidenced by the not-so-long-ago rise of European fascism.

This confusion urges an attempt at clarification. Directed to every American, this book is not an academic work; hence the text is not interrupted by copious footnoted documentation. Instead, for those interested in further elucidation, I have appended a partial bibliography of books and periodicals that, over the course of time, have informed this effort.

Andrew Torre

INTRODUCTION

The years from 1929 to today – a very short span in historical terms – have seen a major collapse of capitalism during the Great Depression and what appears to be another collapse today. It is estimated that the U.S. government has so far committed more than an unprecedented \$3 trillion of taxpayer money to bail out a troubled financial sector, and given hundreds of billions more to rescue the U.S. automotive industry.

Between these two cataclysmic events, there have been many mini-collapses – one on an average of every twelve years. These collapses are euphemized as “normal business cycles” – a term calculated to portray such failures, not as man-made, but as natural “acts of God” which must be passively accepted, like the change of seasons.

These “cycles” wreak havoc on working people – spiking unemployment, depressing wages, and curtailing benefits such as health insurance, education, and retirement funding – along with the defunding of innumerable government protective agencies. People ready and willing to work suffer enforced impoverishment, which can include homelessness, hunger, inability to meet medical costs, curtailment of education, loss of credit, and personal bankruptcy, among other tragic consequences. Workers’ wages have been stagnant for over thirty years; 50% of income has gone to 1% of the population for the past fifteen years; many Americans have inadequate health insurance or none at all despite recent passage of a new health-care reform bill; reported unemployment, plus underemployment and unemployed workers who have dropped off the charts and are no longer counted, is 20% or more – or at least 40 million people out of a workforce of 194 million; home foreclosures are at a record high, with 1.2 million estimated for 2010; 43.3 million people are living below the poverty level; home heating costs have become prohibitive to millions; and the latest financial crisis was the worst since the Great Depression.

During this same period, enormous wealth has been created. But this wealth has become increasingly concentrated in fewer hands. The gap between the rich and the majority of Americans today is the greatest since before the Great Depression when, in 1928, the income of the top 0.01% was 892 times greater than that of the bottom 90% of the population – *against 976 more in 2006*. From 1976 to 2006, the average income of 90% of Americans rose only 2.3%, *while that of the top 10% rose 57%*. The rich are also keeping more of their money by paying income tax at rates as much as 30% lower than they paid in 1944. “The richest 1% of Americans hold wealth worth \$16.8 trillion, nearly \$2 trillion more than the bottom 90%” (*The Nation*, 6/30/08).¹ Inequality and crushing economic ills in the world’s wealthiest society make it impossible to conclude other than that our economic system is failing most of us.

What *is* an economic system? It is simply ***the means by which wealth – money, commodities, homes etc. – is created and distributed in a society***. The rational measure of an economic system is how well it provides for the society at large. Our economic system is capitalism, and by that measure it is obviously doing a terrible job.

Yet for more than sixty years – since the beginning of the Cold War – capitalism has been immune

¹ **Note:** The statistics cited in this book have been gleaned from many sources, including the U.S. Bureau of Labor Statistics, the U.S. Government Accounting Office, PEW and other reputable research organizations, and established publications such as *The New York Times*, *The Nation*, etc. I consider this acknowledgment to preclude the need to individually document every cited statistic.

from criticism in the U.S. We need only to recall the shameful McCarthy-era “witch hunts,” the onslaught (and unconstitutionality) of the House Un-American Activities Committee, and the gross injustices of the blacklist that destroyed the lives of thousands of people accused of being “commies.”

This historic animus toward real or alleged communists never addressed – and therefore cleverly repressed – the substance of their position: *a critique of capitalism*. Instead, the “establishment” accused communists and socialists of wanting to overthrow American democracy and replace it with a repressive Soviet-style regime. This tactic preempted any substantive public economic debate. And it was easy to employ in the 1940s: the recently concluded brutal war allowed “communism,” as exemplified in the non-democratic Soviet Union, to be deceitfully equated to fascism so as to avoid the critique of capitalism at the root of communist thought. Even to this day, anyone critiquing capitalism is reflexively red-baited as blood brother to Stalin. Merely suggest the need to redistribute wealth and you’re branded a “socialist” – a word that nine out of ten people cannot accurately define, but one so loaded that it’s enough to end any reasonable discussion. Any serious critique of capitalism today is largely confined to academic journals and progressive periodicals of which the public is, for the most part, unaware.

This situation is very unfortunate, because it deprives the public of an open, objective, and possibly helpful discourse on the system under which it labors – a dialogue that might even provide some remedies and ease the people’s plight.

It wasn’t always so. During the Great Depression of the 1930s, vibrant intellectual debate was conducted over the viability of the capitalist system itself. Arguments ranged from those of *laissez-faire* conservatives to those of Marxists and included the world’s leading economists, from Harvard’s Joseph Schumpeter to England’s John Maynard Keynes, whose revolutionary book, “The General Theory of Employment, Interest, and Money,” appeared in 1936. This work gave new analytical insight into the mechanisms of capitalism, shed new light on the causes of the depression, and unveiled the theoretical basis of Franklin Roosevelt’s New Deal, which over the past thirty-odd years has been gradually dismantled to the detriment of most Americans.

Nor did the debate at the time confine itself to the intellectual community. Masses of workers, suffering economic oppression, organized to make their voices heard in one of the most politically dynamic eras in American history. It was many of these working people who were persecuted during the subsequent repressive era for protesting against the system that had failed them.

Due to our 60-plus-year history of incessant propaganda, prosecutions, preconceived notions, and corporate control of the media, education, and culture, capitalism has placed itself beyond reproach as an economic system. It has been elevated in the public mind to a religion, replacing the waning established faiths, with the profit motive as God – accepted *a priori* as an eternal and unassailable principle. However disastrous the economy becomes for most people, we are programmed to believe it is never the fault of intrinsic flaws in the system itself. When the economy falters, the “experts” tell us it’s because of the “greedy few”...or globalization...or the government...or people “overspending”...or the price of oil...or China...or the unions...or the politicians...or “illegal” immigrants...or corporate “misbehavior”...or credit-card “abuse”...or the bursting of the high-tech, housing, financial, or some other “bubble”...or poor oversight...or over-speculation...or “miscalculation”...or outsourcing...or competitive short-sightedness – *anything* but the system itself.

The reasons proffered range from the most abstruse and imaginative to the downright deceitful, such as this in *The New York Times* (7/09/08), claiming “that the economy would continue to suffer as a result of

declining consumer *confidence* [my emphasis].” “Consumer confidence” is a phony phrase employed to disguise the fact that inadequate income has robbed the great mass of people of buying power. The term clearly implies that the system is failing not because of the material deprivation it creates, but because the people have a *psychological* problem: a lack of “confidence.” So our stumbling economy becomes the people’s fault for not having the “confidence” to spend money that they don’t have.

Because *extrinsic* reasons are always advanced in times of economic crisis, the remedies are also extrinsic and therefore temporary – be they monetarist, supply-side, *laissez-faire*, or government-interventionist. No matter which “solutions” are employed, we still keep getting recessions about every twelve years, with the current one a continuation of the one of 2000 – the period since dubbed the “jobless recovery.” How can an economy recover from crisis without providing jobs, which in turn provide the income necessary for people to consume? Since it can’t, not only has there been no “recovery,” but things have become progressively worse.

Since these standard solutions to economic crisis are short-lived, simple intelligence would dictate that something more systemic was at fault. The public is shielded from that examination. Nevertheless, beyond all the deception, avoidance, and blame shifting in a time of crisis, there are *real* reasons for it. The current crisis is not a result of a “malfunctioning” of the system, but of its *normal functioning* according to its own internal mechanisms.

Economic conditions have become so dire that I believe it’s time to reopen the debate on the capitalist system itself. A good place to begin this process would be to explore some of the myths promulgated by capitalism as absolutes. Among them: capitalism is rooted in human nature in that it expresses humankind’s ineffable competitiveness; because it is the “natural” system, capitalism has always existed; capitalism is synonymous with democracy; profit benefits the people because it fuels production, which in turn fuels employment; the capitalist market system is self-regulating; only capitalist competition can spark the creativity that leads to progress; capitalism promotes individualism, thereby promoting human development; capitalism is the only system that allows anyone and everyone to “make it;” and only capitalism can provide plenty for everyone.

These notions have their source in simplistic explications of capitalism – many of them rooted in Adam Smith’s 18th-century economic treatise, “Wealth of Nations” – and none of them having any resemblance to what is actually happening in the real-life, day-to-day functioning of the system in today’s world. This is very hard to accept for most people, who have dutifully learned their capitalist catechism. However unrelated to reality they may be, catechisms absorbed in youth remain comforting and difficult to discard.

But as with all myths, none of those propping up the capitalist economic system can survive the light of evidence. It can also be shown that capitalism through mechanisms peculiar to itself inevitably generates crises; that it demands deprivation; that it *must* impoverish the worker and so, contrary to its own interests, curtail consumption; that it eliminates rather than encourages competition; that it tends by its very nature to the concentration and consolidation of money (and power) to the detriment of the people; and that it probably cannot survive the advance of technology.

This book intends an examination of these elements with the hope of stimulating meaningful, intellectually honest debate, which is the first step toward finding solutions and a better life for most people. It is not a scholarly tome, but rather an introduction to how our economic system actually functions. It reflects the experiences of every working person and employs basic concepts that everyone can readily recognize,

understand, and possibly benefit from.

It is my hope that the discomfort of economic disaster will so outweigh the discomfort of relinquishing treasured notions that people will reach a new level of consciousness, which in turn will lead them to take action in their own best interests.