

The Rise of the Corporatocracy



Walking through a park on a sunny summer day in Portland, Oregon, I stumbled across a stunning example of what has happened to the middle class in the cons' America.

Thirty or more people were sitting on blankets and lawn chairs under a big oak tree in a semicircle around a middle-aged, suit-wearing woman with a flip chart. Those in the circle wore mostly casual clothes, and the average age seemed to be midforties, although there were a few as young as midtwenties and a few who looked to be in their sixties. Two men in the group—both in their fifties, by appearance—had gone to the trouble of dressing in business suits, although they looked painfully uncomfortable sitting on their lawn chairs in the open park.

As I walked by, I heard the woman extolling the virtues of “cheerfulness” and rhetorically asking her students, “Would *you* want to hire you?”

Welcome to the world of those who have fallen out of America's white-collar middle class and are tapping their IRAs, 401(k)s, and overextended credit cards to pay for workshops like this one to figure out how they can get decent-paying jobs to replace the ones they've lost.

The seminar I heard might help a few of these people—I hope it did—but it won't help America get back on track. The middle class doesn't need a pep talk. Americans are the most dedicated and productive workers in the world. Judging from their appearance, most of the folks in that circle had worked hard and done their best all their lives—and been screwed anyway.

THE NEW FEUDAL LORDS: THE CORPORATOCRACY

How could the American middle class—the greatest middle class in the world—be in so much trouble?

Consider the biggest pocketbook pincher: health care. Many Americans are falling out of the middle class today because they can't afford health insurance. One bad accident, one serious illness, one really big hospital bill, and that's it—they can't pay the bills, so they lose their car and their home and tumble right out of the middle class.

Back in my dad's day, that wouldn't have happened. Most working people got health care through their employers. The big health-care insurers—Blue Cross and Blue Shield—were nonprofits, which meant that they just passed on the actual cost of health insurance to employers. The government implemented Medicare and Medicaid in the 1960s to take care of all the folks who weren't insured. Although the system worked imperfectly, overall it was pretty decent.

But then Reagan deregulated hospitals and much of the rest of the health-care industry (along with trucking, travel, and a dozen other industries). Within a decade the system had fallen apart for all but the wealthiest Americans. Hospitals, which had been mainly nonprofit, became for-profit and started charging higher rates. Drug companies realized they could raise prices as high as they wanted because they had bought out their competi-

tors in Reagan's merger-and-acquisition mania and no longer have government looking over their shoulders. Pharmaceutical companies are now the most profitable business in the United States.¹ Insurance companies got into the act too, going from nonprofit to for-profit. Every player in the system started looking to health care to make a buck. The result was double-digit health-care inflation rates by 2001.²

Government tried a number of times to rein in these costs, with little success.³ Bill Clinton proposed a modest public/private national health-care plan, but such a plan could trim corporate profits, and the cons fought back with a level of deceit and ferocity not seen since the battles against Franklin Roosevelt in the 1930s.

The cons responded to Clinton's plan by asking Americans, over and over again, "Do you want government bureaucrats deciding which doctor you can see?"

As a yes-or-no question, the answer was pretty simple for most Americans: no. But, as is so often the case when the cons try to influence public opinion, the true issue wasn't honestly stated.

The real question was: Do you want government bureaucrats, answerable to elected officials and thus subject to the will of We the People, making decisions about your health care, *or would you rather have corporate bureaucrats, answerable only to their CEOs and working in a profit-driven environment, making decisions about your health care?*

The cons don't believe in We the People. They believe that our economy—and our society—would run better if a few elites at the top made decisions for the rest of us. They really do think we'd be better off if a few corporate CEOs ran health care. When the cons call for smaller government or for less regulation or for "free" markets, what they are really saying is: "Give control of the economy over to a handful of CEOs and let us run the country for you."

What they're really saying is that they don't believe in democracy and don't want a middle class.

DON'T BLAME THE AMERICAN MIDDLE CLASS

When the cons are confronted with the growing gap between the rich and the poor in America, they know exactly what to do: blame us.

That's what Ben Bernanke, the chairman of the Federal Reserve, told Congress in his first appearance before that body in February 2006. When Representative Barney Frank asked Bernanke about income inequality, Bernanke replied that the reason for that inequality is "the increased return to education." That's economists' language for saying, "Americans aren't well enough educated to take the many jobs that would be available to them if they knew more."

New York Times columnist Paul Krugman said in response, "That's a fundamental misreading of what's happening in American society."⁴ While college graduates do make more, on average, than those without a BA, it's not true that there are jobs just waiting for Americans who educate themselves. According to Krugman, the "2006 Economic Report of the President" indicates that "the real earnings of college graduates actually fell more than 5 percent between 2000 and 2004." It's just not true that those who are better educated are much better off.

So who is better off? Well, between 1972 and 2001, the income of Americans at the 90th percentile of the income distribution—that is, college graduates, white-collar workers, and people at the higher end of the middle class—rose 34 percent, or about 1 percent per year. That's not really enough to keep up with inflation, so where did the money go? Krugman, quoting a Northwestern University research study,⁵ tells us:

Income at the 99th percentile rose 87 percent.

Income at the 99.9th percentile rose 181 percent.

Income at the 99.99th percentile rose 497 percent.

If you are at the 99.9th percentile, you have an income of at least \$1,672,726 per year. Those in the 99.99th percentile have an income well over \$6 million. And those are the people who made the most money in America over the past two decades.

America's income inequality is not because Americans aren't smart enough. America has income inequality because a small elite group of corporate aristocrats have decided that they deserve to make more money than the rest of us. And they justify their greed and questionable business practices by saying that the market knows best.

One con, Michael Powell, said as much. In an NPR *Morning Edition* report on May 28, 2003, Rick Carr reported: "Current FCC Chair Michael Powell says he has faith the market will provide. What's more, he says, he'd rather have the market decide than government." Powell was reciting the cons' mantra. Misconstruing Adam Smith, who in 1776 warned about the dangers of the invisible hand in the marketplace trampling the rights and the needs of the people, the cons suggest that business always knows best.

In the cons' brave new world, corporations are more suited to governance than are the unpredictable rabble of the citizenry. Corporations should control politics, control the commons, control health care, control our airwaves, control the "free" market, and even control our schools.

Although corporations can't vote, the cons claim they should have human rights, like privacy from government inspections of their political activities and the free-speech right to lie to politicians and citizens in PR and advertising.

Although corporations don't need to breathe fresh air or drink pure water, the cons would hand over to them the power to self-regulate their poisonous emissions into our air and water.

Corporations and their CEOs are America's new feudal lords, and the lower-level cons are their obliging servants and mouthpieces. Instead of a landed aristocracy, we increasingly have a corporate aristocracy. Call it *corporatocracy*.

FEUDALIST TAKEOVER

America was not conceived of as a feudal state, *feudalism* being broadly defined as rule by the superrich. Our nation was created in large part in reaction *against* centuries of European feudalism. As Ralph Waldo Emerson said in his lecture titled “The Fortune of the Republic,” delivered on December 1, 1863, “We began with freedom. America was opened after the feudal mischief was spent. No inquisitions here, no kings, no nobles, no dominant church.”

The founding idea of America was that our country would not be ruled by a handful of very powerful, very rich men. America was founded as a country ruled by We the People, and for democracy to work there had to be a strong and broad-based middle class.

Even at our country’s founding, there were some who couldn’t quite shake the idea that aristocracy was the way to go. As Jefferson warned in an 1826 letter to William B. Giles, there were those even then who

look to a single and splendid government of an aristocracy, founded on banking institutions, and moneyed incorporations under the guise and cloak of their favored branches of manufactures, commerce and navigation, riding and ruling over the plundered ploughman and beggared yeomanry. This will be to them a next best blessing to the monarchy of their first aim, and perhaps the surest steppingstone to it.

The aristocracy Jefferson feared first rose during the Gilded Age in the 1880s, when just a few companies seized control of much of America, including many of our elected officials. The major form of transportation and communication in those days was the railroad—and the railroads were owned by the Vanderbilts. The major form of energy then as today was oil, monopolized by John D. Rockefeller’s Standard Oil Trust. And the major form of trade was in manufactured goods, which required factories, which in turn required steel—monopolized by Andrew Carnegie and his Carnegie Steel Company. These monopolists required

ways to retain their hold on their money, so they turned to financiers like Jay Gould and John Pierpont Morgan, who set up large trusts for them.

The Progressive Movement and then FDR beat back these monopolists with the Sherman Antitrust Act, the National Labor Relations Act (Wagner Act), and other laws that regulated the game of business. Then Ronald Reagan, George Bush Sr., Bill Clinton, and George Bush Jr. came along and turned back the clock. Reagan fought the labor laws, Bush Sr. pushed for fast-track trade authority for the president, Clinton finally took down trade protections, and Bush Jr. put corporate executives into the driver’s seat on government legislation.

We’ve entered a new Robber Baron Era.

Today the major form of communication is by phone and the Internet, an area increasingly monopolized by the new AT&T (formerly SBC/Cingular/AT&T). The major form of energy—oil—is controlled by just a handful of companies. Today’s economic driver is the computer; its software is monopolized by Microsoft, and its hardware is manufactured by a handful of oligarchs.

Today, as in the Gilded Age, the rich are richer than ever. Forbes crowns that in 2005 the “rich got richer” as “the collective net worth of the United States’ wealthiest climbed \$125 billion, to \$1.13 trillion.”⁶ That’s greater than the gross domestic product of Spain or Canada. Bill Gates alone is worth \$51 billion. Five Walton family members—the owners of Wal-Mart—made it into the top 10.

Meanwhile, the median household income fell for the fifth year in a row to \$44,389 in 2004—down from \$46,129 in 1999, adjusting for inflation.⁷ In 1972 the median income for a person with a high school diploma was the equivalent of \$42,630 in today’s dollars. In 2002, the last year for which the National Center for Education Statistics compiled such numbers, a person with a high school diploma has a median income of \$29,647.⁸ As the rich got richer, the rest of us got poorer—particularly what used to be our middle class.

The hallmark of the corporatocracy is monopoly—fewer people holding more of the wealth, fewer companies owning more of the commons. The very competition that the cons claim to embrace is destroyed by the unrestrained growth of corporate interests. Big fish eat little fish, over and over, until there are no little fish left. Then they eat the middle-sized fish until they're gone, too.

Look at the thoroughfares of any American city and ask yourself how many of the businesses there are locally owned. Instead of cash circulating within a local economy, at midnight every night a button is pushed and the local money from all over America is vacuumed away to Little Rock or Chicago or New York.

And the corporate lords want more.

Not content with their hold over the private sector, they want to take over the public sector, too. When Jeb Bush cut a deal with Enron to privatize the Everglades, it diminished the power of the Florida government to protect a natural resource and enhanced the power and the profitability of Enron. Similarly, when politicians argue for harsher sentencing guidelines and also advocate more corporate-owned prisons, they're enhancing the power and the profits of one of America's fastest-growing and most profitable remaining domestic industries: privately owned prisons.

The cons look at the government's pollution controls and see regulations that get in the way of their profits. They look at single-payer health care and see a threat to the pharmaceutical industry's practice of price-gouging Americans. They look at Social Security and see an opportunity for more big bonuses for more Wall Street fat cats. In these and other areas, the government still holds the keys to the riches of the commons held in trust for us all—riches the corporations want to convert into profits no matter if it destroys America's middle class and kills off our democracy.

The cons confuse efficiency and cost. They suggest that big corporations can perform public services at a lower total cost than government can, while ignoring the corporate need to pad the bill

with dividends to stockholders, inflated CEO salaries, corporate jets and headquarters, advertising, millions in campaign contributions, and cash set-asides for growth and expansion. They frame corporate ownership as the solution of the "free" market and talk about entrepreneurs and small businesses filling up the holes left when government lets go of public property.

But these are straw man arguments. When the cons say that government is the enemy, they disguise their real agenda. The government of the United States is *us*. It was designed to be a government of, by, and for We the People. It's not an enemy to be destroyed; it's a means by which we administer and preserve the commons that we collectively own. When the cons try to "drown government in a bathtub," what they are really doing is replacing democracy with corporate rule, a feudal state controlled exclusively by the largest of the corporations. They are calling for nothing less than the destruction of the middle class—and thus democracy—in the United States of America.

NOBLES NEED NOT PAY TAXES

A cornerstone of the cons' movement to consolidate power in the hands of a wealthy corporate elite is the campaign to end corporate income taxes altogether—and leave the rest of us to pick up the entire tab for corporate use of our institutions and corporate despoliation of our commons.

Corporations are taxed because they use public services; they are therefore expected to help pay for them—sort of like the example in chapter 2 of the Hershey bar in the 7-Eleven store.

Corporations make use of a workforce educated in public schools that are paid for with tax dollars. They use roads and highways paid for with tax dollars. They use water, sewer, power, and communications rights of way paid for and maintained with taxes. They demand the same protection from fire and police departments

as everybody else, and they enjoy the benefits of national sovereignty and the stability provided by the military and institutions like the United Nations and the North Atlantic Treaty Organization (NATO), the same as all residents of democratic nations.

In fact, corporations are *heavier* users of taxpayer-provided services and institutions than are average citizens. Taxes pay for our court systems, which are most heavily used by corporations to enforce contracts. Taxes pay for our Treasury Department and other government institutions that maintain a stable currency essential to corporate activity. Taxes pay for our regulation of corporate activity, from ensuring safety in the workplace and a pure food and drug supply to limiting toxic emissions in our air and water.

Under George W. Bush, the burden of cleaning up toxic wastes produced by corporate activity has largely shifted from the original polluter-funded Superfund and other programs to taxpayer-funded cleanups (as he did in Texas as governor there before becoming president).

Every year millions of cases of cancer, emphysema, neurological disorders, and other conditions caused by corporate pollution—cases like my dad’s—are paid for in whole or in part by government-funded programs. From Medicare and Medicaid to government subsidies of hospitals, universities, and research institutions, these programs are funded by tax dollars through the National Institutes of Health (NIH) and the National Institute of Mental Health (NIMH). Most drugs marketed in the United States were first discovered by taxpayer-funded research at universities.

Because it’s well understood that corporations use our tax-funded institutions at least as heavily as citizens do, they’ve traditionally been taxed at similar rates. For example, the top corporate tax rate in the United States was 48 percent during the Carter administration, down from a peak of 53 percent during the Eisenhower and Kennedy years.

Today it stands at 35 percent despite a May 2001 suggestion by Bush administration Treasury secretary Paul O’Neill that there

should be no corporate income tax whatsoever. This was the opening salvo in a very real war to have working people bear *all* the costs of the commons and of governance while the wealthy corporate elite derive most of its benefits.

In a feudal state, historian Ernest Bloch reminds us, “The nobles need not pay taxes.”

PROFITS BEFORE PEOPLE

This is anti-democratic feudalism in its most raw and naked form, just as the kings and the nobles of old sucked dry the resources of the people they claimed to own. It’s the face of wealth and privilege, of what Jefferson called a “pseudo-aristocracy,” that works to its own gain and enrichment regardless of the harm done to the nation, the commons, and We the People.

It is, in its most complete form, the face that would “drown government in a bathtub”; that sneers at the First Amendment by putting up “free-speech zones” for protesters against corporate shills in government; that openly and harshly suggests that those who are poor, unemployed, or underemployed are suffering from character defects. The cons say that China and India are taking our jobs because we are lazy, undereducated, can’t compete, and don’t try hard enough. The cons work hard to protect the corporate interest but are happy to ignore the public interest.

In the early twentieth century, a famous politician defined the kind of society the cons are creating. This politician advocated “a system of government that exercises a dictatorship of the extreme right, typically through the merging of state and business leadership, together with belligerent nationalism.” The politician was Benito Mussolini. The word was *fascism*.⁹

Fascism, feudalism, corporatocracy—call it what you will; corporate-embracing cons are not working for what’s best for America or for the interests of the middle class who compose the “We the People” in our democracy. The corporate-run state

they embrace might appear “free” and even allow elections, but these are only elections among candidates funded and approved by corporate powers, held on voting machines owned by those corporate powers, and marketed in media controlled by those corporate powers.

The war against the middle class is not just a war against an economic class. It is a war against democracy. It is a war against everything for which America stands.



PART II

Democracy Requires a Middle Class



Since the so-called Reagan revolution cut multimillionaires’ income taxes by more than half, wealth has concentrated in America in ways not seen since the Robber Baron Era or, before that, pre-revolutionary colonial times. Meanwhile poverty has exploded, and the middle class is under economic siege.

And now come the new feudal lords—the most wealthy and powerful families in America—lobbying Congress that they should retain their stupefying levels of wealth and the power it brings, generation after generation. They say that democracy doesn’t require a strong middle class and that Jefferson was wrong when he said that “overgrown wealth” could be “dangerous to the State.” They fight against an inheritance tax because, they say, a permanent, hereditary, aristocratically rich ruling class is actually good for the stability of society.

They are wrong.