

THE NEW ROBBER BARONS

Previously, Marcy Wheeler noted the unsavory blending of the private interests of health insurance companies with the power and hand of the US government:



It's one thing to require a citizen to pay taxes—to pay into the commons. It's another thing to require taxpayers to pay a private corporation, and to have up to 25% of that go to paying for luxuries like private jets and gyms for the company CEOs.

It's the same kind of deal peasants made under feudalism: some proportion of their labor in exchange for protection (in this case, from bankruptcy from health problems, though the bill doesn't actually require the private corporations to deliver that much protection). In this case, the federal government becomes an appendage to do collections for the corporations.

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The reason this matters, though, is the power it gives the health care corporations. We can't ditch Halliburton or Blackwater because they have become the sole primary contractor providing precisely the services they do. And so, like it or not, we're dependent on them. And if we were to try to exercise oversight over them, we'd ultimately face the reality that we have no leverage over them, so we'd have to accept whatever they chose to provide. This bill gives the health care industry the leverage we've already given Halliburton and Blackwater.

Marcy termed this being "On The Road To Neo-feudalism" and then followed up with a

subsequent post noting how much the concept was applicable to so much of the American life and economy, especially through the security/military/industrial complex so intertwined with the US government.

Marcy Wheeler is not the only one recently noting the striking rise in power of corporate interests via the forceful hand of US governmental decree (usually at the direct behest of the corporate interests). Glenn Greenwald, expanding on previous work by Ed Kilgore, penned a dynamic description of the dirty little secret (only it is not little by any means) afoot in modern American socio-political existence:

But the most significant underlying division identified by Kilgore is the divergent views over the rapidly growing corporatism that defines our political system.

Kilgore doesn't call it "corporatism" – the virtually complete dominance of government by large corporations, even a merger between the two – but that's what he's talking about. He puts it in slightly more palatable terms:

To put it simply, and perhaps over-simply, on a variety of fronts (most notably financial restructuring and health care reform, but arguably on climate change as well), the Obama administration has chosen the strategy of deploying regulated and subsidized private sector entities to achieve progressive policy results. This approach was a hallmark of the so-called Clintonian, "New Democrat" movement, and the broader international movement sometimes referred to as "the Third Way," which often defended the use of private means for public ends.

As I've written for quite some time, I've honestly never understood how anyone could think that Obama was going to bring about some sort of "new" political approach or governing method when, as Kilgore notes, what he practices – politically and substantively – is the Third Way, DLC, triangulating corporatism of the Clinton era, just re-packaged with some sleeker and more updated marketing. At its core, it seeks to use government power not to regulate, but to benefit and even merge with, large corporate interests, both for political power (those corporate interests, in return, then fund the Party and its campaigns) and for policy ends. It's devoted to empowering large corporations, letting them always get what they want from government, and extracting, at best, some very modest concessions in return. This is the same point Taibbi made about the Democratic Party in the context of economic policy:

The significance of all of these appointments isn't that the Wall Street types are now in a position to provide direct favors to their former employers. It's that, with one or two exceptions, they collectively offer a microcosm of what the Democratic Party has come to stand for in the 21st century. Virtually all of the Rubinites brought in to manage the economy under Obama share the same fundamental political philosophy carefully articulated for years by the Hamilton Project: Expand the safety net to protect the poor, but let Wall Street do whatever it wants.

One finds this in far more than just economic policy, and it's about more than just letting corporations do what they want. It's about affirmatively harnessing government power in order to benefit and strengthen those corporate interests and even merging government and the private sector.

Ms. Wheeler and Mr. Greenwald are correct, and the phenomenon is not just limited to the healthcare and military/industrial complex either; it is even more alarming in the ever more dominant and pervasive financial sector, home of the "too big to fail". The phrase itself should terrify citizens, yet the country seems blithely oblivious to the implications. If there was even a vein of common sense among the people and leadership of this country, there would be immediate realization that an entity too big to fail is so big that it controls the government as much as the other way around. But the people are asleep, distracted by their own despair and desensitized over the years. The leadership, as both Wheeler and Greenwald describe have become symbiotic with the cause and, thus, are the part of problem not a source of solution.

Marcy Wheeler describes the concentration of power and wealth in corporations married to the hand of government as neo-feudalism; Glenn Greenwald and Kilgore posit it as corporatism. Both are worthy and descriptive terms, but the real ill goes a bit deeper if you also consider the accompanying rise in income inequality and transfer of wealth to the privileged and powerful few individuals that has paralleled what Marcy and Glenn describe. When you put it all together, the result is a situation that eerily duplicates the era of the robber barons existing in the United States 100 years ago.

The New Robber Barons

Robber Barons as a descriptor for the modern overlords came to me during a conversation with several colleagues a week or two ago on how to

term the healthcare companies and their owners and executives. In writing this article, however, I have found I am far from the first person to realize how the old is new again in this regard to the rapacious class. Over a decade ago, Brad DeLong hit on the same precise thought, and he hit it hard and big:

“Robber Barons”: that was what U.S. political and economic commentator Matthew Josephson (1934) called the economic princes of his own day. Today we call them “billionaires.” Our capitalist economy—any capitalist economy—throws up such enormous concentrations of wealth: those lucky enough to be in the right place at the right time, driven and smart enough to see particular economic opportunities and seize them, foresighted enough to have gathered a large share of the equity of a highly-profitable enterprise into their hands, and well-connected enough to fend off political attempts to curb their wealth (or well-connected enough to make political favors the foundation of their wealth).

Matthew Josephson called them “Robber Barons”. He wanted readers to think back to their European history classes, back to thugs with spears on horses who did nothing save fight each other and loot merchant caravans that passed under the walls of their castles. He judged that their wealth was in no sense of their own creation, but was like a tax levied upon the productive workers and craftsmen of the American economy. Many others agreed: President Theodore Roosevelt—the Republican Roosevelt, president in the first decade of this century—spoke of the “malefactors of great wealth” and embraced a public, political role for the government in “anti-trust”: controlling, curbing, and breaking up large private concentrations

of economic power.

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And whatever the causes, the period since the mid-1970s has seen wealth concentration in the United States increase more rapidly than ever before—even during the heyday of industrialization in the last decades of the nineteenth century. Aggregate measures of wealth concentration today are greater than at any time since the election of Franklin D. Roosevelt in the Great Depression, and are within striking distance of the peak in wealth concentration reached during the Gilded Age (see Wolff, 1994).

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It is striking how closely numbers of “billionaire” match shifts in aggregate wealth inequality: when the frequency of billionaires in the labor force is high, wealth concentration is high. A simple linear regression predicts that the frequency of billionaires would drop to zero should the share of wealth held by the top one percent drop to twenty percent or so—and, indeed, we find no billionaires back when wealth concentration was so low.

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These causes of immense wealth have nothing to do with the determinants of the relative supplies of skilled and unskilled workers, or with the technological requirements of production. It makes me think that the overall level of wealth concentration is much more a “political” and a “cultural” phenomenon than an “economic” one: that we through our political systems and our attitudes have much more to do with the concentration of wealth than does the dance of factor supplies and technology-driven factor demands.

describes both the history of the earlier American robber barons and modern day versions, at least as of the time he penned his work in 1997-98. Brad noted disturbing trends at the time, but did not reach hard conclusions as to the overall effect of the phenomenon on the health of American society.

So if there is a lesson, it is roughly as follows: Politics can put curbs on the accumulation of extraordinary amounts of wealth. And there is a very strong sense in which an unequal society is an ugly society. I like the distribution of wealth in the United States as it stood in 1975 much more than I like the relative contribution of wealth today. But would breaking up Microsoft five years ago have increased the pace of technological development in software? Probably not. And diminishing subsidies for railroad construction would not have given the United States a nation-spanning railroad network more quickly.

So there are still a lot of questions and few answers. At what level does corruption become intolerable and undermine the legitimacy of democracy? How large are the entrepreneurial benefits from the finance-industrial development nexus through which the truly astonishing fortunes are developed? To what extent are the Jay Goulds and Leland Stanfords embarrassing but tolerable side-effects of successful and broad economic development?

DeLong knew what the issues were, but did not have firm conclusions and answers as to the potential detriment or benefit of such unequal wealth distribution. However, the decade plus that has elapsed since Brad wrote his version of the robber barons, and especially the last two, has put a far different patina on the situation. It is not just the difference between the rich

man and poor man, it is the vanishing middle class coupled with the ever grosser arrogance, recklessness and impunity which makes the New Robber Barons such a dangerous and destructive force. There is no longer need to describe what the downside of the insanity could be; we know, we are living it as we speak and have been over the past two years.

The question is where we go from here with respect to the New Robber Baron overlords. Just mosey along status quo as the Obama Administration appears to envision, not looking back with anger, accountability and real change; or do we plow the harder, but ultimately more fertile ground of curbing the irrational and destructive accumulation of wealth and power through Teddy Rooseveltian anti-trust programs, return of Glass-Steagall protections separation of banking and investment functions and tax and social programs to rebuild the evaporating middle class.

Healthcare is the current flashpoint, and it is rightfully a big one. There is no question but that the US needs "reform"; but there is a real question, still to be answered, whether there will be something produced which benefits the masses of citizens both now and in the future or just an illusory pile of junk that benefits the ruling classes of politicians and health industry robber barons.

As Marcy Wheeler and Glenn Greenwald have persuasively argued, however, it goes much, much deeper than merely healthcare; the battle is over the root ethos of what this country is and is going to be. The incontrovertible trend is toward an unholy blending of the robber barons with the government itself. Not just the usual influencing of government policies through lobbying and monetary control of individual politicians to seek favorable policies, but where the federal government becomes an appendage to do collections, enforcement and expansion for the corporations. The best time to rethink and reverse this trend is now, it will

not get easier as the trend becomes more ingrained and pervasive with time.

As long as this post is, the surface of this topic has barely been scratched. It is my hope to peg this phenomenon with a term simple, descriptive and instantly understandable by all, and to start a discussion both in comments to this post and in subsequent posts here and by others across the spectrum. Time is wasting at an alarming rate.

(graphic courtesy of Southern Labor Archives, Georgia State University)