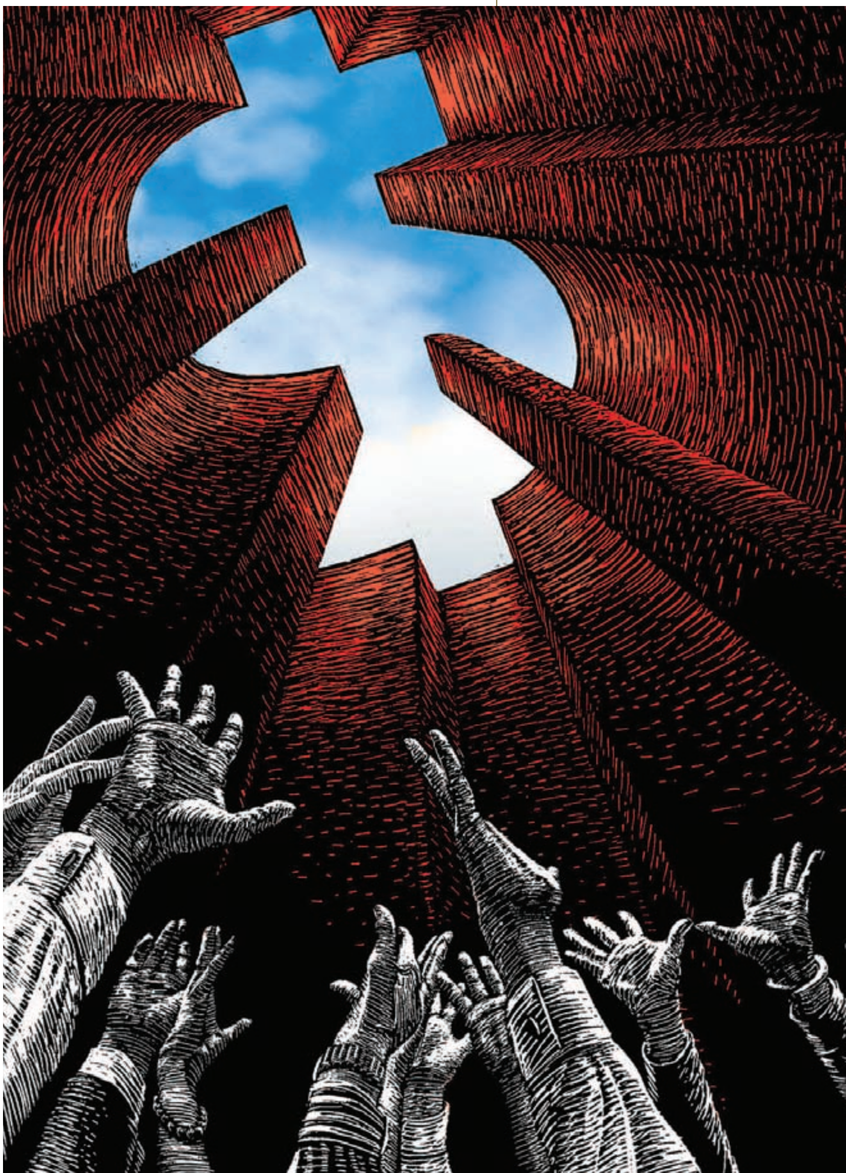
Why Capitalism Shouldn't Be Saved

by John Sanbonmatsu



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From Zurich and Washington to Frankfurt, London, and Tokyo, all the king's horses and all the king's men—bankers, economists, policy analysts, and government leaders—are trying to put capitalism back together again. But none of them has stopped to ask whether capitalism is worth saving in the first place.

Some will be tempted to dismiss the sort of thought-experiment being conducted in these pages of *Tikkun*—attempts to imagine a possible successor system to capitalism—as so much wishful thinking by a historically defeated Left. Like the boy who cried wolf, socialists predicted the end of capitalism perhaps one too many times in the twentieth century to be taken seriously in the twenty-first. Yet it would be difficult to exaggerate either the profundity of the contemporary crisis, or the importance of developing a viable alternative to the existing order.

Last September, after the United States Treasury injected half a trillion dollars into the monetary system to unthaw the frozen U.S. banking system, Ben Bernanke, the chairman of the Federal Reserve, privately informed members of Congress "that the financial system had come perilously close to collapse." Only prompt action by the Treasury and Fed, he told them, had prevented "disaster" and "full-scale panic." The following month, while Iceland teetered on the brink of bankruptcy and Wall Street suffered its worst one-week stock market decline ever, Nicolas Sarkozy, the French president, candidly told reporters that the world economy had indeed been poised "on the edge of an abyss."

Since last summer, in fact, the governments of the leading industrialized countries have been engaged in an epic behind-the-scenes struggle to keep the global financial and banking system viable. So far, Germany has put up $679 billion to stabilize its banking system; Britain has spent the

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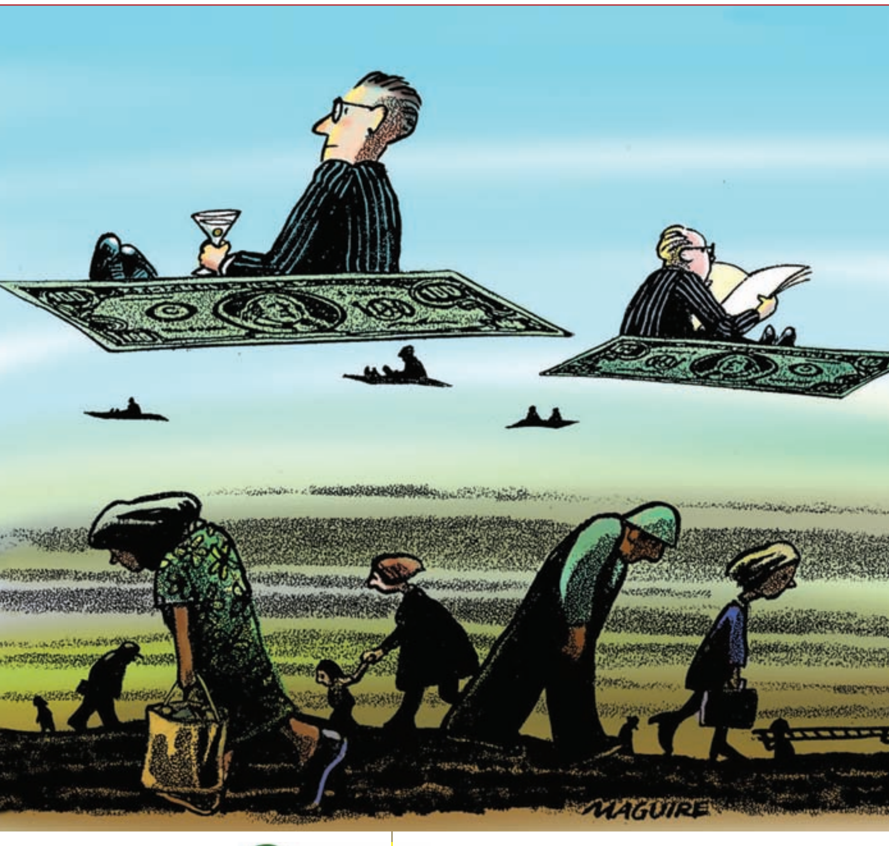

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equivalent of one fifth of its national GDP. Meanwhile, by November of last year, the United States had either spent or assumed financial obligations totaling $7.8 trillion to stabilize the deteriorating financial sector—a staggering amount equal to half of this country's annual GDP. But even that has not been enough to stanch the blood of capitalism's hemorrhagic fever, which has raged on into the new year. In February—even as President Barack Obama (the national candidate of "hope" only months before) was bluntly warning of "catastrophe" if Congress failed to approve his $700 billion economic stimulus package—his new head of the Treasury, Timothy Geithner, announced a new plan committing the United States to an additional $2.1 trillion to stabilize the system. The Dow Jones plummeted an additional 4.6 percent on the news.

As of spring 2009, the leading capitalist states in Europe, North America, and Asia have thus either spent outright, or exposed themselves to financial risks totaling, well over $10 trillion—a figure so vast that one searches in vain for any relevant historical parallel. By comparison, the entire Marshall Plan to rebuild Europe after World War II cost a mere $9.3 billion (in constant 2005 dollars). According to the United Nations, it would cost $195 billion to eradicate most poverty-related deaths in the Third World, including deaths from malaria, from malnutrition, and from AIDS. So the amount of money committed by policymakers to save capitalism from itself is already *fifty times* greater than what it would take to save tens of millions of human beings from terrible daily suffering and premature death. If the wealthy nations instead invested that $10 trillion into the economies, health systems, and infrastructure of the Third World, rather than transferring it to the world's richest banks, private financial institutions, and investors, they could usher in a new epoch in the history of the species—a world community in which every human being would be guaranteed a livable life.

That the financial bailout is a colossal misdirection and waste of public resources, however, is not the most scandalous thing about it. What is truly unconscionable is that all this money is being spent to prop up capitalism itself—a mode of economic and social life that has corrupted and hollowed out our democracies, reduced great swaths of the planet's ecosystem to polluted rubble, condemned hundreds of millions of human beings to wretchedness and exploitation, and enslaved billions of other animals in farms that resemble concentration camps.

Why Bail Out a Toxic Ship? Capitalism Leads to Poverty and Ecological Disaster

Capitalism is rightly credited with having unleashed enormous forces of productivity and technology. But it has also reduced much of the world to ruin and squalor. After *four centuries* of triumph as the dominant mode of global development, capitalism has furnished for itself a world in which one out of two human beings lives on $2 per day or less, and more than one in three still lacks access to a toilet. Most children in the world never complete their education, and most will live out their lives without dependable medical care. As the world economic crisis deepens, already deplorable conditions in the Third World will only deteriorate further.

Meanwhile, our planet is dying. Or rather, its flesh and blood creatures are. At the height of the financial crisis last year, a Swiss conversation group released a study showing that as many as one-third of known mammals on earth face imminent extinction, perhaps in a matter of decades, as a result of habitat destruction and mass killing by human beings. Yet not one of the hundreds of bloggers, news analysts, or politicians at the time thought to connect the dots between this and similar warnings of mass species extinctions and the dominant mode of development, capitalism. Yet it is just this metastatic, expansionist system that has imperiled human civilization and the natural world alike.

So severely has capitalism disrupted the world's climate (the petroleum economy, let us not forget, has been the main pillar of capitalist industrial development for the last 100 years) that even if all carbon emissions were halted tomorrow, scientists now believe that the earth's atmosphere would warm for another 1,000 years. Hundreds of millions of people, and billions of other animals, will be displaced by rising sea levels, or will starve or suffer malnutrition as a result of flooding, drought, and fire, or else will die from illnesses caused by new plague vectors opened up by sudden climate change and a gravely weakened world health system.

In 1997, a group of European academics published a book called *The Black Book of Communism*, in which they documented the brutality and mass killings committed by totalitarian Communist regimes in the course of the twentieth century. Perhaps a group of academics will one day publish a *Black Book of Capitalism*. They should. For when a mode of life that subordinates all human and spiritual values to the pursuit of private wealth persists for centuries, there is a lengthy accounting to be made. Among the innumerable sins that have followed in capitalism's long train, we might mention, for example, the hidden indignities and daily humiliations of the working class and the poor; the strangulation of daily life by corporate bureaucracies such as the HMOs, the telecom companies, and the computer giants; the corruption of art and culture by money; the destruction of eroticism by pornography; the corruption of higher education by corporatization; the ceaseless pitching of harmful products to our children and infants; the obliteration of the natural landscape by strip malls, highways, and toxic dumps; the abuse of elderly men and women by low-paid workers in squalid for-profit institutions; the fact that millions of poor children are sold into sexual slavery, and millions of others are orphaned by AIDS; the fact that tens of millions of women turn to prostitution to pay their bills; and the suffering of the 50 million to 100 million vertebrates that die in scientific laboratories each year. We might also highlight the dozens of wars and civil conflicts that are directly or indirectly rooted in the gross material disparities of the capitalist system—the bloody conflicts that simmer along from month to month, year to year, as though as natural and immutable as the waxing and waning of the moon—in places like Darfur, Rwanda, Congo, Afghanistan, Vietnam, and Iraq, where millions of wretchedly poor people die either at the hands of other wretchedly poor people, or from the bombs dropped from the automated battle platforms of the last surviving superpower. Capitalism is responsible for all this, and more besides. Yet perhaps its most destructive feature—the one that in many ways stands as the greatest single impediment to our own efforts to find a practical and creative solution to the present crisis—is capitalism's fundamental antagonism toward democracy.

The meltdown of the 1930s and this one: same players, different faces. At top: J. Pierpont Morgan, Jr., center, stands before the Senate Banking Committee during an inquiry into J.P. Morgan and Company, June 5, 1933. The group below includes CEOs from Morgan Stanley, JPMorgan Chase, and Goldman Sachs at a House Financial Services Committee hearing on accountability for recipients of TARP bailout funds on February 11, 2009.

TOP: AP PHOTO, BOTTOM: AP PHOTO/MANUEL BALCE CENETA

Capitalism's Anti-Democratic Tendencies

Capitalism's antagonism toward popular rule is structural—it is built into the political DNA of capitalism itself. By nature, if not by design, capitalism is a system in which a small minority of individuals controls the wealth, labor, production, political power, and cultural expression of the whole of society. Under capitalism, the *demos* is permitted to exert only the mildest, most indirect of influences on the direction of state and society. All of the truly important decisions—the ones that concern what kinds of technologies and commodities get produced, what kinds of laws will be passed, and which wars should be fought (or whether any should be fought at all)—are effectively left in the hands of a small clique whose members are drawn from the ranks of what C. Wright Mills famously called "the power elite." No matter how many finance reform laws are passed in Congress, the enactment of new laws alone will never be sufficient to neutralize the tremendous discrepancy in power between the wealthy few and the ordinary many.

Secretly, we all know this. None among us is so naive as to believe that an ordinary plumber, teacher, or transit worker commands the same respect or influence on Capitol Hill, or in the Bundestag or the Knesset, as the chief executive officer of Siemens or Bechtel. And while we may profess to be "shocked" upon learning that this or that politician (or presidential appointee) engaged in corrupt activities at the public's expense, in truth we are seldom surprised at all. Plato warned 2,500 years ago that "in proportion as riches and rich men are honored in the State, virtue and the virtuous are dishonored," an observation that holds as true today as it did then.

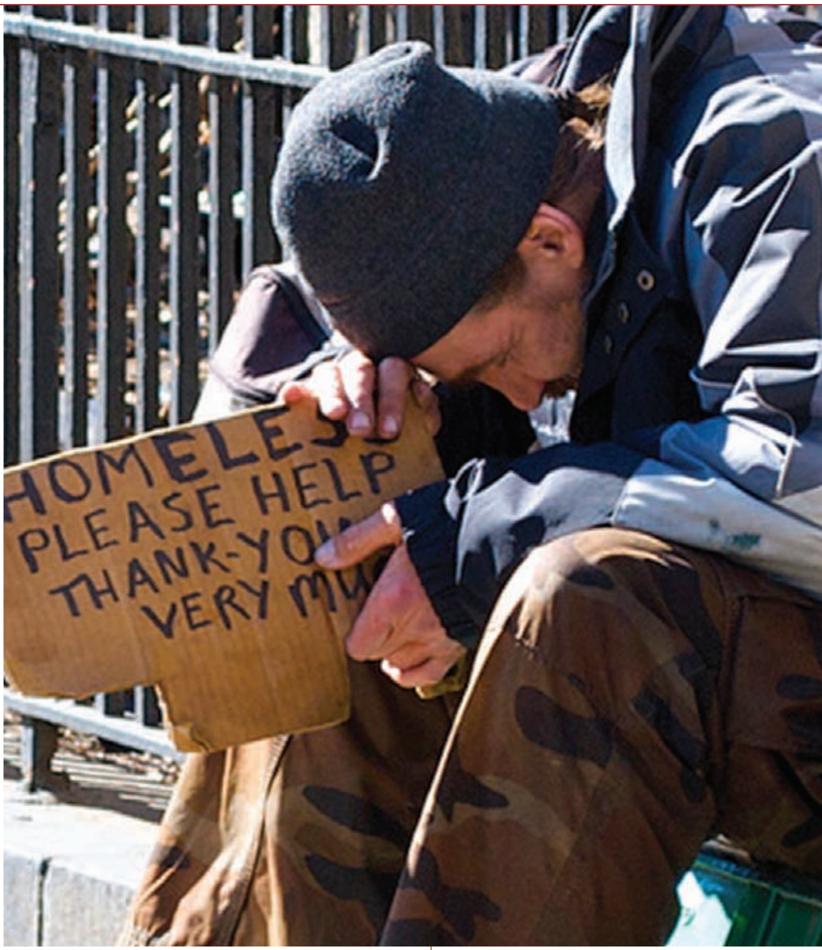
The rich will always be with us.... That phrase, rather than the more familiar one from Matthew 26, is the one that haunts us deep inside, the one we truly heed. The rich may not be like you and me, as F. Scott Fitzgerald put it, but that doesn't keep us from identifying with them, or from feeling strangely grateful for remaining forever at their mercy. The steel worker is grateful "to have any job at all." The waitress smiles at having received a tip. The university president is so relieved that her fawning attentions to a wealthy patron have paid off that she doesn't mind naming the new science building after him. Like hostages taken prisoner by anonymous masked figures, we thus come to identify with our own kidnappers. Capitalism is the Stockholm Syndrome made into a universal condition of humanity.

Thus, when a coalition of progressive unions and grassroots organizations took out a full-page advertisement in the *Times* in March 2009, calling for a rally to protest drastic cuts in New York's health and public services, the group's sole demand was for "a modest increase for the top 5 percent of taxpayers." As if worried that even this demand might seem too forward, the group added: "After three decades of tax cuts, it's the fair way to avoid harsh cuts that will hurt all of us." *All of us*—because the wealthy will also suffer when their garbage isn't picked up, or the police respond slowly to a break-in because of cuts in public safety. Even the grassroots Left (the New York coalition included locals of such groups as the SEIU, the UAW, Acorn, and the Working Families Party) has grown so accustomed to seeing the power structure as inevitable and natural that it believes its only practical recourse lies in begging more crumbs from the tables of the wealthy.

Much Has Changed Since the 1930s

No one can know how the present crisis will play out. It is possible that the United States will continue to benefit from an inflated currency, as money from around the world continues to shelter in what is still the safest investment haven around—U.S. Treasury bills. In that case, it is possible, if unlikely, that the Obama administration will be able to ride the tiger and keep things from falling apart utterly. But it is also possible that some unforeseen event or sequence of events might induce foreign investors to suddenly pull their money out of the United States. If that were to happen, the dollar could become worthless and we might see a replay of the Deutsche Mark in 1923, when ordinary Germans paid for loaves of bread with wheelbarrows of money. Either way, the structural contradictions in the world system are profound, and they are not going to go away any time soon.

Unlike in the 1930s, when the advanced industrialized nations essentially spent themselves out of depression, either through massive state investment in public works, coupled with a new social compact with labor (as in the United States, with the New Deal), or through a massive arms buildup and military expansionism at the direction of a corporatized (fascist) and authoritarian state (as in Germany, Italy, and Japan), the capitalist states have far fewer resources at their command this time around.



First, the state sector already accounts for a large portion of the national economies of the United States, Japan, and Europe. (The United States alone already spends half a trillion dollars per annum on war-making—and that's not counting its wars in Iraq and Afghanistan.) In the 1920s, the U.S. national debt (relative to GDP) was flat and even declined, while GDP per capita grew at an extraordinary rate, ushering in higher wages, improvements in agricultural productivity, and vast improvements in quality of life for millions of Americans, including electricity in the home, increasing availability of rail travel, and the introduction of automobiles into everyday life. During the latest economic expansion, by contrast, debts public and private soared at every level of society. The national deficit grew, banks and corporations assumed mind-boggling amounts of risk (often in the form of obscure financial instruments like derivatives), and ordinary working people piled up trillions of dollars of debt in the form of home and car loans and credit card debt. At the same time, wages and quality of life *fell*. It is therefore difficult to see how the United States and other nations will be able to spend their way out of the present crisis, when, even before the collapse of Lehman Brothers last year, the population was already tapped out, and government expenditures hovered near record highs.

A second factor likely to confound policymakers this time around is what might be termed the objective natural and political limits of the system. As I have indicated, capitalism has savaged the earth, leaving billions of people without a decent livelihood, and the ecosystem in tatters. But the social and ecological costs of "doing business" are about to grow exponentially greater. Even without a world financial crisis, we can anticipate more, and more devastating, natural disasters, which in turn will mean disruptions in agricultural production, flooding of cities and entire countries, mass starvation, increasing migration pressures, and so on. All of this will in turn exact an increasing toll on the legitimacy of the liberal nation state. The late sociologist Charles Tilley described the modern nation state as functioning like a "protection racket": the state agrees to protect us from harm (most typically, from real or imaginary threats generated by the state itself), in exchange for our consent and obedience as subjects. However, as economic, political, ecological, and hence social costs mount, the state will become less and less able to protect us from harm.

As a result, the state is at risk of losing its legitimacy in the eyes of its citizens. (Already, polls have shown a steady decline in the rate of democratic participation around the world, increasing cynicism toward government, and greater openness to extreme ideologies, whether in the form of religious fundamentalism or extreme nationalism.) This in turn will compromise the ability of state leaders to muster the broad political mandate they would otherwise need to make meaningful and urgently necessary macro-level changes in the organization of society and economy. This structural problem in part explains the recent authoritarian turn of the United States under the Bush administration. Bush's seeming indifference to the effects of U.S. actions on foreign and domestic opinion grew out of the Neocons' sense that the state no longer needed the consent of the governed, whether at home or abroad. Bush was, of course, wrong—American hegemony cannot survive long without at least the *perception* of legitimacy, both at home and abroad. It remains to be seen, however, whether even as adept a politician as Barack Obama will be able to return the ship of state safely to the status quo ante—i.e., to a centrist, liberal, social democratic capitalist order—in the face of a full-blown economic hurricane. *(continued on page 70)*

ED YOURDON

from destruction. Perhaps our repentance, and that of others around us, could save our Babylon. But even if our socioeconomic system cannot be rescued, those of us who repent of the destructive, selfish, consumerist lifestyles that have brought our Babylon to the brink of collapse might be able to live through the hard days that lie ahead knowing that what is of ultimate significance in our lives will endure. ■

WHY CAPITALISM SHOULDN'T BE SAVED
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Regrettably, notwithstanding President Obama's otherwise admirable sympathies for the union movement and for some meaningful social democratic reforms, his administration is doing everything in its power to preserve—and strengthen—corporate monopoly capitalism, in spite of that system's moral enormities and its ever-widening structural fissures. Though the political Right has taken to vilifying the president as a "socialist," Obama has in reality surrounded himself with economic advisers groomed from the most elite ranks of capitalist finance.

Government Sachs—Then and Now

Nowhere is the new administration's basic ideological harmony with finance capital more evident than in its close links with current and former members of Goldman Sachs, the formerly *über*-bullish brokerage house. While anti-Semitic websites have had a field day depicting Obama as the public shill for a "Zionist conspiracy" run out of Goldman Sachs's plush New York offices, Sachs's extraordinary influence on government policy in fact began in earnest with President Bush's appointment of Henry Paulson, then Sachs's CEO, to the position of treasury secretary in 2006. (Paulson involved so many former and current employees in managing the financial crisis late last year that insiders began referring to the firm as "Government Sachs.") Nonetheless, the influence of Goldman Sachs has not diminished in the early hours of the Obama presidency, perhaps because Sachs was the single largest private contributor to Obama's 2008 campaign. When the president picked Timothy Geithner (a technocratic capitalist who had originally headed up the flagship of the Federal Reserve system, in New York) to be the new head of the Treasury Department, Geithner naturally chose a former lobbyist and vice president of Goldman Sachs to be his head of staff. But this was only one of the more conspicuous examples—many other former Sachs employees remain involved directly or indirectly at all levels of the Obama administration.

What makes the involvement of Goldman Sachs in cleaning up the current mess surreal is that of all the investment firms in the world, Sachs alone enjoys the dubious historical distinction of having played a key role in bidding up the world stock markets to unsupportable heights not just once, but twice. To be sure the most recent speculative bubble on Wall Street can be traced back to the decisions of lawmakers, beginning with Paul Volcker's decisions at the Fed back in the late 1970s, on through the Congress's repeal of Depression-era laws such as the Glass-Steagall Act in the late-1990s, i.e. in federal laws and monetary policies that collectively had the effect of pouring gasoline on already inflamed markets. Nonetheless, certain players were particularly key in fomenting this madness, and Goldman Sachs—now playing Rasputin to Obama's Nicholas II—stands out even among the many aggressive firms on Wall Street for having promoted "irrational exuberance" ceaselessly for decades. What is doubly ironic is that the firm played much the same role in the 1920s. During the Depression, when Congress held public hearings on the "culture of greed" that had led to national calamity, Goldman Sachs's chairman was one of the first to be brought to the carpet to account for his firm's ignoble role in driving the speculative frenzy. (When similar hearings were held in the Congress in 2008, Goldman Sachs was naturally excused from having to testify.)

In March of this year, Robert Reich, the former Secretary of Labor, asked rhetorically, "could it be, given these tangled webs" between the White House Branch and Goldman Sachs, "that—innocently, unintentionally, perhaps even subconsciously—the entire bailout effort was premised on saving these companies rather than protecting the public? Or that the distinction between the two was lost, and still is?" Indeed, a few weeks after Reich penned these words, we learned that after the U.S. Treasury handed $180 billion over to the insurance giant AIG to keep it from collapsing, the company had turned around and transferred a sizable portion of the public's largesse to the firm's counter-signing parties, the banks that had helped underwrite AIG's risky credit default swap operations. Among these were some of the biggest and richest banks and investment firms in the world, including foreign institutional giants such as Deutsche Bank, Barclays of Britain, and Société Général of France. But topping the list was Goldman Sachs, which received the lion's share, $13 billion, despite the fact that it was already swimming in money ($100 billion in cash alone).

Whatever one makes of the Obama-Sachs connection, it is at least clear that President Obama and his advisers will challenge the underlying prerogatives of financial capital only with great reluctance, and as an absolute last resort. As political theorist Sheldon Wolin observes, the president's plan for rescuing the nation's banks "does not bother with the structure at all." When all is said and done, "the basic systems are going to stay in place." Ironically, however, the administration's essentially conservative handling of the crisis—its unwillingness to take on the power of the banks—may prove to be its own undoing. This spring, the liberal economist and writer Paul Krugman criticized the administration for continuing to "believe in the magic of the financial marketplace and in the prowess of the wizards who perform that magic." Citing "the failure of a whole model of banking," Krugman faulted the administration in particular for trying to preserve a model of "securitization"—i.e., the process by which banks have essentially commodified risk by carving up loans and debts and selling them as obscure instruments on the market. "I don't think the Obama administration can bring securitization back to life," Krugman wrote, "and I don't believe it should try."

What Krugman and others fear is that the administration's temporizing maneuvers may only end up creating the conditions for an even bigger economic collapse later on. As Marx noted a century and a half ago, capitalist elites typically deal with severe economic crises "by paving the way for more extensive and more destructive crises, and by diminishing the means whereby crises are prevented." Just as the Reagan administration's monetary policies sowed the seeds for the storm we are reaping today, the Obama administration's failure to grapple with the structural contradictions of capitalism may be sowing the seeds for an even more cataclysmic day of reckoning in the future.

The Failure of the Liberal Intelligentsia

Wolin suggests that while Obama may be "well meaning ... he inherits a system of constraints that make it very difficult to take on these major power configurations." The forces resisting change appear to be "too powerful to be challenged." While that is true, it is still only an appearance. These forces could be overcome—if only there were sufficient pressure from the grassroots to do so. The question, though, is whether anyone is challenging the defenders of the status quo at all.

Certainly conservatives aren't—they would like to see less government regulation of the market, not more. Nor, however, are liberal intellectuals, who as a body have taken pains not to call into question the fundamental structures of the existing order. Even Paul Krugman, notwithstanding his aforementioned call for an end to securitization, has called for only modest reforms, urging the Obama administration to rally to the call of a kinder, gentler capitalism—chiefly by adopting a new New Deal, a Keynesian strategy of massive public investments infrastructure and education, coupled with the imposition of more stringent regulatory controls on the financial sector. The economist Robert J. Shiller, similarly, writes that the "best thing that ... Obama can do is to set up permanent new structures to harness the innovations of finance to improve people's lives on Main Street."

What is more surprising, perhaps, is that even more radical thinkers on the left have said little about the need for an alternative to capitalism. In a recent article for the radical economics journal *Dollars and Sense*, for example, economist Marie Duggan argues that we need to "fix the financial sector," not do away with it. "Yes," she writes, "the United States needs a functioning financial sector so that small businesses, students, and even GM have access to credit. But not one as large as it was before the crisis." Similar perspectives have echoed throughout the alternative media—a willingness to reform the tax code, or to increase government regulation, or to reform the Federal Reserve, but not to challenge the true prerogatives of the powerful, nor to question the basic division of the world into owners and workers, haves and have-nots.

In fact, the Left has yet to organize a single significant conference on what a successor system to capitalism might look like. Nor has anyone begun to make the case for why such an alternative is desirable to the public at large. In 1982, the Nuclear Freeze movement inspired 1 million people to march against nuclear war in Central Park. Throughout the 1980s and 1990s, the National Organization of Women and other liberal feminist groups sponsored pro-choice rallies in Washington that regularly drew hundreds of thousands. During the ramp-up to the U.S. invasion of Iraq in 2003, millions of people staged anti-war rallies around the world. But where are the demonstrations today against the bailout of the banks and brokerage firms, let alone against the capitalist system that is ruining our planet? Who is out there trying to build a vibrant, broad-based socialist movement? Ironically, the unfolding crisis directly or indirectly encompasses every conceivable social movement issue the Left could ever care about—war and peace, individual liberties, feminism, ecology, labor, and animal rights. Yet the Left as such is dead—or might as well be. As Sheldon Wolin laments: "The left is amorphous ... I despair over the left. Left parties may be small in number in Europe but they are a coherent organization that keeps going. Here ... we don't have that. We have a few voices here, a magazine there, and that's about it. It goes nowhere."

What's Ahead

Alas, the disappearance of vibrant social movements from the field of history could not come at a more tragic time: for the first time in seventy years, after decades of unquestioned supremacy over every aspect of human and natural life, capitalism is beginning to suffer its own "legitimacy crisis." The German philosopher Georg Hegel famously wrote that the Owl of Minerva would only take wing at dusk. That is, only at the end of history would Reason and divine Spirit at last come to be reconciled, in human self-consciousness, human self-knowledge. Today, however, as the Marxist James O'Connor has ironically remarked, the Owl of Minerva folds its wings at daybreak—closing up shop, as it were, just when things at last start to get interesting.

Antonio Gramsci, the great Italian theorist, observed that severe economic disruptions can "lead in the long run to a widespread skepticism" toward the existing order as a whole. When that happens, even the most seemingly entrenched political and social arrangements can disappear overnight. In 1997, when foreign traders suddenly pulled the plug on the "Asian miracle," devaluing currencies such as the Thai bhat and Indonesian rupiah, mass protests and riots spread through the region overnight. Within a year, the democracy movement had toppled the authoritarian government of President Suharto in Indonesia, a nation of over 200 million. A year after that, the East Timorese at last overcame decades of repression by the Suharto regime by declaring their national independence. The traumatic economic dislocations of the 1920s and 1930s, by contrast, prepared the ground for even more intensive and extensive social upheavals. When Gramsci spoke of popular "skepticism" toward an older regime, he knew of what he spoke, having himself been thrown in jail by the fascist leader, Benito Mussolini. If fascism and world war were the products of the last depression, what will the next one bring?

As the world economy deteriorates, as hundreds of millions of people lose their jobs, and as the state scales back on social welfare and public services, we may see a widening crisis of confidence in the economic and social order as such. That worry seems to have been on the mind of George W. Bush last autumn, when he felt compelled to defend the capitalist system by name. ("The crisis [is] not a failure of the free-market system," he insisted, "and the answer is not to reinvent that system.") Nicolas Sarkozy, the French president, offered up similarly fervent demonstrations of his faith in capitalism. But Germany's finance minister, Peer Steinbrück, struck a more ominous tone. In a revealing interview with *Der Spiegel*, Steinbrück warned that the corporate and banking scandals that had plagued Europe and the United States in recent years had threatened to undermine faith in the system as a whole:

> We have to be careful not to allow enlightened capitalism to become tainted with questions of legitimacy, acceptance, or credibility. This isn't merely an issue of excessive salary developments in some areas. I'm talking about tax evasion and corruption. I'm talking about scandals and affairs of the sort we have recently experienced, although one shouldn't generalize these occurrences. But they are the sort of thing the general public understands all too well. And when they are allowed to continue for too long, the public gets the impression that "those people at the top" no longer have to play by the rules. There have been times in Germany when these elites were closer to the general population. Some things have gotten out of control in this respect.

Steinbrück, a leading light of the conservative Christian Democratic Union party, stunned his interviewer by invoking the spirit of Marxism to explain what was occurring in the international markets. "Overall," he said, "we have to conclude that certain elements of Marxist theory are not all that incorrect." The reporter from *Der Spiegel* objected, "And you, of all people, are saying this?" Steinbrück replied: "Every exaggeration creates, in a dialectic sense, its counterpart—an antithesis. In the end, unbridled capitalism with all of its greed, as we have seen happening here, consumes itself."

If capitalism is indeed beginning to consume itself, the same way it devoured the minds, bodies, and labor of countless human and nonhuman beings over the course of centuries, then for the first time in generations, perhaps ever, we may have a brief opening, a caesura in the long, breathless tale of capitalism and its violence, in which to imagine and to set the terms for a new way of organizing human society and economy. In 1940, not long before he was driven to his death by the Gestapo, the Jewish philosopher Walter Benjamin wrote:

> It is well-known that the Jews were forbidden to look into the future. The Torah and the prayers instructed them, by contrast, in remembrance. This disenchanted those who fell prey to the future, who sought advice from the soothsayers. For that reason the future did not, however, turn into a homogenous and empty time for the Jews. For in it every second was the narrow gate, through which the Messiah could enter.

Benjamin was reflecting on the temporality of socialist revolution—on the way that systemic crises open up unexpected utopian fissures in the seemingly impenetrable rockface of modernity. Such a historic rupture, a "narrow gate" through which those who envision a better world might suddenly pass, may be opening up beneath our own feet today. If so, we have come to the threshold of Hope.

But we cannot wait to find out. The dangers are incalculable. Should we squander this historical moment through inaction or despair, it may soon be too late for us to do anything, except to watch from the sidelines as world events spiral out of control. ■

WHEN THE BAILOUT FAILS
(continued from page 33)

Social Control of Investment

Enterprise governance is one key structural difference between economic democracy and capitalism. The other concerns finance, specifically the mechanisms that generate, then allocate, funds for new investment. The "free market" has proven itself inadequate to the task of performing this function efficiently—to put it mildly. (Can any economist these days use the term "efficient markets hypothesis" with a straight face?)

There are two parts to our reform. The first involves the source of funds. Let's break the connection between saving and investment. We won't rely anymore on private savings, which, apart from pension funds, come overwhelmingly from the wealthy. Relying on this segment of society makes the whole economy hostage to their "animal spirits"—to use Keynes's term. How much societal investment we need, where and in what enterprises these funds should be invested—these decisions are vital to the long-term future of everyone. They are too important to be left to the hunches and intuitions of a small segment of the population that is largely invisible and wholly unaccountable to the general public.

People can still save. We'll have Savings and Loan Associations in our economy, where modest interest is paid on deposits, which are insured by the federal government. These regulated S&Ls will serve as source for home mortgages and other consumer loans—as they once did, in pre-deregulation days.

Business loans, however, are another matter altogether. We'll raise all the funds for business investment publicly, the way we raise funds now for public investment—namely, from taxes. Let's abolish the corporate income tax (which few corporations pay anymore anyway), and substitute a capital assets tax—a flat-rate tax on the value of an enterprise's tangible property. As it is now, we tax labor, via the payroll tax, but not capital. (As all economists know, but few bother to mention,