

Why are the ruling elites destroying our economies?

BY ROBIN HAHNEL
CONTRIBUTING COLUMNIST

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In my January column, I explained that by stonewalling financial regulatory reform and imposing draconian fiscal austerity in the midst of the worst economic recession in 80 years, ruling elites in Europe, the U.S., and Canada have us on track for what amounts to economic suicide, putting the North Atlantic region fast on the road to becoming formerly advanced economies. How can this have happened? Why would our ruling elites engage in such counterproductive policies?

Collapse of the political center Left

Thatcher and Reagan launched the neoliberal counter revolution against regulated, mildly egalitarian capitalism in the early 1980s. But not until the political center-left had been turned into a willing center-right did the economic policies of the traditional political parties become barely indistinguishable.

In the U.S. in the 1990s, it was the "liberal" Democrat Bill Clinton who "ended welfare as we know it," pushed Congress to pass the North American Free Trade Agreement and bring China into the World Trade Organization, and ended any pretense of regulating the financial industry when he signed legislation repealing the Glass-Steagall Act separating high risk investment banking from federally insured commercial banking. Today it is the "liberal" Democrat Barack Obama who pivoted from a woefully inadequate fiscal stimulus in 2009 to offer up social security and Medicare for deficit reduction in 2011. It is Obama who aided and abetted Wall Street's successful efforts to take the teeth out of the Dodd-Frank Wall Street Financial Reform and Consumer Protection Act of 2010 before he signed it. And it is Barack Obama who scuttled international negotiations to avert climate change in Copenhagen and opportunistically absented himself from the debate as Congress failed to pass any legislation whatsoever to address climate change.

The situation is no different in Europe. In Greece, it was the Social Democratic government of George Papandreou who imposed fiscal austerity measure after fiscal austerity measure before he was finally

forced to resign in November 2011. In Spain it was the Socialist government of Jose Luis Zapatero who presided over one fiscal austerity package after another when the economic crisis broke in 2008 until his party was overwhelmingly voted out of office in December 2011.

It is hardly surprising that Tory Prime Minister David Cameron in the United Kingdom and Conservative Prime Minister Stephen Harper in Canada have embraced "blame the victim" fiscal austerity as the policy response long favored by conservative politicians. What has changed over the past decades is the extent to which only rhetoric, but not policies, change when center-left governments replace center-right governments. Now, even when we vote overwhelmingly for "change you can believe in," what we get instead are the same policies enriching the 1 percent at the expense of the 99 percent — during good times as well as bad. The bottom line is poor and middle class people no longer have a major political party who even attempts to act in their interest anywhere in the North Atlantic region. Center-left political parties now behave as center-right parties used to behave, no matter what kind of populist rhetoric they resort to during election season.

Multinational corporations no longer care

But if I am correct that failure to enact meaningful financial reform and launch a massive fiscal stimulus will doom the formerly advanced economies in the North Atlantic to stagnation and decline relative to other regions, why are our major corporations fouling their own nest? Part of the answer is blind free-market ideology. Part of the answer is an economics profession that has studiously unlearned lessons taught by the greatest economist of the 20th century, John Maynard Keynes. And part of the answer is insatiable greed run amok. But beyond all these contributing factors lies a more fundamental answer to the conundrum: The nest they are fouling is still our nest, but no longer theirs.

Thanks to three decades of corporate sponsored globalization — supported by both center right and center left parties — giant corporations are now free to (1) locate

production wherever wages, labor standards, environmental standards, and corporate taxes are lowest, (2) sell products produced elsewhere in the high-income markets of the North Atlantic region, (3) collect royalties on "intellectual properties" from every corner of the globe, (4) leverage their global lending business through the roof with a guaranteed taxpayer bailout in their back pocket whenever a financial crisis threatens, and last, but not least, (5) rely on an overwhelming military force paid for by the American taxpayer to squash any who dare to threaten to take any of these "freedoms" away from them. So what if the North Atlantic region declines in relative economic power? So what if the middle classes in Europe and North America shrink to the size of middle classes in the rest of the world? So what if the dream that one's children will have better economic lives dies for the 99 percent?

The future for the 1 percent and their children looks very bright indeed. They pay less in taxes than ever before. Because their fortunes no longer depend on one region alone, their income and wealth continue to rise spectacularly even while the North American region stagnates. The educational and healthcare systems that are falling apart are not services they and their children use. The jobs that are no longer there for many in the 99 percent are of no concern to those whose only "work" is to manage their own assets. The 1 percent now enjoys the loyal political services not only of right wing and center-right political parties, but of formerly center-left parties as well. With military drafts a distant memory, they need not fear that any hostility that proves "necessary" might inadvertently claim the life of one of their own children. In short, they are not fouling their own nest at all. Their nest never looked better.

Of course, sometimes privileged elites discover too late that by over reaching they drove those whose interests they trample to revolt. In which case, with hindsight, we might say some day that they fouled their own nest. But short of losing power, only if global warming and climate change proves to be the rising tide that engulfs all boats does the present behavior of our ruling elites risk fouling their own nest along with ours.

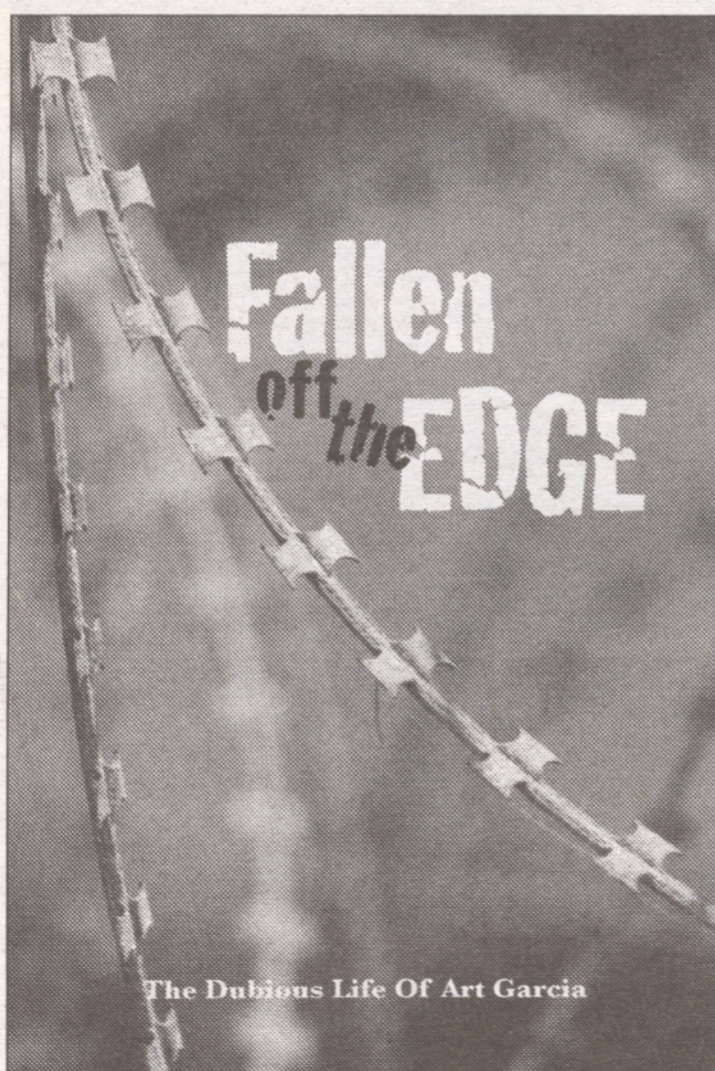
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Fallen Off the Edge

A new book by Art Garcia

"Fallen Off the Edge" is a chronicle of one man's experiences after returning from the Vietnam War. Told through the eyes of Street Roots columnist Art Garcia, this book celebrates the major victories born from a series of questionable choices. Art's jocular storytelling takes the reader along with him in and out of the California prison system over the course of 10 years until he found the strength and courage to pull himself up from the fall.

The book is available online at www.blurb.com under searchword Art Garcia.