

Variations in American Capitalism

[Article 1 of the Nehemiah Articles]

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America's economy is based on Capitalism – a system that has evolved through three major variations, and is currently positioned for another shift.

In 1776 Adam Smith published his famous book “The Wealth of Nations,” explaining the then-new economic system of Capitalism as *an economic and political system in which a country's trade and industry are controlled by private owners for profit, rather than by the state*. [Wikipedia]. Smith also wrote about “Moral Sentiments” (1759) that would help keep in check the self-interests of greed, abuse of power, etc.

But morality without authority could not regulate this initial “Unbridled Capitalism”. By the 1890s, virtually unrestricted *laissez-faire* (“leave alone”) Capitalism produced the robber barons, monopolies, trusts, Gilded Age, and vast differences between the few with extreme wealth, masses in poverty, and a rather small middle class.

Reactions against these greedy (but mainly legal) abuses initiated the century-long second variation with “Regulated Capitalism” shifting toward governmental supervision, including trust-busting, progressive income taxes, bank regulation, Keynesian economics, social security, recognition of labor unions, and (with social as well as economic factors) women's rights and civil rights for equality.

Among the leaders advocating and accomplishing reforms to accomplish Regulated Capitalism were the wealthy Republican politician Teddy Roosevelt (President, 1901 to 1909) and his Democrat cousin Franklin D. Roosevelt (President, 1933 to 1945). The socio-economic controls were 1) the self-imposed products of democratically-elected governments, and 2) were clearly not in the realm of Socialism where *ownership is communal rather than by private individuals*.

The next major variation was the rise of “Conservative Capitalism” and its hero, Ronald Reagan (President, 1981 to 1989). Conservatives essentially reversed many reforms set in place to control Capitalism: income tax rates slashed, regulations lifted on financial institutions, labor unions weakened, increased deficit spending that falsely boosted the economy, reduction of various public services, and increased hardships on people who were less-endowed financially, socially or mentally.

Conservative Capitalism is associated with substantial swings where record-high stock markets favor those with more resources. A new “Gilded Age” returned for a privileged few. Bill Clinton (President, 1993 to 2001) yielded to a conservative Congress. Lack of regulation caused down-swings like the Savings-and-Loan-Crisis and the Great Recession, after which the wealthy further increased their wealth and power. Obama was a “recovery” President (2009-2017) whose signature legislation for affordable health care (“Obamacare”) left big business in charge of prescription drugs, insurance, and most medical services, with the focus on profits still trumping concerns for human wellbeing.

So we arrive at the 2016 Election Year with a full array of advocates for different variations of Capitalism. Columnist Charles Krauthammer (March 31, 2016)[†] characterized Ted Cruz as being most similar to Ronald Reagan, and therefore a “Conservative Capitalist” who is against government regulation of business. If elected President, Cruz would accentuate Reaganomics with free-wielding business practices, less environmental protection, and social values of the Tea Party evangelical minority, especially if Republicans control Congress and if the Supreme Court lacks balance.

The same article quite correctly labels Donald Trump a “mercantilist,” akin to King Philip II who expanded the Spanish Empire (1556 to 1598). Mercantilism is what existed after Feudalism and before Unrestricted Capitalism. Mercantilism is *the economic theory that trade generates wealth and is stimulated by the accumulation of profitable balances, which a government should encourage by means of protectionism* [Wikipedia] or geo-political influence.

If elected President, Trump’s vision to “Make America Strong” would change the face of American economic policy to that of an international bully, a tough guy who gets his own way or will not play. Would Congress or the courts go along, or try to prevent his damage?

Hillary Clinton is characterized by Krauthammer as a political continuation of Presidents Bill Clinton and Obama for international and social issues. In terms of the economics of Capitalism, that places her as weakly resisting Reagan’s Conservative Capitalism. If elected President, Hillary would continue as part of the establishment that joins together the wealthy of both political parties to perpetuate the status quo. Disastrous Congress-versus-President struggles would probably continue.

On economic issues, Bernie Sanders is simultaneously a refreshing inspiration and a nightmare. He created the nightmare by self-declaring to be a Socialist, which he certainly is not. [See https://en.wikipedia.org/wiki/Political_positions_of_Bernie_Sanders] And because true Socialism is appalling to Americans over 50 years old, Bernie is unwittingly throwing away millions of votes. But he does appeal to those who are 40 or younger; after all, they were less than 15 years old or unborn when the Soviet Union broke apart in 1991. They do not know any better, and Sanders is not doing a good job of educating them about what is true Socialism, a la Karl Marx.

Krauthammer likened Sanders to George McGovern, the very liberal Democrat defeated by Nixon in the 1972 presidential election. But Sanders can also be likened to Republican Teddy Roosevelt, whose efforts to break up the ultra-powerful financial elite and to protect the environment are both cornerstones of the Sanders political platform.

As was Teddy 115 years ago, Bernie could be a forerunner of a major shift in Capitalism, back toward “Regulated Capitalism” but with Twenty-First Century attributes. Modern times require modern solutions, and Sanders is proposing many changes that could bring Capitalism in America back on track with some of Adam Smith’s moral integrity.

If elected President, Sanders must work with Congress to bring about economic justice within 21st Century Capitalism.

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[†] https://www.washingtonpost.com/opinions/the-four-foreign-policies/2016/03/31/bf28a7e6-f764-11e5-a3ce-f06b5ba21f33_story.html