

Plutocracy Now!

The United States today qualifies as a plutocracy – on a number of grounds, and it is having a profound impact on the media, education and think tanks—indeed on the whole of society, says Michael Brenner.

By Michael Brenner



Plutocracy literally means rule by the rich. “Rule” can have various shades of meaning: those who exercise the authority of public office are wealthy; their wealth explains why they hold that office; they exercise that authority in the interests of the rich; they have the primary influence over who holds those offices and the actions they take.

These aspects of “plutocracy” are not exclusive. Moreover, government of the rich and for the rich need not be run directly by the rich. Also, in some exceptional circumstances rich individuals who hold powerful positions may govern in the interests of the many, for example Franklin Roosevelt.

The United States today qualifies as a plutocracy – on a number of grounds. Let’s look at some striking bits of evidence. Gross income redistribution upwards in the hierarchy has been a feature of American society for the past decades. The familiar statistics tell us that nearly 80 percent of the national wealth generated since 1973 has gone to the upper 2 percent and 65 percent to the upper 1 per cent. Estimates for the rise in real income for salaried workers over the past 40 years range from 20 percent to 28 percent. In that period, real GDP has risen by 110 percent – it has more than doubled.

To put it somewhat differently, according to the Congressional Budget Office, the top earning 1 percent of households gained about 8 times more than those in the 60 percentile after federal taxes and income transfers between 1979 and 2007 and 10 times those in lower percentiles.

In short, the overwhelming fraction of all the wealth created over two

generations has gone to those at the very top of the income pyramid.

That pattern has been markedly accelerated since the financial crisis hit in 2008. Between 2000 and 2012, the real net worth of 90 percent of Americans has declined by 25 percent. Meanwhile, Warren Buffet, Jeff Bezos and Bill Gates et al, i.e. the wealthiest 1 percent of the world's population, now own more than half of the world's wealth (according to a Credit Suisse report in Nov. 2017). Croesus is green with envy.

Not By Accident

Theoretically, there is the possibility that this change is due to structural economic features operating nationally and internationally. That argument won't wash, though, for three reasons.

First, there is every reason to think that such a process has accelerated over the past nine years during which disparities have widened at a faster rate. Second, other countries (many even more enmeshed in the world economy) have seen nothing like the drastic phenomenon occurring in the United States. Third, the readiness of the country's political class to ignore what has been happening, and the absence of remedial action that could have been taken, in themselves are clear indicators of who shapes thinking and determines public policy.

In addition, several significant governmental actions have been taken that directly favor the moneyed interests. This includes the dismantling of the apparatus to regulate financial activities specifically and big business generally.

Runaway exploitation of the system by predatory banks was made possible by the Clinton "reforms" of the 1990s and the lax application of those rules that still prevailed. Former Attorney General Eric Holder, let's recall, went so far as to admit that the Department of Justice's decisions on when to bring criminal charges against the biggest financial institutions will depend not on the question of legal violations alone but would include the hypothetical effects on economic stability of their prosecution. (Those adverse effects are

greatly exaggerated).

Earlier, Holder had extended blanket immunity to Bank of America and other mortgage lenders for their apparent criminality in forging through robo-signing of foreclosure documents on millions of home owners. In brief, equal protection and application of the law has been suspended. That is plutocracy.

Moreover, the extremes of a regulatory culture that, in effect, turns public officials into tame accessories to financial abuse emerged in stark relief at the 2013 Levin Committee hearings on J P Morgan Chase's 'London Whale' scandal. Morgan officials stated baldly that they chose not to inform the Controller of the Currency about discrepancies in trading accounts, without the slightest regard that they might be breaking the law, in the conviction that it was Morgan's privilege not to do so.

Senior regulators explained that they did not see it as their job to monitor compliance or to check whether claims made by their Morgan counterparts were correct. They also accepted abusive treatment, e.g. being called "stupid" to their face by senior Morgan executives. That's plutocracy at work. The Senate Finance Committee hearing drew only 3 senators – yet another sign of plutocracy at work. When mega-banks make illicit profits by money laundering for drug cartels and get off with a slap on the wrist, as has HSBC and others, that too is plutocracy. FDR, it rightly is said, saved American capitalism. Barack OBAMA saved predatory financial capitalism.

When the system of law that is meant to order the workings of society without reference to ascriptive persons is made malleable in the hands of officials to serve the preferred interests of some, it ceases to be a neutral instrument for the common good. In today's society, it is becoming the instrument of a plutocracy.

The financial behemoths and big business in general can count on sympathetic justices to bail them out when cornered by prosecutors. The United States Attorney for the Southern District of New York, Preet Bharara, was making an earnest attempt to call to account several predators when the New York Supreme Court pulled the rug out

from under him. Their generous interpretation of the dubious Supreme Court decision on wrongful trading cases upheld the overturning of the conviction of Michael S. Steinberg, the highest-ranking officer of notorious hedge fund SAC Capital Advisors. Bharara was obliged to drop seven outstanding cases against the Wall Street biggies.

Corporate Tax Dodging

There are myriad other examples of complicity between legislators or regulators, on the one hand, and special business interests on the other. Environmental Protection Agency judgments that are reversed under the combined pressure of the commercial interests of affected and beholden politicians is one. The government's decision not to seek the power to bargain with pharmaceutical companies over the price of drugs paid for with public funds is another. Tolerance for the concealment of offshore profits in the tens of billions is a third. This last is the most egregious.

Some of the most profitable companies pay little or no federal taxes. Apple is outstanding among them – it has paid zero. Facebook and Microsoft follow closely behind. General Electric received a tax refund in 2015 – after revenues of \$8 billion. Its global tax rate in all jurisdictions was 3.2 percent.

In California, several corporate giants (including Apple and Genentech) have launched an aggressive campaign in an unprecedented effort to be reimbursed for real estate taxes on the grounds that their assets have been over-assessed – and their profits unfairly cut. The Silicon Valley town of Cupertino hosts the world headquarters of Apple, which built its vast campus there in 2014. It has 13,000 employees. How much does it pay the city of Cupertino for the services provided? \$6,000.

Apple has rejected polite suggestions that it might raise that amount on grounds that doing so would be in contradiction of its business model. The threat of packing up and moving the whole shebang to Sheboygan is hardly credible given the multi-billion investment in concrete and glass. Apple's power to get its way is political and cultural. Cupertino, by the way, was a prosperous town before Apple

set up shop there.

Even in Seattle, bastion of progressive politics, Amazon has shown how easily it can intimidate and muscle politicians to do its bidding. A path-breaking corporate tax was enacted in May that would raise \$50 million annually to help cover the cost of desperately needed affordable housing programs. It was passed unanimously by the City Council to nation-wide acclaim.

In June it was scuttled by a 7-2 vote. What had happened to produce this 'epiphany?' Simple – Amazon announced that it was suspending all expansion plans for Seattle, and were joined by Microsoft, Starbucks and others in a declaration of war against the city. Mayor Jenny Durkin caved in: "We heard you," she said while waving the white flag and bowing to her masters.

In short, a city besieged by barbarians saved itself by enslaving itself. Thereby, Seattle is little different from an old style corporate run mill town like Bethlehem or Scranton, Pennsylvania. That's our bright high-tech future under plutocracy.

Please note: Seattle and Silicon Valley are where Barack Obama, Hillary Clinton and other Democratic leaders go to plead for money from hedge fund vultures and IT billionaires to fund their 'Republican-lite' 'reform' campaigns.

Über Alles

The ethic of corporate entitlement is carried to its extreme by Uber. The company flouts laws and regulations as a matter of course. It exploits its disposable gig workers to build a clientele and then tells local authorities that if they enforce the rules, Uber will leave – and leave angry voters behind. Currently, they are hotly contesting a ruling of the California Supreme Court that its throw-away workers are not "independent contractors." In its typical aggressive fashion, Uber leaders are buying politicians and stirring its promoters to get a legislative exception. Board member Ariana Huffington, former progressive activist, is in full support. So it goes in a plutocracy.

Relaxed interpretations of the tax laws by the IRS to the advantage of high income persons can be added to the list. So, too, can the give-away to sole source contractors of the tens of billions squandered in Iraq and Afghanistan. The number of such direct assists to big business and the wealthy is endless.

The point is that government, at all levels, serves particular selfish interests no matter who holds high positions. While there is some difference between Republicans and Democrats on this score, it has narrowed on most major items to the point that the fundamental properties of the biased system are so entrenched as to be impervious to electoral outcomes. The most revealing experience that we have of that harsh reality is the Obama administration's strategic decision to allow Wall Street to determine how and by whom the 2008 financial crisis would be handled.

Systemic biases are the most crucial factor in creating and maintaining plutocratic orientations of government. They are confirmed, and reinforced, by the identities and identifications of the persons who actually hold high elected office.

Our leaders are nearly all rich by any reasonable standard. Most are very rich. Trump's cabinet is dominated by billionaires. Those who weren't already rich have aspired to become so and have succeeded. The Clintons are the striking case in point. That aspiration is evinced in how they conduct themselves in office.

Congress, for its part, is composed of two rich men/women's clubs. In many cases, personal wealth helped win them their offices. In many others, they knit ties with lobbies that provided the necessary funds. Former Senator Max Baucus should have worn a Big Pharma jersey, like soccer players, if truth in advertising rules pertained. Whether they are "bought off" in some sense or other, they surely are often coopted. The most insidious aspect of cooptation is to see the world from the vantage point of the advantaged and special economic interests.

Democrats' Devolution

The devolution of the Democratic Party from being the representative of ordinary people to being just “another bunch of guys” is a telling commentary on how American politics has degenerated into a plutocracy. The party’s rolling over to accommodate the interests of the wealthy has been a theme of the past decade or longer.

From the Obama White House to the halls of Congress, party leaders (and most followers) have conceded the dominance of conservative ideas about macro-economic strategy (the austerity dogma), about retaining largely untouched the for-profit health care “non-system,” about bailing out the big financial players at the expense of everyone else and the economy’s stability, and about degrading Social Security and Medicare. The last item is the most egregious – and revealing – of our plutocratic ways and means. For it entails a combination of intellectual deceit, blatant massaging of the numbers, and disregard for the human consequences in a time of growing distress for tens of millions. In other words, there is no way to conceal or spin the trade-offs made, who is being hurt and who would continue to enjoy the advantages of skewed fiscal policies.

The most compelling evidence of how the money interests shape American politics is the systematic disregard for the most overt manifestations of predatory capitalism. Consider the tax exemption corporate leaders have granted themselves by devising ingenious ways of incorporating themselves in tax havens (or even no-tax cyber space) where all profits are registered via the manipulation of transfer pricing – as noted above. Yet, there is not a single bit of proposed legislation to remedy this gross misappropriation of wealth being considered by either branch of the United States Congress. It was raised, albeit tangentially and briefly, by only one candidate in the 2016 election – Bernie Sanders.

No one is raising it in this year’s mid-terms. As for the hedge fund/private equity vultures, they were singled out for denunciation by Newt Gingrich – of all people – back in the 2012 Republican primaries against Mitt Romney. It was the main reason for his surprise victory in South Carolina. Then came the much publicized debate in Florida. To everyone’s surprise, Gingrich was completely silent about

hedge funds and never mentioned Romney's career as a hedge fund predator. What happened? The Party heavies made him a proposition he could not refuse: either shut up or you'll never eat lunch again in Washington. Fold up your lucrative consultancy, turn in your celebrity card, and start getting your new wife accustomed to dinners at Eat & Park.

The Media's Job

There is another, absolutely crucial dimension to the consolidation of America's plutocracy. It is controlling the means to shape how the populace understands public matters and, thereby, to channel thought and behavior in the desired direction. Our plutocratic guides, prophets and trainers have been enormously successful in accomplishing this. One object of their efforts has been to render the media into either conscious allies or to denature them as critics or skeptics. Their success is readily visible.

Who in the media has challenged the plutocracy serving falsehood that Social Security and Medicare are the main cause of our deficits whose imminent bankruptcy puts in jeopardy the American economy? Who even bothers to inform the public that those two programs' trust funds draw on a separate revenue source from the rest of the budget? Answer: no one in or near the mainstream media.

Who has performed the most elementary service in pointing out that of all the jobs created since 2009, small as the number has been, 60 percent at least have been either part-time or temporary? Answer: again, no one. Who has bothered to highlight the logical flaws in the market fundamentalist view of the world that has so deformed perceptions of what works and doesn't work in macro-economic management? Yes, Paul Krugman, Joseph Stiglitz and a handful of others – although even Krugman's colleagues writing on business and economics at *The New York Times* seem not to have the time to read him or else lack the wit to comprehend what he is saying.

Think Tank Takeovers

A second objective in a similar vein has been to dominate the think

tank/foundation world. Today, nearly every major Washington think tank depends on corporate money. Businessmen sit on the boards and shape research programs. Peter G. Peterson, the hedge fund billionaire, took the more direct route of acquiring the International Institute of Economics, renaming it after himself. He then set about using it as an instrument to carry on the campaign against Social Security which has become his life's work.

Then there is Robert Rubin. Rubin is the distilled essence of financial malpractice, and the embodiment of the government-Wall Street nexus that brought the country to wrack and ruin. Author of Clinton's deregulation program while Secretary of the Treasury: later super lobbyist and Chairman of the conglomerated super bank CITI (only made possible by his deregulation) in the years before it was pulled from the brink of bankruptcy by Ben Bernanke, Hank Paulson and Tim Geithner; and adviser to Barack Obama who stocked the new administration with Rubin protégés. He since has ensconced himself as Chairman of the Council on Foreign Relations and Director of the highly prestigious, lavishly funded Hamilton Project at Brookings. By happenstance, both organizations late last year featured presentations by Jaime Dimon, chairman and CEO of JPMorgan Chase, America's biggest bank. The presentation was billed as a forum for a leading global CEO to share priorities and insights before a high-level audience of CFR members. This is plutocracy in action.

Education Undermined

The third objective has been to weaken public education. We have witnessed the assault on our public elementary school system in the name of effectiveness, efficiency and innovation. Charter schools are the watchword. Teachers are blamed as the heart of the problem. So privatization, highly profitable privatization, is sold as the solution to save America's youth in the face of ample evidence to the contrary. Cast aside is the historical truth that our public school system is the one institution, above all others, that made American democracy. It also is a bastion of enlightened social thinking. It thereby qualifies as a target.

The same goes for the country's proud network of public universities. From state to state, they are starved for funding and made sacrificial lambs on the altar of the austerity cult. They, too, are stigmatized as "behind the times," as no longer doing the job of supplying the business world with the obedient, practical skilled workers it wants. Business schools, long a dependency of the corporate world, are held up as the model for private-public partnership in higher education. Distance learning, often managed by for-profit "expert" consultants or "entrepreneurs", is advertised as the wave of a bright future – a future with fewer liberal-leaning professors with fuzzy ideas about the good society. Distance learning is the higher education companion to the charter school fad. Lots of promises, little delivery, but well conceived to advance a plutocracy friendly agenda.

Here, too, boards of regents are led by business men or women. The abortive coup at the University of Virginia was instigated by the rector who is a real estate developer in Virginia Beach. The chairman of the Board of Regents at the University of Texas system where tensions are at a combustible level is a real estate developer. The chairman at the University of California is CEO of two private equity firms – and the husband of Senator Diane Feinstein. His pet project was to have the moneys of the California teacher's pension fund (CALPERS) placed in the custody of private financial houses. Two former directors of the fund currently are under criminal investigation for taking very large kick-backs from other private equity firms to whom they directed monies – and which later employed them as 'placers.' That's plutocracy at work.

Money as the Measure of All Things

The ultimate achievement of a plutocracy is to legitimize itself by fixing in the minds of society the idea that money is the measure of all things. It represents achievement, it is the sine qua non for giving people the things they most want. It is the gauge of an individual's worth. It is the mark of status in a status anxious culture. That way of seeing the world describes the outlook of Bill Clinton, Barack Obama and Donald Trump. It is Obama who, at the

height of the financial meltdown, lauded Jaime Dimon and Lloyd Blankfein, Goldman Sachs CEO, as “savvy and successful businessmen.” It is Obama who eagerly became Dimon’s golfing buddy – an Obama who twice in his career took jobs with corporate law firms. It was Bill Clinton who has been flying the world in corporate jets for the past twelve years. It is the two of them who promoted Alan Simpson and Erskine Bowles to press for the crippling of Social Security. That’s plutocracy pervading the leadership ranks in both parties of what used to be the American republic.

Perhaps the most extraordinary achievement of the plutocracy’s financial wing has been to convince the political class that its largely speculative activities are normal. Indeed, they are feted as being the economy’s principal reason for growth. Their ruse follows that their own well-being is essential to the well-being of the national economy and, therefore, they deserve privileged treatment.

Subtlety, discretion and restraint are foreign to their buccaneering style with deep roots in the country’s culture and history. Their behavior is often impulsive and grasping: greedy to display what they can get away with and that they are top dogs. They are playing with the nation’s wealth to enrich themselves rather than manage an economy.

There is little interest in building anything that might endure – no ‘new order,’ no new party, no new institutions. Not even physical monuments to themselves. Why bother when the existing set-up works so well now to your advantage and your like-minded and like-interested associates who can turn ideas, money and policies in their direction with ease.

Meanwhile the public is blind to how they are being deluded and abused, thanks in large part to a supine news media. Little changes in a country whose civic ideology imbues the populace with the firm belief that its principles and institutions embody unique virtue. Challenging that is a threat to plutocrats and the media and the educational system they run or influence.

A Wall Street Police State

One of the most stunning examples of direct plutocratic involvement in the state was Wall Street's audacity in coopting a part of the NYC Police Department in setting up a semi-autonomous unit to monitor the financial district.

Funded by Goldman Sachs et al, managed in part by private bank employees in key administrative positions, and with an explicit mandate to prevent and deal with any activity that threatens them, it operates with the latest high tech equipment out of a dedicated facility provided by its sponsors. The facility for years was kept "under the counter" so as not to tempt inquisitive parties to expose it. This is the unit that coordinated squelching of the Occupy Movement's Manhattan demonstrations. It represents the appropriation of a public agency to serve and to serve under private interests.

The post-9/11 hyper-anxiety provided political and ideological cover for a deal devised by Mayor Mike Bloomberg (himself a Wall Street billionaire who went down the line to defend Wall Street against all charges of financial abuse) in collusion with his former associates. Is this simply Bloomberg exposing NYC's fiscal dependency on financial sector jobs?

This is the same Bloomberg who killed a widely supported initiative to set a minimum decent wage of \$10 an hour with health insurance (\$11.50 without) on development projects that receive more than \$1 million in taxpayer subsidies. He stigmatized the measure as "a throwback to the era when government viewed the private sector as a cash cow to be milked... The last time we really had a big managed economy was the USSR and that didn't work out so well." That's as plutocratic as it gets – and in liberal New York.

No Conspiracy Necessary

Furthermore, the moving parts of plutocracy are not well organized. There is no conspiracy as such. It is the convergence of outlook and self-interests among disparate persons in different parts of the system that has accomplished a revolution in American public life, public discourse, and public philosophy.



Nobody had to indoctrinate Barack Obama in 2008-2009 or intimidate him or bribe him. He came to the plutocrats on his own volition with his mind-set and values already in conformity with the plutocracy's view of itself and of America. This is

the man who, for the first two years of his presidency, repeatedly misstated the coverage of the Social Security Act of 1935 – ignorant and not bothering to find out, or willfully ignorant so as to create a convenient comparison with his fatally flawed health care pseudo-plan. This was the man, after all, who cited Ronald Reagan as a model for what sort of presidency America needed. He has been living proof of how effectively Americans had been brought into line with the plutocratic vision.

This is not to say that the plutocrats' success was inevitable – or that they were diabolically clever in manipulating everything and everyone to their advantage. There has been a strong element of good fortune in their victory. Their most notable piece of luck has been the ineptitude and shortsightedness of their potential opposition – liberal Democrats, intellectuals, professional associations and their like. The plutocrats pursued their goals in a disorganized, diffuse way. However, the absence of an opponent on the contested terrain ensured success.

Not Smart

As for cleverness, the American plutocracy is actually a stupid plutocracy. First, it overreaches. Far better to leave a few goodies on the table for the 99 percent and even a few crumbs for the 47

percent than to risk generating resentment and retaliation.

Since the financial meltdown, financial and business interests have been unable to resist picking the pockets of the weak. Fishing out the small change in the wake of grand larceny is rubbing salt into wounds. Why fight a small rise in the minimum wage? Why ruthlessly exploit all those temps and part-timers who have so little in the way of economic or political power anyway? Why squeeze every last buck from the small depositors and credit card holders whom you already systematically fleece? In the broad perspective, that sort of behavior is stupid.

To explain it, we must look to the obsession with status of America's audacious corporate freebooters. These peculiar traits grow more intense the higher one goes in the hierarchy of riches. One is the impulse to show to everybody your superiority by displaying what you can get away with. "Sharp dealing" always has been prized by segments of American society. It's the striving, insecure man who has to prove to the world – and to himself – that he can act with impunity. He is little different from the hoodlum showing off to his pals and to his moll.

These people at heart are hustlers – they crave the thrill of pulling off a scam, not constructing something. Hence, Lloyd Blankfein not showing up for White House meetings yet having Obama thank him for letting the president know, albeit after the meeting already had begun, that Blankfein can't make it. Hence, Jaime Dimon indignantly protesting his verbal mistreatment by the press, by the White House, by whomever.

Then there is Jack Welch, the titan of American industry who struts sitting down, holding the Guinness record for the most manufacturing jobs outsourced by one company – and yet impudently calling Obama "anti-business" after the president appoints his hand-picked successor, Jeffrey Immelt, to head the White House's Job Council. Or Bank of America's faking compliance with the sweetheart deal it got from Obama on the felonious foreclosure scam.

The ultimate episode of egregious lawlessness is the MF Holdings

affair – whereby under its chief, former Senator and Governor Jon Corzine, this hedge fund took the illegal action of looting a few billion from custodial accounts to cover losses incurred in its proprietary trading. JP Morgan, which held MF Global funds in several accounts and also processed the firm's securities trades, resisted transferring the funds to MF's customers until forced to by legal action. Punitive action: none. Why? The Justice Department and regulatory bodies came up with the lame excuse that the MF group's decision-making was so opaque that they could not determine whose finger clicked the mouse. Shades of SNL. To pull capers like these and get off scot free without chastisement is the ultimate ego trip.

Where the Money Is

Willie Sutton, the notorious bank robber of the 1940s, explained his targeting banks this way: "That's where the money is." Today's financial swindlers go after high risk gambles because that's where the biggest kicks are. That is more important than the biggest bucks – although they add to the thrill. The constant status striver and insecure financial baron is a compulsive gambler. He needs his fixes: of winning, of celebrity, of respect, or deference as transitory as all may be.

American culture provides few insignia of rank. No 'Sirs,' no seats in the House of Lords, no rites of passage that separate the heralded elite from all the rest of us. Since oblivion shadows the most famous and acclaimed, they often grasp for whatever is within reach – however ludicrous that might be. When [IR Magazine awarded JPMorgan the prize for "best crisis management" of 2012 for its handling of the London Whale trading debacle, at a black-tie awards ceremony in Manhattan,](#) Morgan executives were there to express their appreciation, rather than hide in shame. The only Wall Street personage who has played the celebrity game without being marginalized in the public mind is Robert Rubin. Through nimbleness and political connection he has semi-institutionalized his celebrity status. Yes, there is former Fed chairman Paul Volcker. But his stature is built on an unmatched record of service to the commonweal and unchallenged integrity. The Blankfeins and Dimons and Welchs and Rubins not only lack the critical

attributes – they also appear to scorn the public, rather than serve it, which even private financial institutions should do, while still making a decent profit.

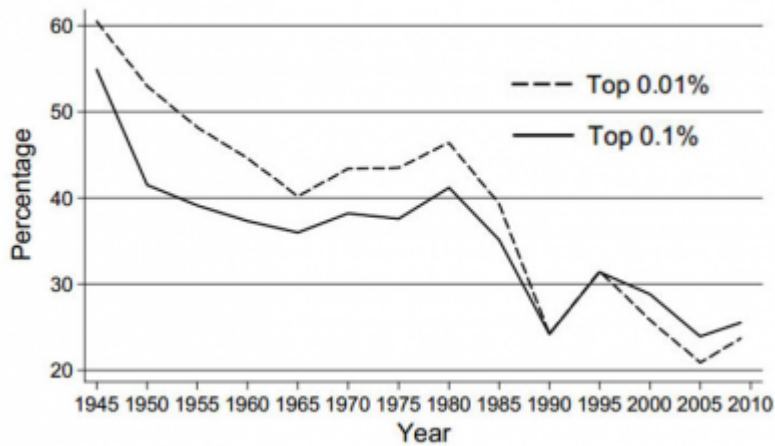
The plutocrats' compulsive denigration of the poor and the dispossessed is perhaps the most telling evidence of status obsession linked to insecurity borne of their often ill-gotten gains. That is at the core of their social personality. They seem to find it necessary to stigmatize the everyone not in their class as losers. Those at the lower end are condemned as as moral degenerates – drug addicts, lazy parasites – rather than victims of their financial system. This attitude is in part to highlight their superiority and in part to blur the human consequences of their rapacity. Behavior of this kind is the antithesis of a cultivated image of the statesman of commerce – even though they are paying a price in public esteem despite the media's attempts to maintain their elevated status.

American plutocrats have a deep craving to believe in their own virtue – and to have others recognize it, despite the facts. Their perverse pride in beating the system does not tarnish how they regard their behavior. Blankfein said: "I have been doing the Lord's work."

Dimon swaggers through the Council on Foreign Relations or Brookings with the huddled masses in his audience beaming their adulation as they bask in his fame and thirst for his wisdom on the great affairs of the world. Would he give his views on whether the BRICS can rig the LIBOR rate with the connivance of the Bank of England and the Federal Reserve – or ignore regulatory reporting rules when they threaten to reveal a madcap scheme that loses \$6 billion?

The Widespread Effect

Average Tax Rates for the Highest-Income Taxpayers, 1945-2009



Source: CRS calculations using Internal Revenue Service (IRS) Statistics of Income (SOI) information.

Plutocracy in the current American style is having pernicious effects that go beyond the dominant influence of the rich on the nation's economy and government. It is setting precedents and modeling the unaccountability and irresponsibility that is pervading executive power throughout the society.

Three successive presidential administrations and two decades of rogue behavior by corporate elites have set norms now evident in institutions as diverse as universities and think tanks, the military and professional associations – even private clubs. The cumulative result is a widespread degrading of standards in the uses and abuses of power.

Plutocracy raises social tensions. Logically, the main line of tension should be between the plutocrats and the rest of us – or, at least, between the plutocrats and all those with modest means. But that is not the case in the United States. While it is true that there were bitter words about Wall Street moguls and their bailouts during the first year or so after the financial collapse, it never became a main line of political division.

Today, outrage has abated and politics is all about austerity and debts rather than the distribution of wealth, and the power that goes with it. The deep-seated sense of anxiety and grievance that pervades the populace manifests itself in outbreaks of hostile competition among groups who are in fact all victims themselves of the plutocrats' grabbing most of the country's wealth – leaving the rest of us to fight over scraps. So it's private sector employees pitted against government employees because the latter have (some) health insurance, some pension and some security relative to the former who have been shorn of all three. It's parents worried about their kids' education

against teachers. Both against cash-strapped local authorities. Municipalities vs states. It's the small businessman against unions and health insurance requirements. It's doctors against patients against administrators. It's university administrators against faculty and against students, and faculty against students competing for much-reduced appropriations. It's all of those against boards of regents and state governors.

Nearly everyone is frustrated by the ever-sharpening contrast between hopes and aspirations and darkening realities of what they might expect for themselves and their children. Meanwhile, the folks at the top wait confidently and expectantly above the fray that they have engineered – ever ready to swoop down to strip what remains by way of privatized public assets, no-bid contracts, tax and regulatory havens, commercially owned toll roads, student loan monopolies, rapacious buying of foreclosed properties with federal incentives, and myriad tax breaks.

President Obama used his State of the Union Address of 2017 to send the message loud and clear. "Let me put colleges and universities on notice" he warned, "If you can't stop tuition from going up, the funding you get from taxpayers will go down." He thereby set forth a line of reasoning that put him on the same wavelength as Rick Perry because the reality is the exact opposite. It is because public funding has gone down by 2/3 over the past few decades that colleges and universities are obliged to raise tuition – despite flat-lining faculty and staff salaries. This is the essence of intellectual conditioning to the plutocracy's self-serving dogma and the suborning of public authorities by the plutocracy. Beyond capture, it is assimilation.

Does this sort of perverse pride go before the fall? No sign of that happening yet. Plutocracy in America is more likely to be our destiny. The growing dynastic factor operating within the financial plutocracy militates in that direction. Wealth itself has always been transferred from one generation to another, of course; reduced inheritance taxes along with lower rates at upper income brackets generally accentuate that tendency. With socio-economic mobility in American society

slipping, it gains further momentum.

Something approaching a caste identity is forming among the financial elites – as personified by Dimon who is the third generation of Wall Street stockbrokers and financial managers in his family. His father was an executive director at American Express where the young Dimon joined forces with Sandy Weill. As a revealing coda to this generational tale, Dimon, last year, hired his 81-year old father to work for JP Morgan Chase. His father's first-year salary was \$447,000; slated to rise to \$1.6 million – now that the apprentice has some work experience under his belt, presumably. A sense of limits is not part of the financial plutocracy's persona.

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