

American-Style Capitalism and Income Disparity: The Challenge of Social Anarchy

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With the end of the Cold War on Christmas Day 1991, the word "capitalism" seems also to have disappeared from public discussions. In its place, there is much talk about "the market" as an impersonal object and praise for its alleged merits as a guide to economic decision making. But there is surprisingly little attention paid to the actual state of capitalism itself—especially as it is evolving in the United States in the late 1990s. Yet it is capitalism as an economic system that defines "the market," and it is the policies and institutions of capitalist countries that actually shape market outcomes. Thus, it is of consequence to ponder how this process is working. For just as its chief intellectual rival—communism—collapsed from within because centralized socialism could not keep pace with capitalist economies that were consistently revolutionizing the frontiers of knowledge, supporters of capitalism also must watch for signs of its own undermining.

With regard to its outward manifestations, the American variant of capitalism seems healthy and vibrant. The contemporary economic indicators are essentially positive: unemployment is falling; inflation is low and essentially stable; profits are generally high; industrial production is close to capacity; future expectations by both consumers and producers are optimistic; and the stock market averages are at or close to record levels. But, on the other hand, the social indicators that describe the quality of contemporary life are almost universally morbid and depressing. Divorce rates are staggering; the use of illicit drugs is widespread; bankruptcies are increasing; illegal immigration is massive; teen-age pregnancies are at epidemic levels; homelessness is spreading; less than half the voting age population actually votes in national elections; membership in trade unions has fallen to the same low levels that

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last existed in the depths of the depression in the early 1930s; the percentage of children living in poverty, the incidence of violent crimes, the magnitude of adult illiteracy, and the number of persons reported to be AIDS-HIV infected are all the highest in the industrial world; and more than a million persons are in jails and prisons (more than half of whom are blacks) with more than twice that number either on parole or on bail. Moreover, stories of the prevalence of violent urban "street gangs," oppressive manufacturing "sweatshops," and armed militias in rural areas are commonplace on evening news shows. So if the economic indicators are so good, why are the social indicators so bad?

Ironically, a plea for a critical assessment of the state of capitalism in the United States was made in 1997 by one of the foremost beneficiaries of this free market era—the billionaire financier George Soros. Writing in *Atlantic Monthly*, he bluntly stated: "Although I have made a fortune in the financial markets, I now fear that the untrammled intensification of laissez-faire capitalism and the spread of market values into all areas of life is endangering our open and democratic society. The main enemy . . . is no longer the communist but the capitalist threat" [Soros 1997, 45]. Soros sees what many economic conservatives in academia, business, the media, and government refuse to recognize: namely, that "too much competition and too little cooperation can cause intolerable inequities and instability" [Soros 1997, 47].

By far the most significant of the emerging outcome "inequities" in the United States pertains to the widening economic disparity among the population. In early 1997, U.S. Secretary of Labor Robert Reich summed up the situation as follows: "Over 15 years ago, inequality of income, wealth, and opportunity began to widen and the gap today is wider than at any time in living memory" [Reich 1997, E-13]. Because the United States has always been among the extreme examples of consumer-driven capitalism, it is questionable—given this disparity among its population—how long it can maintain social order when increasing numbers of persons are left out of the banquet while a few are allowed to gorge.

The Consumer Economy

Factually, consumption in the United States totaled more than \$5.1 trillion in 1996, and that sum represented more than 67 percent of the nation's gross domestic product [*Economic Report* 1997, 300]. Yet, no one really needs to be told the economic statistics to know that American-style capitalism is consumer-driven [Sagoff 1997]. Anyone who has ever visited a major shopping mall or who has ever watched television advertising broadcast directly into the living rooms and bedrooms of virtually every household knows intuitively that consumption is the imperative of our economy. The "lifestyles of the rich and famous" are on daily display for all to see—and to covet.

American-style capitalism seeks to make the citizenry want what it has to offer: material well-being. Engineering power—called technology—seems to be capable of continually increasing productivity if the consumer demand is forthcoming. Producers who produce what consumers want have the possibility to reap huge profits. But in this age of mega-enterprises, few producers are content to let the foibles of consumers determine their fate. Hence, producers seek to influence consumers about what they want [Galbraith 1967, 204-207, 273]. Thus, through massive and pervasive advertising, the system seeks to create wants and anxieties that can only be satisfied by more and more goods. It offers the lure of material satisfaction in one's lifetime. No longer does one have to wait for the afterlife to enjoy the good things. If one has the income, one can consume and enjoy in the "here and now." Advertising is designed to urge and to convince people to buy on impulse; to satisfy immediate wants; to seek immediate gratification; to avoid savings; to stay young; to have fun; and to accept no limits on freedom. American-style capitalism and societal permissiveness go hand-in-hand. Consumption is the fire that fuels the American economy. For this reason, American capitalism has had deep and fundamental support—both economically and ideologically—from most of its citizens and its workers.

American-style capitalism, with its emphasis on consumerism, has offered the prospect that it can defy the Marxian time bomb that competitive capitalism would spawn class divisions and class hatreds between the "haves" and the "have nots." In the process, it has sought to minimize class, race, and gender differences by creating a new estate—the consumer. Humanism, after all, has failed to generate much support for people to consider themselves as being "brothers" and "sisters" or "friends" or to be thought of as being "citizens." So, in this era, why not call the populace "consumers"? And we do.

Hence, it has become the simple, uncluttered operating principle of modern American capitalism that consumers should be constantly persuaded to want more and more in the "here and now." Life in the United States is increasingly based on the gospel of achieving material well-being in this world. American-style capitalism does not create a need for any rewards in the afterlife. No idea system should make promises it cannot fulfill. Therefore, having deprecated the need for religious faith, "the market" is now totally on its own to justify its existence for the first time since the consolidation of capitalism in the seventeenth and eighteenth centuries.

The Challenges of Income Disparity

As indicated, consumer capitalism derives its popular support from being able to satisfy the wants that it creates among the consumer population. From 1950 to 1978, virtually all strata of U.S. society shared in this quest. As shown in Figure 1, real family income for the bottom 20 percent of the population increased substan-

