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Review - Robert Reich, Supercapitalism

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Abstract
According to Robert Reich, the Age of Supercapitalism was preceded in the United States by 'The Not Quite Golden Age', which began after the Second World War and lasted to about 1980. This was a period in which a few big firms dominated their markets, and trade union membership in the private sector was close to 40 per cent. The big firms and the big unions got on with one another; the result was a period in which consumers did not have a great deal of choice, but slowly increasing productivity ensured rising real wages, a growing willingness on the part of the private sector to provide health care, and a good deal of certainty about the future. The Government acted as a benign regulator.

Robert Reich, *Supercapitalism,* Scribe Books, 2008, $32.95

Reviewed by Jim Hagan, University of Wollongong

According to Robert Reich, the Age of Supercapitalism was preceded in the United States by 'The Not Quite Golden Age', which began after the Second World War and lasted to about 1980. This was a period in which a few big firms dominated their markets, and trade union membership in the private sector was close to 40 per cent. The big firms and the big unions got on with one another; the result was a period in which consumers did not have a great deal of choice, but slowly increasing productivity ensured rising real wages, a growing willingness on the part of the private sector to provide health care, and a good deal of certainty about the future. The Government acted as a benign regulator.

Since the late seventies, productivity has taken off as competition has increased with the leaps in technical progress stimulated, in the first place by research in the richly-funded defense industries, and then by increasing competition. Consumers, and investors, now have far more choice than before, and the range of consumption goods and investment opportunities within their reach has increased exponentially. But there has been a big price to pay. Real wages for a large section of the population have actually fallen; the rich have become very much richer, not only in terms of income, but in terms of property owned, so that the top five percent own about as much as the bottom 90. The number of firms now offering health insurance has decreased to the point where some 80 million people in the United States are now without any health cover. Opinion polls show that the voters' faith in their system of government has taken a nose dive, with less than a third of them now believing that the Government acts in the interest of all of the people, compared with more than two thirds thirty years ago.

Some of this is due to the huge influence that lobbyists now exercise on the Senate and the House of Representatives. In 1981 there were about 5,000 registered lobbyists operating in Washington. By 1997 they had doubled in number, and in 2004 there were about 33,000 of them. Of these, only a handful represent public interest and no-profit causes; the overwhelming majority represent the interests of the rich and the powerful, who can bend new legislation to suit their own purposes, get inconvenient laws and regulations repealed, and avoid prosecution or serious penalty for breach. Their usual justification is in terms of undesirable interference with market forces.

But that is only part of the story. More subtle is the process by which the victims of the process have become complicit in it by necessity. The giant retailer Wal-Mart—now the largest employer in the United States—offers a good example. Wal-Mart is fiercely anti-union, and insists on hiring its employees on individual contracts. This lets it beat down wages to $10 an hour, and even less, it seems. Its success then depresses the wages of nearby firms who have to compete with it, so that the establishment of a Wal-Mart results in a general lowering of wages in its area. Wal-Mart then combines its low wage structure with its huge buying capacity to sell its goods at low prices. The people who are its victims have to buy from Wal-Mart because they now can't afford to buy from anyone else.

Those firms who, like Wal-Mart, cut wages need not fear resistance from investors; they pay better dividends than the ones that do not. Those firms who have bad environmental records, or otherwise behave unethically do not suffer from a shortage of investment capital either. Pension funds seeking to do the best by their contributors invest with firms paying the big dividends. In recent years, no industry had had a worse press than the tobacco industry, but tobacco firms do not have any trouble raising capital. We cannot expect firms to regulate themselves in the public interest. Some have tried, and suffered. After some years of proclaiming that it would buy its materials only from firms in the United States, Levi—Strauss saw its profit margins fall, and its share prices tumble. Like its competitors, it turned to importing from cheap labour countries, and like them made its own contribution to unemployment and lower wages in the United States.

This overwhelming of public interest by rampant market forces has led Reich to conclude that Supercapitalism is incompatible with democratic government. What is to be done? Reich does not offer any comprehensive solution. His most plausible suggestion aims at controlling the lobbying power of the rich corporations. He suggests that firms be required by law to have their shareholders approve of profits being used for lobbying or political donations—in the same way, presumably, as Conservative governments in Great Britain and Australia have tried to limit the powers of unions to donate for political purposes. If the Legislature passed the necessary laws, and if the Executive rigorously enforced them, such restriction might well even up the balance in favour of the public interest. But that is a very big 'if', and on Reich's own reasoning, seems unlikely now or in the foreseeable future.

When asked about public consultation, the railway magnate William H. Vanderbilt famously replied: ‘Running railways is about making profits. The public be damned!’ A century later, it seems a suitable mantra for the exponents of supercapitalism.