BOTH

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Herman Cain says to the Occupy Wall Street crowd: “Don’t blame the rich if you are poor: blame yourself.” In saying so, he is tapping into one of the great themes of the American story.

In the introduction to Grid, I quote Muriel Rukeyser: “the universe is made of stories, not of atoms.” We make sense of the world we perceive according to the stories we believe.

No doubt because of the recent news about the book being banned from a local school library, upon hearing Cain’s response to the protestors I was immediately reminded of a passage from Vonnegut’s Slaughterhouse Five:

America is the wealthiest nation on earth, but its people are mainly poor, and poor Americans are urged to hate themselves. To quote the American humorist Kin Hubbard, “It ain’t no disgrace to be poor, but it might as well be.” It is in fact a crime for an American to be poor, even though America is a nation of poor. Every other nation has folk traditions of men who were poor but extremely wise and virtuous, and therefore more estimable than anyone with power and gold. No such tales are told by the American poor. They mock themselves and glorify their betters. The meanest eating or drinking establishment, owned by a man who is himself poor, is very likely to have a sign on its wall asking this cruel question: “If you’re so smart, why ain’t you rich?”

Americans, like human beings everywhere, believe many things that are obviously untrue… Their most destructive untruth is that it is very easy for any American to make money. They will not acknowledge how hard in fact money is to come by, and, therefore, those who have no money blame and blame and blame themselves. This inward blame has been a treasure for the rich and powerful…

We believe America is the Land of Opportunity. For the ruling class throughout history, there has always been one overriding concern: how to keep the working class productive and under control. There has never been a more efficient means of control than a strong belief system, and the story of a poor man, through his own effort and talent, becoming a rich man became a dominant part of the American belief system. It worked. It works so well that the American poor have rejected unions, fair labor laws and higher taxes on the rich.

There are economic realities from time to time that challenge even the most myopic proponents of that belief system. Shay’s rebellion in 1787 was the first in this country. The panic of 1893 was another. The Great Depression and the Great Recession are the periods often being compared today.

In 1887, America was drowning in debt (largely from financing the Revolutionary War) and rich investors were squeezing the poor to pay it back. Shay fought with valor in the Revolutionary War but was never paid for his military service and was now losing everything he owned through seizures (foreclosures) by wealthy creditors. The ruling class relied on the military to put down the rebellion but the steady expansion of the country became a more long term, efficient means of control.

Frederick Jackson Turner was the historian who promulgated the "safety-valve" thesis regarding the American frontier. Horace Greeley said to those who were failing to find their fortune in the crowded east: "Go west, young man." America is the Land of Opportunity. Work hard: get rich. The fact (or myth) of a land of opportunity in the west kept worker unrest from boiling over in the east for the next one hundred years. Then, Turner announced the closing of the American frontier at the World's Fair in Chicago, in 1893. What happens when the safety valve closes and pressure continues to build?

If Americans had no story of possible escape to a frontier of opportunity, the government policy of laissez faire would not have been possible. As long as expansion continued, and as long as the players believed the story, the governmental referee could stand on the sideline and whistle a merry tune while some players take unfair advantage of others. Once the safety valve closes, as it had according to Turner in Chicago in 1893, economic competitors must battle and co-exist in close quarters. It becomes impossible to ignore the fact that movement by any one molecule affects other molecules—that the "winners" were taking space and oxygen from the "losers." It was as though the balloon could no longer expand but gas was still being pumped into it. Balloons tend to burst when that happens.

Turner closed the American frontier at the Chicago Fair using a safety valve metaphor while standing in close proximity to exhibitions of new technologies capable of forces previously beyond human control. World Fairs had been a forum to celebrate the achievements of man: productivity of workers, creativity of artists and noble expressions of the human spirit. Given the labor unrest in the country, along with the business depression, the Chicago Fair of 1893 was remarkable in that it departed from the norm and focused almost exclusively on new technologies like the electric dynamo and the output of industries while largely ignoring the role of workers and artists.

In 1893, the country was struggling through a serious downturn in the economy, including the bank panic which occurred mid-year. In late October, President Harrison was assassinated and the free silver issue came to a head. The Panic of 1893 was set off by speculative railroad construction based on shaky financing which led to a series of bank failures. Then there was a run on the gold supply partly due to the policy of bimetallism, which used both silver and gold metals at a fixed 16:1 rate for determining the value of the US Dollar. Until the Great Depression, the Panic of 1893 was considered the worst depression the United States had ever experienced. Populists (led by farming interests) promoted free silver as a way to stimulate the economy—which was viewed as inflationary by the opposition. Wall Street and banking interests were in favor of a single gold standard which would prolong the recession but would hold down inflationary pressures. In other words, wealthy people did not want the value of their holdings weakened by inflation. It also became a Democrat versus Republican issue: pro-silver William Jennings Bryan against pro-gold William McKinley. According to historian and descendent of presidents, Henry Adams, "the matter was settled at last by the people. For a hundred years, between 1793 and 1893, the American people had hesitated, vacillated, swayed forward and back, between two forces, one simply industrial, the other capitalistic, centralizing, and mechanical. In 1893, the issue came on the single gold standard, and the majority at last declared itself, once and for all, in favor of the capitalistic system with its necessary machinery: … corporations and trusts… monopolies capable of controlling the new energies that America adored." We are still living with the consequences of that turning point. Both political parties are solidly in the "gold" camp (in more ways than one) despite all the rhetoric one hears to the contrary.

After 1893, the stock market became the new frontier. To early 20th century Americans the stock market appeared to be as capable of never-ending expansion as did the natural resources of the expanding American continent in the 19th century. In the roaring twenties, the Dream seemed a reality. Everyone believed they were going to get rich and stay rich by investing their nickels and pennies in the stock market. The reality was the excesses of Wall Street had concentrated more wealth in fewer people than any period in American history—except for now. When the bubble burst and we entered the Great Depression, we faced the period in American history when the forces pushing for redistribution of wealth were at their strongest—except for what we may see a year from now.

The main difference between the first twenty years of the 20th century and the last twenty years surrounding the end of the 20th and beginning of the 21st is that the Great Depression concentrated wealth under capitalist control by selling overvalued stocks to poor people and the Great Recession concentrated wealth under capitalist control by selling overvalued home mortgages (transformed into stock-like derivatives) to poor people. Just as with Shay's Rebellion, when the bubble bursts, it is the poor who lose their homes and jobs and who are told to work harder to get out of debt.

I hear the chorus: "We've heard all this before—one more socialist, bleeding heart liberal who wants to take wealth from the rich who earned it and give it to the undeserving poor."

No. I am not. The lesson from the other side is the French Revolution. It looked pretty good when the peasants were taking power and heads from let-them-eat-cake royalty, but the mob started beheading everyone in sight and it became Senator McCarthy's HCUA on steroids.

Hence, my title: "Both." We need balance and we have lost it. The Great Depression created the balance—both political and economic—that was needed in response to the excesses of the first twenty years of the century. It would be good for all concerned if we came up with a better way to restore balance than a depression.

We need an incentive for people to work and we need a reward for those who compete by working harder. Not everyone is built for competition and hard work. We all benefit if those who are built that way are rewarded for their extra labor. We need punishment for those who compete by taking unfair advantage of others. Not everyone is built to play fair. Finally, since we need to reward those who work harder and since that system of reward will ultimately lead to an unequal distribution of wealth, we need to incentivize the wealthy to share the wealth. If we do not, the unequal distribution of wealth distorts the healthy system of incentives, rewards and punishments that created it—and heads start getting chopped off.

How do we create that balance? Just because the American Dream is a myth does not mean it is not real. There is another myth operating out there alongside the dream that poor people can all get rich in the American land of opportunity just by working hard. It used to be called trickle down economics but that was before rich people were redefined as "job creators." Trickle down economics has become linked to Reagan's presidency but it was humorist Will Rogers who popularized the phrase when he said during the Great Depression that "money was all appropriated for the top in hopes that it would trickle down to the needy." The idea that concentrating wealth in a few rulers is (for some reason) better for the peasants than everyone sharing equally in the fruits of labor has been around as long as there have been kings and peasants—in other words, for as long as there has been recorded history.

The question is whether the myth of concentrating wealth in "job creators" works as advertised. No. It is absolute nonsense. However, like the American Dream, the myth is out there. A lot of people profess to believe it. So, we might as well use it if we can.

The distribution of wealth is too far out of balance and it needs to be rebalanced—preferably without resorting to a depression or a head-chopping revolution. It would be possible to incentivize American capitalists to reinvest in American labor by calling their bluff. They claim that job creators will create American jobs if we leave more wealth in their hands. So, we take a cue from Herman Cain's 999 tax plan and we tax job creators at 90% but we provide tax credits for creating American jobs that would take the effective tax rate down to 9%. The devil would be in the details but it would be a fun ride to create and then fine tune a tax code slash jobs bill that puts the money (tax break) where the mouth (myth) is. Could we create an environment in which corporate board meetings celebrated job creation with the same fervor that they now celebrate profits? Quarterly job reports would be more highly anticipated than reports of quarterly profits. CEO bonuses would be tied to job creation.

Americans bought into the story that America is the land of opportunity and most of us are working our butts off trying to prove the story true. In all fairness, shouldn't we give the job creators a chance to prove that the story they see the world through is also true?

Oh, brave new world of BOTH!

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