

Capitalism is for everyone? -Japan Times 13.12.16

LONDON – The opposite of alienation is belonging. The opposite of division is unity and solidarity.

So how do these admirable aims square with a world in which all the talk, at least in the West, is of increasingly disunited societies, legions of people feeling “left behind,” of widening inequality and of rage against “establishments” who are alleged to be doing better all the time while the rest are doing worse?

“Capitalism that works for everyone” has recently become a favorite slogan of Western leaders, including the British prime minister. But that plainly is not happening. On the contrary, while the system seems to work very well for various chief executives, high-rolling financiers and their friends, who pay themselves eye-watering salaries at hundreds of times the levels of average wages, for too many people and communities lower down the benefits of the capitalism are becoming hard to find.

In the United Kingdom, some top executive pay is running at about 400 times the average wage. In the United States, for some executives it is said to be about 1,000 times. The U.K. is particularly vulnerable to divisive tendencies and antagonisms with its history of class warfare and the fact that even today, two centuries or more after the original industrial revolution, too many towns and cities are struggling to raise standards, defeat poverty and improve their environments.

It has been estimated that while London and the surrounding southeast constitutes one of the richest areas in Europe the U.K. still has several of the most deprived areas as well.

If the politicians mean what they say — always a big “if” — then something radical clearly needs to be done in the way of further spreading prosperity. The answer in the 20th century to the inequality concern used to be that booming capitalism would lift wages and salaries for all, which in turn would expand purchasing power and new industries in a comforting upward spiral. Karl Marx, it was contended, had been in error with his gloomy forecast that workers would be constantly oppressed and eventually rise up to destroy the capitalist system. Instead, it was confidently pointed out, the workers were getting richer and the benefits of capitalist wealth creation were trickling down to the masses.

But latterly the confidence has faltered. Something in the system does not seem to be working. At least a part cause of the mood of popular discontent and rejection of authority that is sweeping across both Europe and America is attributed to the fact that the trickle appears to have stopped working and the gap between the rich and the struggling classes below — the “just-about-managing” households and those in outright poverty — is yawning wider and wider. So is the apparent gap between richer and poorer communities.

Undoubtedly, some of the more lurid and ideologically driven descriptions of what is happening need a touch of perspective. It is obviously true that massive inequality is nothing very new. Eighteenth or 19th century dukes or industrial plutocrats might well have had annual incomes 5,000 times as high as the armies of people they employed on their

many estates. And when it came to actual wealth there was no comparison at all because most workers had none, not even the house they lived in.

The difference between then and now is that what was hidden then is universally known, and discussed, now. Workers and their families need to look no further than their mobile phones or daily media coverage to see the full and glaring disparities between their own tight circumstances and the charmed lives of the super-rich, the celebrities, the soccer stars and above all the company bosses. Transparency rules, and makes comparisons not only odious but enraging.

In face of this tide of anger, indignation and division, vague assurances that capitalism works for all make zero impact. There have to be clear policies and measures to give substance to these aims.

The superficial solution, and one being heard now on all sides, is that ever higher taxes, especially on those in the upper income quartile, should be applied and the proceeds redistributed by the state through ever bigger welfare programs. But this always evolves into a vast process of discouraging wealth creation and penalizing entrepreneurship, leaving everyone poorer in socialized stagnation.

A far more promising method of making capitalism work for all was in fact put forward half a century ago by the American visionary Louis Kelso in California. He produced a stream of ideas for promoting wider capital ownership, for instance via employee share-ownership schemes. He argued that giving more and more workers a solid share in the capitalist economy would heal divisions between employers and employees, as well as reduce the constant pressure for higher wages. It would make people feel they were all in the system together — that they “belonged” instead of being left to struggle along outside.

But his biggest idea went further. He wanted millions of households and workers not just to own capital, but to benefit from the proceeds of new capital formation, rather than see all the future growth go to those already enriched, or to big funds and corporations. This would put a stop not just to social division and alienation but to the trend for the already rich to grow richer while the rest trailed behind, reliant only on salaries and wages, with growing inequality all round.

His ingenious scheme for making this possible, for creating a form of social capitalism that really did benefit all, went untried for many decades. The world had other worries. But now perhaps the time is ripe. The alternative could be a lot more alienation and populist anger, with demagogues taking over and democratic methods losing out. That led to disaster in the 20th century and we want no more of it in the 21st.

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