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Economic Plunder in Recent History

Looting the Future

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In the mid 1990s, Republican New Jersey Governor Christine Todd Whitman re-directed contributions from the pension fund for state employees to the state general account while giving tax cuts to wealthy state residents. By purposely under-funding the pension plan Ms. Whitman was able to 'balance' the state budget while cutting taxes. And through pension accounting loopholes, the move provided the illusion the pension plan was adequately funded as massive deficits accrued.

Cut to 2011, current Republican New Jersey Governor Chris Christie and the New Jersey legislature pass bi-partisan pension 'reform' that 'solves' the systematic looting of the pension plan by cutting promised payouts to pensioners. The cynical political / economic calculation of 1994 that provided the illusion of fiscal probity while rewarding rich constituents with tax cuts was 'resolved' in the new age of austerity by stealing the compensation state employees earned in good faith and is due them.

Was this not emblematic of broad moves over three decades by states, municipalities, corporations, and now the Federal government, to systematically loot the savings of labor and present it as an unfortunate fact of nature to be resolved at labor's expense the story might be of limited interest. More to the point, current political / economic circumstance results from decades of historical development—earnest recommendations from economists and pundits to solve current economic 'problems' with the factors that brought them about left intact support these factors against the future.

The wholesale looting of public and private pensions and health care plans didn't just 'happen.' The salary and benefit negotiations New Jersey state employees engaged in in 1994 were contingent on future events only past the point where the state did what it agreed it would do. The state didn't do what it agreed it would do. There are no facts of nature or accidents of history behind the benefit shortfalls. They resulted from the systematic transfer of wealth from labor to wealthy state residents. Yet current circumstance, the downturn in the economy, is used as cover to hide what is straightforwardly theft.

Putting the outcomes of economic exploitation and domination in natural terms has a very long history. Nearly three centuries ago Scottish economist Adam Smith posited the 'invisible hand' as metaphor for the intersection of social existence and nature he believed to be behind economic life. Western economists in the late 19th century co-opted mathematical models from physicists to (1) give capitalist economics a patina of scientific respectability and (2) continue the deception the economics these economists were promoting were based on 'laws of nature.'

The historical development coincident with the widespread looting of pension and healthcare plans included the revival of neo-liberal capitalism—international capitalism devoid of the rules upon which capitalism as an economic system is theorized to 'work.' Premised on cartoon assumptions regarding human motivation, neo-liberalism joins Victorian economism to Adam Smith's naturalized political economy. The assumptions place economistic striving as *the* motivating force in a frictionless world. The absence of friction provides the morality play behind economic distribution—in a world with no friction everyone is equal and economic outcomes result from personal capacity—effort plus skill.

Couched in a language designed to fit models developed for other purposes (and discarded a century ago by their developers), neo-liberalism reduces historical development to irrelevance—it doesn't matter how 'we' got here because all residual consequences are mere psychological artifacts. The models (theories) support capitalism in a world that is identical to the models. As no world is, there is no inherent reason to believe capitalism does 'work.' This is the reason for free-trade agreements and other accoutrement of rank ideology posturing as 'science,'—to make 'the world' resemble the economic models. Under capitalist theory the failings of capitalism always result from 'the world' not being pure enough to support it. This is one reason why the economic calamity of recent years has resulted in calls for more of the same—only more so.

As the first link in this piece (above) illustrates, the consequence of inadequately funding state pension plans was well understood when the decisions to do so were made (a national wave of similar practices quickly followed). The accounting regulations governing public and private (corporate) pension and healthcare plans are designed to facilitate looting by insiders. They allow the substitution of 'expected' rates of return for actual in calculating funding ratios. Christine Todd Whitman sought political advantage through looting—the tax cuts bought political allegiance from recipients and the illusion of fiscal probity from 'balanced' budgets fit the Republican deception of competent fiscal stewardship. And the capitalist fantasy that state expenditure derives from undue taking from the frictionless 'private' sector from whence all 'real' wealth comes is used to naturalize straightforward theft.

Cut to the present. A significant proportion of the West is in economic depression. As many people are unemployed today as were at the height of the Great Depression (the total population has grown). Those who lose jobs remain unemployed for longer than at any time since the Great Depression. After stagnating for several decades, median wages declined in 2008 and have yet to recover. Meanwhile, measures of income dispersion—the difference between the incomes of the wealthiest and the rest of us, continued increasing through the economic downturn and turned exponentially higher during the Democratic President's first term. (See U-6 unemployment, average duration of unemployment and Gini Coefficient here). These are facts, not an effort to 'poor mouth' economic circumstance.

Early on neo-Keynesians made good and detailed recommendations that went beyond short term economic patches that maintained the political economy behind current travails. Years after finding no place in public policy 'debates,' versions that preserve the political economy that brought the West to current circumstance are all that exist. Another way to put this is to repeat—under the policies of a Democratic President and 'liberal' Federal Reserve Chairman the fortunes of the economic malefactors responsible for current economic travails were revived while those of the overwhelming majority of the citizens of the West continue to decline.

The reason why the early neo-Keynesian recommendations would have been beneficial was they would have restructured economic relations in constructive ways. For instance, a government jobs program that provided jobs for all seekers would provide three benefits. In the first, it would provide all of the benefits of employment—incomes, government revenue through taxes and the capacity to buy the goods and services produced by others. In the second, it would put a lie to the ideological improbability of 'frictionless' labor markets. The neo-Victorians would have seen, just as they did in the 1930s, the reason people don't work is because there are no jobs, not because of personal psychological / moral failings. Finally, a government jobs program would provide competition for private employers whose gargantuan profits, the highest in modern history, derive in large measure from their ability to systematically underpay labor.

This last point is the central reason why government jobs programs were never seriously considered while neo-Keynesian monetary policies that benefit the wealthy through financial asset price inflation were implemented early on and persist to this day in the form of QE (Quantitative Easing). The 'private' market employers who own the political system don't want competition for employees. To be clear, there have been no real objections from either political party in Washington to the support the Federal government and Federal Reserve have provided to Wall Street, 'private' corporations and financial asset investors (a/k/a plutocrats). These policies benefit the existing political economy—the product of decades of historical development. The objection to government 'interference' in the economy only arises when it weakens the economic power of those who have so arranged current circumstance to their own liking.

The 'economic stabilizers' that have indeed lessened the impact of the Lesser Depression are premised on short cyclical recessions managed (caused) by the Federal Reserve. A short cyclical recession is not what the West is currently experiencing. This gives different meaning both economically and in the political sociology of capitalism to these automatic stabilizers (unemployment benefits, increased transfer payments). The powers that looted public and private pensions and healthcare plans are using the same rationales and methods to de-legitimize all residual government spending that undermines the transfer of social resources to the ruling plutocracy. Having good ideas just isn't enough. A change in the political economy that allows them to be implemented is first necessary.