

THE BLOG

## The Problem With Capitalism

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Bob Burnett Berkeley writer, retired Silicon Valley executive

That earthquake you felt wasn't caused by the massive shifting of the earth's crust, but by something equally impressive: David Brooks agreeing with Michael Moore. Joining other pundits, the reactionary New York Times columnist and the trenchant documentary filmmaker believe American capitalism has a problem.

Of course, Brooks and Moore don't agree on the nature of the problem. Brooks defines it as a malevolent [culture](#), the loss of "economic morality... the self-indulgent popular demand for low taxes and high spending." In his new film, [Capitalism: A Love Story](#), Moore describes American capitalism as a failed system corrupted by greed. They're outraged by the Wall Street ethos that produced last Fall's financial crisis: maximize profits, ignore risks, and trust the government to bail you out. But it's one thing to identify a malignancy within our economic system and quite another to figure out what to do about it.

The US can't flip a switch and abandon capitalism. In the era of the global economy, multinational capitalism rules. (A recent article, [Is Socialism Dying](#), observed, "Socialism is the answer of the last century.")

Whether the solution to America's problem is the new cultural consciousness David Brooks speaks of, the heavy-handed redistribution of wealth that Michael Moore favors, or something else, that change will come within the now familiar framework of capitalism: private ownership of property, the profit motive, individual accumulation of capital, and so forth. The question is: If the present system is broken, what *form* of capitalism should the US encourage?

In the 21st century, every nation favors a brand of capitalism. The variations can be sorted by the relationship between the state and the financial system: *is the primary goal enhancement of individual wealth or the common good?*

**Undemocratic Capitalism:** Scattered across the globe are examples of *gangster capitalism* where a small number of rich and powerful people control the economy and

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the state. This system flourishes in Russia and Afghanistan. Lest Americans feel superior, it's also found in West Virginia, where large coal companies control the government in order to operate horrific strip mines without regard for the environmental consequences.

It is only a slight step from gangster capitalism to *state-centered capitalism*, where a single party or dictator dispenses favors to wealthy individuals and corporations. A prime example is China but the same economic system is found in Saudi Arabia, Venezuela, and Burma.

**Democratic Capitalism:** Scattered throughout the world are examples of capitalism restricted by democracies for the benefit of the common good. In Scandinavia, monopoly capitalism is prohibited and corporations do not have the same rights as do individuals. These countries feature strong judicial systems, robust civil rights, a comprehensive safety net, and a progressive tax system.

**Partially Democratic Capitalism:** Most nations fall somewhere between the two extremes depending upon the power of corporations and the quality of life of the average citizen. In the United States certain corporations and individuals have vast power, but the overall quality of life is good.

Economists have attempted to rank countries along this continuum. One approach is the [Quality of Life Index](#) that includes: health, family life, community life, material well being, political stability and security, climate and geography, job security, political freedom, and gender equality. A recent quality-of-life index found Ireland, Switzerland, and Norway as the top three countries and Haiti and Zimbabwe at the bottom (111). (Afghanistan was not rated.) Undemocratic capitalist nations included Russia (105), Iran (88), Saudi Arabia (72), and China (60). Partially Democratic capitalist countries included the US (13), Japan (17), France (24), Germany (26), England (29), and Israel (38). (The [Human Development Index](#) is similar and the US also ranks 13th.)

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Countries change rank for a variety of circumstances. It's easier to reform capitalism in an autocracy than it is in a democracy. In the past two decades, China's Communist leaders have turned from a rigid [ideology](#) to pragmatic capitalism that has bettered the life of average Chinese.

However one defines the problem with American capitalism - greed, cancerous plutocracy, environmental degradation, or something else - it's unlikely to be remedied by political business as usual. In the current system, moneyed interests have too much power. Unless there's a radical intervention from outside Washington, America's economic system will only change at the margins.

While many critics see campaign finance reform as the solution, a major shift in America's relationship with capitalism will be forced by global climate change. When vast populations are displaced by flood, famine, drought, and radical weather systems, the government will have to intervene and force our capitalist homeboys to stop using the environment as a free resource.

David Brooks and Michael Moore are right to acknowledge that US capitalism has a problem. Unfortunately, our economic system isn't going to change until the consequences of global warming are so severe that Americans recognize that their lives are at risk. The question is: how long will that take?