We Need to Free Sisyphus

Milton Friedman published an article in the New York Times Magazine in September 1970 titled the Social Responsibility of Business is to Increase its Profits”! There he referred to his book “Capitalism and Freedom” where he assured that “there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game…”. In fact, Friedman uses this analysis throughout to denigrate any hint of “corporate responsibility” where businesses should not stray. For him, an executive or a manager concerned about the social order does not act in the interests of his employers… Optimizing profits must thus be the only priority in the knowledge that whatever frees “social responsibility” must be restricted to the bare minimum required by law. According to Friedman, the position of a few CEOs who are concerned with moral and material comfort of their employees – in short, those who look to do more and better than required by law – equates for them admitting the predominance of “political mechanisms” over “market forces”. How thus can we be surprised by the often irresponsible attitude of the business and financial world justified by the doctrine of a very influential Nobel Prize winner? Which doctrine espouses the merits of non-profit organizations, but imposes them as absolute dogma against which all other considerations and any value were to be eclipsed? Remember James Tobin, the Nobel Prize Laureate for Economics in 1981, who humorlessly declared: “Let’s consider three propositions: Money is not important. Money counts. Only money is important”. Friedman too often shifted from the second to the third”… This quest for profit – which became an absolute criteria – contributed to the fragmentation and compartmentalization of society where individuals had to – according to this logic – seek their fortune and safeguard their interests, far from all morality and at the risk of harming others. Since after all, and it is Friedman who asserts it in this article “society is a collection of individuals” whose only obligation is to seek out the best for themselves. For Friedman, individuals only have one obligation which is to ensure their prosperity and that of their employers.

Furthermore, and as if confirming what he said, the U.S. trading index, Standard & Poor’s 500, recorded an increase of nearly 170% between August 1980 and August 1990 – i.e. in a space of ten years –
during which it soared by 340% more during the next ten years! How can we not be tempted by such a godsend which forced the hand and pocketbooks of the U.S. middle class into investing hope, savings, retirement funds and even their borrowing in market investments, including in the most speculative capitalizations? The rate of equity investments experienced an uninterrupted rise in U.S. households of whom 57% did speculative trading in 2001, compared with 39% in 1989. The following generation of investors was clearly less lucky than their parents, and for good reason… the S&P Index lost nearly 30% between August 2000 and August 2010. In reality, the losses were even more marked since with inflation at 25% during that period, the overall net losses of these investors amounted to more than 50% during the first decade of the 21st Century. However, this market nightmare which has been developing for about ten years now is further accentuated by a brief analysis of wages in the U.S. According to data from the U.S. Revenue Department (Internal Revenue Service), the average worker’s wages increased by 140% between 1980 and 2000, moving from $12,850 in 1980 to $19,875 in 1990 and reaching $30,650 in 2000. A figure of 140% from which inflation of 110% should be deducted, leaving a net improvement in the average wages in the U.S. by 30% in twenty years. A trend which is however also reversed – in any event which was largely challenged – at the dawn of this century since the increase in these wages, net of inflation, was no more than 3% over the following ten years. In reality, the Western citizen has been suffering from an insidious deflation in his income for more than ten years. At the same time, the gap widens irretrievably with the very wealthy, the famous “1%” who hold among themselves 42% of the national wealth! According to statistics established by the U.S. Federal Reserve Bank, these 1% would have increased their fortune by 2% between 2008 and 2011 while the middle class would have seen theirs melt by up to 39%!

Today, in a country like the U.S. the Gini coefficient – which is a measure of the degree of inequalities between the rich and poor in the same country – is comparable with the current coefficient in China! That China, which is building its economy and working on developing its social fabric, experiences massive imbalances between its classes is understandable. It is however disturbing to say the least that a nation such as the U.S. entertains – or indeed is content with – such inequalities between its own citizens. In 1970, the gross income of CEOs of large U.S. corporations was thirty times the average salary of a worker in the U.S. – this proportion being forty-five times for Great Britain. Today, these gaps in salaries have reached 260 and 80 times, respectively, for the U.S. and Great Britain! Since the end of the 1970s to this day, the income of the wealthiest 20% in these two countries has increased by approximately five times that of the poorest 20%. What does one make
of a boss who is 260 times better paid than the average worker? In a world where income is supposed to reflect the added value of the worker, is a CEO really worth, and does he really bring, 260 times more than the average employee, to his business or even society? Indeed, we are today living in a world where all the benchmarks and values (genuine values, not valuations) have been turned upside down. As such, nothing justifies such monumental gaps between the income of the top corporate leaders and their employees, as it is understandable that the average person may be offended by such an inequality, that I would not hesitate to call it “against nature”. In the same way that it is unacceptable that, in our Western nations with integrated and well developed economies, the income of the average person is entirely dependent on growth. His standard of living and his salary fall when economic activity slows down. It is therefore those with a ringside seat who pay the price of the recession, or indeed the idiocy – when it is not dishonesty – of others. Weighed up, would it not make sense, or indeed be natural, that improving the average worker’s income be a combination of the product of growth and better redistribution? Is not an equitable distribution of wealth and income within Western nations which claim to be civilized one of the fundamental keys of economic stability? Was Warren Buffet not surprised in his editorial of August 24, 2011 in the New York Times to learn that he paid 17% tax on his income (of $40 million) when his employees paid about 36%?

Inequality is therefore, the same as greed and excessive deregulation, one of the fundamental reasons of economic and financial earthquakes that shook our Western countries these past years. In fact, and despite cosmetic measures or even by depth of our financial system, our economies will more or less for short periods be inevitably destabilized by more or less violent due simply to sudden differences in income. The damage caused by these flagrant inequalities to our economies is for the most part amplified by the totally inadequate responses by our political and economic leaders, who simply take note. Furthermore, the crisis, only worsened the situation of the middle class since the amount generously dumped into the system never benefited research or training, not even the modernization of our production equipment generating long-term jobs. Instead of putting our backs against the wall by the accumulation of these debts which will not resuscitate consumption, would our leaders not be better to tackle the sources of this endemic calamity, that is to say the flagrant inequality of income solidly anchored in our societies? Applying the same Pavlovian – or demagogic – balm will end up polarizing or fracturing a society more and more tempted by extremes. Education, and inequality in wages which is its counterpart, must be at the center of policies, with decisions hoping to offer our societies stable growth being the key to individual fulfillment. Social priorities must
finally be at the heart of any economic project. Because, as President Obama said substantively in his inaugural address on January 21, 2013, it is unthinkable that we make choices dictated by the markets and by neo-liberals who force us to sacrifice our citizens today on behalf hypothetical interests of future generations. Every citizen has a right to expect “security and dignity”.

Can democracy accommodate such flagrant injustices? Can the respect owed to each citizen – and to any legal immigrant in our country – be satisfied with a situation – pushed to the extreme since the middle of the 1980s – where the state gives up its supreme obligation of protecting and defending the interests of its people? Of its entire people, including – and particularly – the most needy? Nefarious laws passed in 1834 in England, such as the “New Poor Law”, which forced the poor to accept any job – even at a pitance – under the threat of being forcibly enrolled in humiliating “work houses”. As for the Personal Responsibility and Work Opportunity Act, passed in the U.S. at the end of the last century (1996) affecting the unemployed and the needy who were mainly women, Blacks and single parent families. All these beneficiaries of social assistance were deprived of vital aid from their government, under the scandalous pretext that they would thus be more motivated to find a job! This “charity” lavished on the unemployed – à la “assisted”, as it is fashionable to call it – by a society which continually lavishes him with contempt for being unemployed. Is it tolerable in a peaceful democracy? In a world enduring a severe crisis where the unemployment indices mechanically explode because of the private sector – and particularly – the financial sector – having staked everything, risked everything and monopolized everything for only its gain, can society continue to discredit and humiliate its citizens without jobs? And can it force them to accept any kind of work so as to stop showing them its solidarity? Is it in a peaceful society that we wish to live or in a fragmented world where the happy “insiders” would be constantly fighting the “outsiders” left on their own? Governments must make every effort to reintegrate our unemployed – through work or social activity – and stop blaming men and women who are victims of their situation. Get rid of this unhealthy fetish toward deficits and focus our energies instead on re-establishing full-time work, the only true framework that we can make for future generations.

Call on the great Keynes who warned us in his “General Theory” against the “society in which we live are its failure to provide for full employment”… Why, in this regard, not quantify and measure the degree of humiliation inflicted by our societies on its members? The moral abuse – and sometimes physical – inflicted on our fellow citizens who are less well-off, is it also not a net cost for our society, in the sense
where it undermines the effectiveness of labor and national harmony. Who today challenges that health coverage, public transit, national education and the other social benefits of the state contribute decisively to social peace and individual fulfillment? In reality, the ultimate question is: what price are we prepared to pay collectively to (try to) achieve a balanced and the most possibly just society? Since the period of relative economic stability and comfort for the middle class now well and truly over. Therefore, priorities need to be redefined, and in light of inevitable social upheavals, such as an ageing population, which will be one of the factors requiring the most social assistance. Demography galloping inequalities are therefore the two fundamental reasons which require the return of the state, since it is better to count on the government than on the private sector since it involves supporting the population. As the distinction – or so-called separation – between politics and the economy is only an urban legend maintained by the financial world to capture true power, it is incumbent upon the state to promote economic efficiency and competitiveness while actively supporting – even militantly – the most needy of its citizens To do this, a crucial equation to be resolved will be – to borrow from President Barack Obama during his inaugural speech on January 21, 2009 – not whether the “government is too big or too small but whether it works”, since the state must also learn to work efficiently to fulfill honorably its tasks. As the distinction – or so-called separation – between politics and the economy is only an urban legend maintained by the financial world to capture true power, it is incumbent upon the state to promote economic efficiency and competitiveness while actively supporting – even militantly – the most needy of its citizens To do this, a crucial equation to be resolved will be – to borrow from President Barack Obama during his inaugural speech on January 21, 2009 – not whether the “government is too big or too small but whether it works”, since the state must also learn to work efficiently to fulfill honorably its tasks.

It is therefore crucial to have a better understanding of the processes which led to the deterioration of our economic conditions which coincided with the shrinking of the state. The most shocking – and most revealing – manifestation of this withdrawal of public power was the long process of privatization affecting all sectors of Western economies for thirty years now. At first glance, it is easy to understand the motives of this genuine cult which seized all governments and which is to be found on the side of monetarism and neoliberalism. The private sector has thus intended to optimally manage whole sections of the economic activity through regulation instilled by markets considered “perfect”. Furthermore, the state offloaded a huge part of its tasks that it could no longer perform effectively due to lack of competent and competitive bureaucrats, unfortunately quite an acceptable argument since our
Western administrations “functioned” less and less properly, to borrow an expression from President Obama. In doing so, the transfer of its assets allowed the state to save, in line with the prescriptions of orthodox economists. In short, these large scale privatizations spread over three decades would benefit all: the state, which would have less responsibilities, and the private sector, which would earn more money by taking over from the government. In fact, the reality was unfortunately less rosy, in any case from the point of view of a population who therefore had to fight against a private sector only concerned with its profits. Companies expected to assure citizens of services until then provided by the state knowingly proceeded with a devaluation and depreciation of the services to optimize their profits. Obviously it is the average person who was aggrieved by this abdication of the state and large responsibilities in favor of the private sector.

An absolute leader in this regard, the Anglo-Saxon world pronounced with a light heart the end of the “era of big government”, the famous formula of President Clinton. It then became fashionable to lock the State in a type of chastity belt of which it would divest itself only to provide – reluctantly – the bare minimum. The consensus in this sense was of the rest the largest possible between the political, economic and financial elites: the company had to get rid of the state, its bureaucrats, its subsidies and its services… that it would no longer assure what was left. This regression by the state became even iconic of a West that showed its higher degree of civilization! The corollary is that society would henceforth be gradually divided into sections between those capable of taking flight with their own wings and the assisted of another age that had inexcusably missed the train of economic independence and globalization. Without wishing for it – but could it sill? –, the state became the promoter of a financial communization which sorted those who had adapted to this ultraliberalization and those who merely submitted to it. This genuine Darwinian selection extolled those who managed not to use public services and the others, considered as dead weight in society. This apartheid which was crushing and humiliating the less fortunate and the defenseless naturally rotted the social link by desecrating the state. In fact, by pleading with activism for the loss by the state of its essential power and prerogatives, our society had lost a fundamental landmark which had also served as cement through the centuries. The state for all had all but disappeared in favor of each man for his own. It is there that we all lost something vital: this solidarity which made us all look in the same direction and strive for objectives, not similar, but compatible. It is around the beginning of this era that Margaret Thatcher was to proclaim very significantly that “There’s no such thing as society… only individuals and families”!
What we have lost along the way? What still connects us? And what do we absolutely refuse? Must we be resigned to our present world marked by corporate and individual domination having taken collectivity hostage for their own interests? Has democracy become merely a vain word or will it save us? At a time when solidarity and fraternity – still only capable of saving the European structure – are sorely lacking among the political, economic and intellectual leaders of the EU, it is the people who must set the example and become the engine. This Europe – so taxed as a democratic deficit – must take its destiny in its own hands (popular) to reestablish general interest, prior to enthusiasm. Now that the elites let go – burdened by the fiasco of their neoliberal ideologies –, we must regain control over our destiny and restore the social link, far from any political calculation. However, it is those who are responsible for our destinies that must be the most ready and the first to react by favoring citizens and entrepreneurial energies to the detriment of financial markets, speculators and investors. But must we – and can we – wait for them when they are so obsessed with the fluctuations of these same markets which guide their actions and which dictate their law to them? How do we not be disconcerted in front of the declarations of Chancellor Merkel who, on a visit on June 27, 2012 with her French counterpart on the event of a crucial summit on the future of the Euro and Europe, cut through with a: “We need more Europe, we need a Europe which can function, markets are expecting this from us”? Therefore, must Europe react to the markets, unite more and become more inclusive? Should we as a corollary deduce that the European Union would have collapsed without pressure from the financial markets which gradually forced it to react? Should we compare our political leaders of today with Pavlov’s dogs, conditioned by the vagaries of market fluctuations that grip them?

Do we pause for a moment on this famous “golden rule” inscribed in the German, Spanish and Italian Constitutions (which will certainly be adopted soon by other countries), which requires that balanced budgets be engraved in the stone of what our democracies hold most precious, namely their Constitution? The golden rule which – incidentally – is an admission of scathing failure for a European central bank incapable of fulfilling its most basic obligation. Nonetheless, what religious dogma decrees that public accounts must always be balanced? Is this golden rule something other than the ultimate manifestation of the influence of financial markets on the political systems supposed to obey the majority of the popular vote, but which, in reality, comply with the requirements of a tiny minority of capitalists? Should we not instead inscribe in our Constitution the right to work, to shelter for all? Since it is only in such an assumption that we would really start to reduce – mechanically – our public deficits. Under the guise of this crisis, the Heads of State and the
European Governments have progressively changed them. As financial analysts, they anxiously scrutinize market vagaries and are suspended with respect to the verdicts by the rating agencies. In this regard, the will to implement this golden rule only proves that our political authorities have been transformed again into “traders”! Has this golden rule been adopted with the objective of calming markets, as it is clear that its ardent defenders are only anxious to caress the markets “up the right way”? Is the new mission of the Constitution of our democracy to become the peacemaker of the markets? And does this golden rule not come to the rescue of speculators justifying a posteriori their bets? In setting it out, our leaders are in fact sending them an unequivocal message which basically says: “You are right to bet against our sovereign debt. Therefore, we shall apply this golden rule and comply with your requirements. We are eager to prove to you the seriousness of our management”… Today it is indisputable that the financial markets impose their temper on our democracies.

So, have we arrived at the stage where the dream and enthusiasm for the European structure have been replaced with a financial system that meticulously sculpt, day in and day out, the Europe according to its standards? Is this a well-oiled European financial system of which we dream, or do our old democracies deserve nonetheless something better? Must we resolutely turn our backs on elite leaders who systematically misplace priorities? How do you explain to them that equality and justice, essential preconditions for the emergence of genuine democracy are also the keystones to making the world happy again?