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# How America Went from "Mom-and-Pop" Capitalism to Techno-Feudalism

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*The crisis of 2020 has created the greatest wealth gap in history. The middle class, capitalism and democracy are all under threat. What went wrong and what can be done?*

In a matter of decades, the United States has gone from a largely benign form of capitalism to a neo-feudal form that has created an ever-widening gap in wealth and power. In his 2013 bestseller *Capital in the 21st Century*, French economist Thomas Piketty declared that "the level of inequality in the US is probably higher than in any other society at any time in the past anywhere in the world." In a 2014 podcast about the book, Bill Moyers commented:

> Here's one of its extraordinary insights: We are now really all headed into a future dominated by inherited wealth, as capital is concentrated in fewer and fewer hands, giving the very rich ever greater power over politics, government and society. Patrimonial capitalism is the name for it, and it has potentially terrifying consequences for democracy.

Paul Krugman maintained in the same podcast that the United States is becoming an oligarchy, a society of inherited wealth, "the very system our founders revolted against." While things have only gotten worse since then thanks to the economic crisis of 2020, it's worth retracing the history that brought us to this volatile moment.

Not the Vision of Our Founders

The sort of capitalism on which the United States was originally built has been called mom-and-pop capitalism. Families owned their own farms and small shops and competed with each other on a more or less level playing field. It was a form of capitalism that broke free of the feudalistic model and reflected the groundbreaking values set forth in the Declaration of Independence and Bill of Rights: that all men are created equal and are endowed by their Creator with certain inalienable rights, including the rights to free speech, a free press, to worship and assemble; and the right not to be deprived of life, liberty or property without due process.

It was good in theory, but there were glaring, inhumane exceptions to this idealized template, including the confiscation of the lands of indigenous populations and the slavery that then prevailed. The slaves were emancipated by the US Civil War; but while they were freed in their persons, they were not economically free. They remained entrapped in economic serfdom. Although Black and Indigenous communities have been disproportionately oppressed, poor people were all trapped in "indentured servitude" of sorts — the obligation to serve in order to pay off debts, e.g. the debts of Irish workers to pay for passage to the United States, and the debts of "sharecroppers" (two-thirds of whom were white), who had to borrow from landlords at interest for land and equipment. Today's U.S. prison system has also been called a form of slavery, in which free or cheap labor is extracted from poor people of color.

To the creditors, economic captivity actually had certain advantages over "chattel" slavery (ownership of humans as a property right). According to an infamous document called the Hazard Circular, circulated by British banking interests among their American banking counterparts during the American Civil War:

> Slavery is likely to be abolished by the war power and chattel slavery destroyed. This, I and my European friends are glad of, for slavery is but the owning of labor and carries with it the care of the laborers, while the European plan, led by England, is that capital shall control labor by controlling wages.

Slaves had to be housed, fed and cared for. "Free" men housed and fed themselves. Free men could be kept enslaved by debt by paying them wages that were insufficient to meet their costs of living.

From 'Industrial Capitalism' to 'Finance Capitalism'

The economy crashed in the Great Depression, when Franklin D. Roosevelt's government revived it and rebuilt the country through a public financial institution called the Reconstruction Finance Corporation. After World War II, the US middle class thrived. Small businesses competed on a relatively level playing field similar to the mom-and-pop capitalism of the early pioneers. MMeanwhile, larger corporations engaged in "industrial capitalism," in which the goal was to produce real goods and services.

But the middle class, considered the backbone of the economy, has been progressively eroded since the 1970s. The one-two punch of the Great Recession and what the IMF has called the "Great Lockdown" has again reduced much of the population to indentured servitude; while industrial capitalism has largely been displaced by "finance capitalism," in which money makes money for those who have it, "in their sleep." As economist Michael Hudson explains, unearned income, not productivity, is the goal. Corporations take out cheap 1% loans, not to invest in machinery and production, but to buy their own stock earning 8% or 9%; or to buy out smaller corporations, eliminating competition and creating monopolies. Former Greek Finance Minister Yanis Varoufakis explains that "capital" has been decoupled from productivity: businesses can make money without making profits on their products. As Kevin Cahill described the plight of people today in a book titled *Who Owns the World?*:

> These latter day pharaohs, the planet owners, the richest 5% – allow the rest of us to pay day after day for the right to live on their planet. And as we make them richer, they buy yet more of the planet for themselves, and use their wealth and power to fight amongst themselves over what each possesses – though of course it's actually us who have to fight and die in their wars.

The 2020 Knockout Punch

The final blow to the middle class came in 2020. Nick Hudson, co-founder of a data analytics firm called PANDA (Pandemics, Data and Analysis), argued in an interview following his keynote address at a March 2021 investment conference:

> Lockdowns are the most regressive strategy that has ever been invented. The wealthy have become much wealthier. Trillions of dollars of wealth have been transferred to wealthy people. … Not a single country did a cost/benefit analysis before imposing these measures.

Policymakers followed the recommendations of the World Health Organization, based on predictive modeling by the Imperial College London that subsequently proved to be wildly inaccurate. Later studies have now been done, at least some of which have concluded that lockdowns have no significant effects on case numbers and that the costs of lockdowns substantially outweigh the benefits, in terms not just of economic costs but of lives.

On the economic front, global lockdowns eliminated competition from small and medium-sized businesses, allowing monopolies and oligopolies to grow. "The biggest loser from all this is the middle class," wrote Logan Kane on Seeking Alpha. By May 2020, about one in four Americans had filed for unemployment, with over 40 million Americans filing jobless claims; and 200,000 more businesses closed in 2020 than the historical annual average. Meanwhile, US billionaires collectively increased their total net worth by $1.1 trillion during the last 10 months of 2020; and 46 people joined the billionaire class.

The number of "centi-billionaires"– individuals with a net worth of $100 billion or more – also grew. In the US they included:

- Jeff Bezos, soon-to-be former CEO of Amazon, whose net worth increased from $113 billion in March 2020 to $182 billion in March 2021, up by $70 billion for the year;
- Elon Musk, CEO of Tesla and SpaceX, whose net worth increased from $25 billion in March 2020 to $164 billion in March 2021, up by $139 billion for the year; and
- Bill Gates, formerly CEO of Microsoft and currently considered the "global vaccine czar," whose net worth increased to $124 billion in March 2021, up by $26 billion for the year.

Two others are almost centi-billionaires:

- The net worth of Mark Zuckerberg, CEO of Facebook, grew from $55 billion in March 2020 to $95 billion in March 2021, up by $40 billion for the year; and
- The net worth of Warren Buffett of Berkshire Hathaway grew from $68 billion in March 2020 to $95 billion in March 2021, up by $27.6 billion for the year.

These five individuals collectively added *$300 billion* to their net worth just in 2020. For perspective, that's enough to create 300,000 millionaires, or to give $100,000 to 3 million people.

Philanthro-capitalism

The need to shield the multibillionaire class from taxes and to change their predatory corporate image has given rise to another form of capitalism, called *philanthrocapitalism*. Wealth is transferred to foundations or limited liability corporations that are designated as having charitable purposes but remain under the ownership and control of the donors, who can invest the funds in ways that serve their corporate interests. As noted in *The Reporter Magazine* of the Rochester Institute of Technology:

> Essentially, what we are witnessing is the transfer of responsibility for public goods and services from democratic institutions to the wealthy, to be administered by an executive class. In the CEO society, the exercise of social responsibilities is no longer debated in terms of whether corporations should or shouldn't be responsible for more than their own business interests. Instead, it is about how philanthropy can be used to reinforce a politico-economic system that enables such a small number of people to accumulate obscene amounts of wealth.

With $100 billion, nearly anything can be bought – not just land and resources but media and journalists, political influence and legislation, regulators, university research departments and laboratories. Jeff Bezos now owns *The Washington Post*. Bill Gates is not only the largest funder of the World Health Organization and the Imperial College London but the largest owner of agricultural land in the US. And Elon Musk's aerospace manufacturer SpaceX has effectively privatized the sky. Astronomers and stargazers complain that the thousands of satellites it has already launched, with many more in the works, are blocking their ability to see the stars. Astronomy professor Samantha Lawler writes in a piece for The Conversation:

> SpaceX has already received approval for 12,000 Starlink satellites and is seeking approval for 30,000 more. Other companies are not far behind […] The point of the Starlink mega-constellation is to provide global internet access. It is often stated by Starlink supporters that this will provide internet access to places on the globe not currently served by other communication technologies. But currently available information shows the cost of access will be too high in nearly every location that needs internet access. Thus, Starlink will likely only provide an alternate for residents of wealthy countries who already have other ways of accessing the internet […] With tens of thousands of new satellites approved for launch, and no laws about orbit crowding, right-of-way or space cleanup, the stage is set for the disastrous possibility of Kessler Syndrome, a runaway cascade of debris that could destroy most satellites in orbit and prevent launches for decades…. Large corporations like SpaceX and Amazon will only respond to legislation — which is slow, especially for international legislation — and consumer pressure […] Our species has been stargazing for thousands of years, do we really want to lose access now for the profit of a few large corporations?

Public advocacy groups, such as the Cellular Phone Task Force, have also objected due to health concerns over increased electromagnetic radiation. But the people have little say over public policy these days. So concluded a study summarized in a January 2021 article in *Foreign Affairs*. Princeton professor and study co-author Martin Gilens wrote:

> [O]rdinary citizens have virtually no influence over what their government does in the United States. … Government policy-making over the last few decades reflects the preferences … of economic elites and of organized interests.

Varoufakis calls our current economic scheme "postcapitalism" and "techno-feudalism." As in the medieval feudal model, assets are owned by the few. He notes that the stock market and the businesses in it are essentially owned by three companies – the giant exchange-traded funds BlackRock, Vanguard, and State Street. Under the highly controversial "Great Reset" envisioned by the World Economic Forum, "you will own nothing and be happy." By implication, everything will be owned by the techno-feudal lords.

Getting Back on Track

The capitalist model has clearly gone off the rails. How to get it back on track? One obvious option is to tax the uber-rich. As Chuck Collins, author of *The Wealth Hoarders: How Billionaires Pay Millions to Hide Trillions* (2021), writes in a March 2021 article:

> A wealth tax would reverse more than a half-century of tax cuts for the wealthiest households. Billionaires have seen their taxes decline roughly 79 percent as a percentage of their wealth since 1980. The "effective rate" on the billionaire class—the actual percentage paid—was 23 percent in 2018, lower than for most middle-income taxpayers.

He notes that Sen. Elizabeth Warren (D-Mass.) and co-authors recently introduced legislation to levy a 2 percent annual tax on wealth starting at $50 million, rising to 3 percent on fortunes of more than $1 billion:

> The tax, which would apply to fewer than 100,000 U.S. residents, would raise an estimated $3 trillion over the next decade. It would be paid entirely by multi-millionaires and billionaires who have reaped the lion's share of wealth gains over the last four decades, including during the pandemic.

Varoufakis contends, however, that taxing wealth won't be enough. The corporate model itself needs an overhaul. To create a "humanist" capitalism, he says, democracy needs to be brought to the marketplace.

Politically, one adult gets one vote. But in corporate elections, votes are weighted according to financial investment: the largest investors hold the largest number of voting shares. Varoufakis argues that the proper principle for reconfiguring the ownership of corporations for a market-based society would be one employee, one share (not tradeable), one vote. On that basis, he says, we can imagine as an alternative to our post-capitalist model a market-based democratic society without capitalism.

Another proposed solution is a land value tax, restoring at least a portion of the land to the "commons." As Michael Hudson has observed:

> There is one Achilles heel in the globalists' strategy, an option that remains open to governments. This option is a tax on the rental income – the "unearned income" – of land, natural resources and monopoly takings.

Reforming the banking system is another critical tool. Banks operated as a public utility could allocate credit for productive purposes serving the public interest. Other possibilities include enforcement of anti-monopoly legislation and patent law reform. Perhaps, however, the flaw is in the competitive capitalist model itself. The winners will inevitably capture and exploit the losers, creating an ever-growing gap in wealth and power. Studies of natural systems have shown that cooperative models are more efficient than competitive schemes.

That does not mean the sort of "cooperation" coerced through iron-fisted totalitarian control at the top. We need a set of rules that actually levels the playing field, rewards productivity, and maximizes benefit to society as a whole, while preserving the individual rights guaranteed by the U.S. Constitution.

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