

11. Corrupt American-style capitalism

This is an impressive crowd: The Haves and the Have-Mores.

George Bush, October 2000, speaking at an \$800 per plate fundraiser

Inequality is the core issue of our time. Over the last 30 years, America has changed from a nation that aimed to share its bounty into one that doesn't even pretend to try.

Dan Cantor, executive director, Working Families Party, Brooklyn, New York, 20 January 2006

What happens when the 'democratically' elected head of a country and his administration has been placed there by the donations (investments) of multi-millionaires, who then require dividends on that investment?

The result is a privatised president and a new form of government. In the Bush administration, corrupt American capitalism has replaced traditional democratic capitalism.

It is important that Australians understand this process, because the trend under Howard is to follow the Americans and allow private and foreign interests to dominate government decision-making. If this is where we are heading we need to understand what it looks like. How does this corrupt American capitalism look in practice?

Tax cuts

The United States political system requires that elected officials acquire vast amounts of cash in order to be elected. When George Bush

was nominated for the position of CEO of USA Inc. a broad range of private investors supported him.

Studies have shown that a corporation's investment in a politician often pays considerably higher dividends than investment in new assets, personnel or marketing. For example, Hewlett-Packard spent US\$734,000 on lobbying in 2004 to get a Bill passed that lowered tax on profits repatriated from overseas.¹ Once passed, the Bill enabled Hewlett-Packard to repatriate US\$14.5 billion to the United States at a much reduced tax rate: a very satisfactory return on investment.

One of the most successful and best known of Washington lobbyists is Grover Norquist, who represents Americans for Tax Reform (ATR).² This group has been called the 'trade union for billionaires'. In 1999 ATR had an annual budget of more than US\$7 million, much of which came from just forty corporate backers, including Microsoft, Pfizer, AOL Time Warner, UPS, Philip Morris, RJ Reynolds and US Tobacco, United Distillers & Vintners and Seagram.

What is the end game of big business? How small do they want government to get? Grover Norquist's views are well known. He said: 'My goal is to cut government in half in twenty-five years to get it down to the size where we can drown it in the bathtub.'³

Americans for Tax Reform aims to halve total tax and halve the size of government within twenty-five years. To achieve this they require significant new tax cuts every year.

Bush became CEO of USA Inc. on the promise of huge tax cuts. As soon as Bush was appointed, Norquist and other representatives of the ultra-rich swung into action. Their goal was to prevent these tax-cut benefits being dissipated on the middle class and the poor. Norquist criss-crossed the country to build support for a policy that delivered US\$1.35 trillion of tax cuts over ten years to the very rich. As a result, the 400 richest multi-millionaires received tax breaks worth an average of US\$1 million a year.⁴ The government handed US\$58 billion in tax cuts to the wealthiest 1 per cent of the population. What an excellent return for investors in Americans for Tax Reform!

The poorest working families got nothing. There was nothing for children without healthcare, nothing for families without housing, no help with overcrowded airports, alternative energy or conservation.

In the decades after 1929 the United States had become an increasingly equal society in terms of wealth distribution, to the point where it was one of the world's most equal societies. However, inequality has risen sharply since the 1970s.⁵

When Ronald Reagan was elected in 1981, the top 1 per cent of Americans owned 33 per cent of America's financial wealth. By 2006, the top 1 per cent of Americans owned over 50 per cent of America's investment assets.^{6,7} Clearly, Reaganism is alive and well.

Norquist's success with Bush not only widened the gap between the rich and the middle and poorer classes, it also deprived the government of the funds that otherwise might have been used for delivering much-needed services. For example, on the same day the senate voted for this tax cut to the rich, it voted against a reform to reduce school class sizes by increasing funding for teachers.

In the 2004 US presidential election, lobbyists invested no less than US\$26.6 billion into the Republican and Democratic Party campaigns.⁸ That's US\$26.6 billion!

As recently as February 2007, newspapers reported that Bush had sent a Bill to Congress to cut US\$78 million from the already under-funded Medicare and Medicaid to help pay for the Iraq war.⁹ During his election campaign, Bush had promoted himself as a 'compassionate conservative'. However, it is clear from his tax policy that obligations to his big investors trump all compassion.

Deregulation

Recently ousted prime ministers Silvio Berlusconi in Italy and Prime Minister Thaksin Shinawatra in Thailand have demonstrated that managing government regulation, especially over monopolies, is the superhighway to profit. By privatising government decision making, both men became billionaires. This is why the ultra-rich are so keen to

break down and change regulations. Regulations were originally put in place to protect the public interest (all of us). Deregulation and privatisation can create private monopolies that drain wealth from the majority and funnel it to a select few.

Even better than deregulation is the opportunity to actually buy the regulator. If big business can appoint its own people as government regulators, all the better! With privatisation of the United States government under CEO Bush, those who once lobbied on behalf of industry, have been given positions as government regulators and heads of departments.

In Australia recently, the head of Telstra, Sol Trujillo, has had public battles over regulation of the telecommunications industry with the federal minister for communications and with the consumer watchdog, the ACCC. This was unprecedented in Australia, but then Trujillo was an import from American big business. He was simply applying the standard American approach of trying to force government to comply with corporate demands. In the United States, big companies run the government and Trujillo was simply following the American way. But, so far, in Australia, this approach seems to have failed, and in the process Trujillo seems to have lost friends and influence.

While still in America, Trujillo was a master at managing government. In 2000, he was at the vanguard of an innovative investment scheme. Working with the Republican Party, several hundred business people pledged to become 'big money bundlers' contributing large sums to the election of Bush as president. This enabled the election campaign to get around the federal law prohibiting individual donations of more than US\$2000.

Nine hundred and forty of Bush's key investors are listed on the 'White House for Sale' website. When he was elected in 2000, these investors lined up for their dividend payments.¹⁰

By becoming a Bush Pioneer (i.e. gathering over US\$100,000), big money bundlers were eligible for lucrative rewards from the President. As a Pioneer, Trujillo did very well, apparently:

Sol Trujillo got two appointments by President Bush as a result ... And what we saw was that the fund-raisers were able to nominate the people who could later regulate them ... so it was well worth being a Pioneer ... you get to go on these nominating committees. These committees are foxes that nominate other foxes to guard the hen-house.¹¹

In Australia, such behaviour is regarded as corrupt; in the United States it is standard practice. But we should not be complacent: after all, Sol Trujillo was appointed to head Telstra by one of Howard's favourite activist business leaders, Donald McGauchie, who said he looked forward to the 'cultural change' that Trujillo would bring Telstra and Australia.

Cultural change indeed! As Howard's tenure of office moves through its second decade, 'cultural change' in the direction of corrupt American capitalism seems to be finding acceptance in Australia with encouragement from the prime minister.

Meanwhile, in the United States, 104 Bush Pioneers from the 2000 election were rewarded with a job or an appointment in the new administration. Twenty-three received ambassadorships, while three received cabinet positions (Commerce Secretary Donald Evans, Labor Secretary Elaine Chao and Homeland Security Director Tom Ridge).¹²

Ken Lay, disgraced head of Enron, was a leading Bush Pioneer. It is believed that Enron paid over half a million dollars to the Bush campaign. Lay and Bush go back a long way; both are Texans. When Bush was Governor of Texas, he appointed the energy regulator Lay had asked for,^{13, 14} without any apparent concern that Lay himself was in the business of selling energy.

Once Bush was in the White House, Lay got the president to appoint this same Texan regulator to the chief regulatory post for the whole of the United States.¹⁵ Once you own the regulator you have a licence to print money, as Lay no doubt understood. With such dividends, massive campaign investments look very attractive. The only losers are your competitors, your clients and the tax-paying citizens.

Unfortunately for the shareholders and employees of Enron, being able to appoint its own regulator was not enough, and the company went bankrupt in a spectacular fashion.

Is the United States simply being business-friendly as the radical Right would have us believe, or is this the corruption of democracy itself?

What is the impact of such behaviour on a democracy, where the government is elected to act in the common interest of the people?

Privatising the public administration

For generations, business in America has understood that the biggest cash cow in the world is the government's taxation revenue. When combined with its regulatory power, government offers unlimited opportunities for commercial exploitation. Slowly the recognition is spreading that the most historic achievement of the Bush administration has been to privatise core functions of the United States government itself.

The world's largest and most strategic companies have been buying into government over decades. Highly paid lobbyists and think tanks began by influencing government from the outside. They wanted a more amenable environment for big business and the ultra-rich (that is, unfettered access to markets and resources, and less regulation).

Businesses quickly learned, though, that they obtained a better return on investment by moving beyond lobbying from the outside, to taking positions within government itself. They placed their people on committees that made government policy; they moved on to controlling who sat on those committees; to placing company representatives within the administration and in Congress; and finally to placing their own men as president and vice president of the nation. Large numbers of individual companies now have representatives in the administration and Congress where they control regulatory bodies that look after the United States' most profitable sectors.

Purchase of the government's entire administration in the name of democracy itself is possibly the most extraordinary story of power and conquest in modern history. It provides inspiration to the self-serving radical Right all around the world.

How could such an important story go unreported in the mainstream press? Presumably, the mercenaries who work for Murdoch don't wish to draw attention to the fact that they have won so much. But when the annals of this period come to be written, this story will assuredly feature prominently because it represents an extraordinary shift of power and wealth from the public to the private sphere, without a shot ever being fired.

Who are these industry representatives that now run the United States administration? From the hundreds of examples, a few will suffice to demonstrate the point.

Dick Cheney

Previous position: Chair of Halliburton, a Dallas-based oil services company.

Appointed by George W Bush: Vice President of the United States.

Dick Cheney has now been identified as the person who did most to manufacture the false data used to garner public support for the Iraq War. Cheney set up his own intelligence unit within the Pentagon, so he could ignore the doubts raised by the CIA. It is quite possible Cheney is paranoid; certainly he continues to be a hawk. It appears that he has to be restrained from military responses to conflicts such as North Korea and Iran, where he even appears to be considering a pre-emptive nuclear war ('all options are on the table').

Halliburton, the company Cheney chaired until 2000, invested heavily in the government and its shareholders received a spectacular return on investment. HalliburtonWatch reports the company invested US\$4.6 million in politicians to boost income from federal contracts. The result was an increase in annual turnover from US\$763 million in

2000 to a whopping US\$6 billion in 2006. This represents a 600 per cent increase, in six years: a very satisfactory return indeed!¹⁶

When it came to Iraq, Cheney's people corrupted the previously rigorous military contracting systems. Senior military officers from the Army Corps of Engineers have complained of favouritism to Halliburton and failure to follow the rules in the award of a no-bid five-year contract to Halliburton.

Whistleblowers have demonstrated that improper favouritism had been shown to Halliburton in the awarding of military contracts.¹⁷

Thanks also to Cheney's machinations, the United States is now privatising war by buying more and more military services from companies such as Blackwater USA, and is even privatising United States intelligence services, by contracting companies such as Booz Allen Hamilton.

Never before has the funnelling of public money to the ultra-rich reached such proportions.

Gale Norton

Previous position: Lawyer for the Mountain States Legal Foundation, which endeavoured to undo the Endangered Species Act and to undo legislation that prevented mineral exploitation of national parks. The Foundation also campaigned to deny the significance of air pollution and global warming. Norton was co-founder and national chairman of the Coalition for Republican Environmental Advocates, which was funded by, and lobbied for, the oil, auto, mining, and alcoholic beverage industries. She is seen by many as a hard-core anti-environmentalist.

Appointed by George W Bush: Secretary of Interior, a department that administers more than five hundred million acres of federal land, is responsible for endangered species protection, and oversees conservation and development of the nation's water and mineral resources.

J Steven Griles

Previous position: Lobbyist for the coal, natural gas, and oil industries.

Appointed by George W Bush: Deputy Secretary of the Interior.

SourceWatch writes of Griles:

During his tenure at the Interior Department, Griles came under fire for contacts with his former clients. He received nearly \$1.1 million from his former lobbying firm while employed with the federal government.¹⁸

His behaviour was described as an example of ‘an institutional failure’¹⁹ among Interior officials who potentially eroded public trust by failing to consider the perceived impropriety of their actions.

Outside Magazine writes:

In 2001, as deputy secretary, Griles became instrumental in streamlining regulations to speed the approval process for mountaintop-removal coal mining. The practice, which environmentalists and Appalachia residents refer to as ‘an environmental apocalypse,’ involves blasting away mountaintops, leaving behind tons of potentially toxic rubble and sludge. Griles also supported a new rule allowing mining companies to dump the debris in nearby waterways; some 1,200 miles of Appalachian streambeds have already been buried by the procedure.²⁰

James Connaughton

Previous position: Lobbyist for the mining and chemical manufacturing industries, working to reduce government regulations on behalf of clients.

Appointed by George W Bush: Chair of the White House Council on Environmental Quality.

Connaughton is a staunch foe of carbon regulation:

He is among the most powerful advocates of the administration’s ‘new environmentalism’ – a sweeping shift

away from federal regulations in favor of voluntary and incentive-based initiatives.²¹

Andrew H Card Jr

Previous position: Auto industry lobbyist. As the top lobbyist of the Big Three United States automakers, Andrew H Card Jr led their US\$25 million lobbying campaign, often fighting against higher environmental standards. In 1998 Card joined General Motors as Vice President of Governmental Relations. The Center for Public Integrity reports that, 'during Card's two-year stint at GM, the company spent US\$9,140,000 lobbying the federal government.'²²

Appointed by George W Bush: White House Chief of Staff.

The same report goes on to say:

Now, as chief of staff to President George W Bush, Card may be in a position to steer US policy favorably for his former employers, who contributed generously to Bush's campaign and inaugural committees.²³

Card lobbied against air-pollution measures and against efficiency regulations for carmakers. While the big United States car manufacturers were spending millions lobbying their government for more relaxed pollution and fuel efficiency standards, European and Asian carmakers were investing in cleaner, more efficient cars. As a result, the United States industry is still making big inefficient cars and is in a state of collapse. Forward-looking European and Asian carmakers have a much brighter future.

Card's efforts on behalf of the oil and auto industries receive prominence in the recent documentary: *Who killed the electric car*.

Each of the above-named had made their investment in George Bush in the year 2000. After Bush's win in 2004, the sell-out of government continued apace. In that year, Bush appointed more than one hundred former lobbyists to regulate the industries they once represented. In many cases they worked to shape policies favourable to their former industries.²⁴

Daniel E Troy

Previous position: Pharmaceutical company lobbyist, dedicated enemy of the Food and Drug Administration (FDA).

Appointed by George W Bush: Senior lawyer for the FDA.

Troy reassured his old associates from the industry that the government was now on their side. Lawsuits claiming that medications had devastating side effects would get nowhere on his watch. One expert commented: ‘The FDA is now in the business of helping lawsuit defendants, specifically the pharmaceutical companies ... It’s a dramatic change in what the FDA has done in the past.’²⁵

Philip Cooney

Previous position: Lobbyist for the American Petroleum Institute, chief representative of the oil and gas industry.

Appointed by George W Bush: Chief of staff for the White House Council on Environmental Quality.

Cooney fought vigorously on behalf of the oil industry to assert that limits on greenhouse gas emissions were unnecessary, going so far as to doctor scientific reports that suggested otherwise. Once his misdeeds were publicly revealed, Cooney left his employment at the White House for a lucrative job at Exxon–Mobil, a company that benefited repeatedly from Cooney’s efforts.²⁶

That industry advocates like these can move into government so easily shows that the revolving door between regulated and regulator has become standard practice. In the fully privatised USA Inc. it is one of the best ways to get ahead. No wonder there has been a rush to jump on the gravy train, as noted by one observer: ‘The number of registered lobbyists in Washington has more than doubled since 2000 to more than 34,700.’²⁷

Corrupt American capitalism versus democratic capitalism

The privatised president and his administration have become more anxious to provide strong returns to their investors than to provide proper public sector management. The result has been an extraordinary funnelling of taxpayer money into the hands of private companies owned by America's ultra-rich. Under Bush, it is reported, the proportion of tax revenue going to the private sector has increased to 40 per cent!²⁸ Is this the future we see for Australia?

Successful countries that run the democratic capitalist model have managed their societies by ensuring there is

- one team batting for the common good (politicians, public servants, the judiciary and the media); and
- another team batting for themselves, out to compete, innovate, commercialise, create employment and create economic wealth (the business community).

The history of economic and social progress in the successful capitalist democracies can be understood as a productive tension between these two forces. In order to maintain this creative tension, there must be clear boundaries. Without them, both camps are open to conflicts of interest.

In the United States, Bush has eliminated the creative tension between government and industry, the regulator and the regulated; after six years there appear to be few left in power in the administration to defend the public interest. Instead, the administration has been privatised. Administration positions that are responsible for regulating and contracting to industry have been given to representatives of those same industries. Could Bush be killing the goose that lays the golden egg? Will American greatness collapse under the weight of corrupt American capitalism?

There is no evidence that John Howard sees any problem with the American attempt to corrupt the tradition of democratic capitalism.

While claiming to represent Australian values, he is taking us down the same path.

Cuts to services and social collapse

Many regard President Bush as incompetent. This would be a mistake, according to some analysts, who argue that he has in fact been remarkably effective in implementing the conservative vision.²⁹ Many are dismayed at United States government deficits (who in their right mind would give annual tax cuts while waging an expensive war?). However, for the radical conservatives, a massive budget deficit makes a more compelling case for cutting government services. They want government out of health, education, social service and environmental protection.

We can see the start of this process in Bush's No Child Left Behind Act. The essence of the legislation is to test every child across the country and identify those who are failing and 'make sure they have better options when schools are failing'.³⁰

The President ordered testing and more testing to hunt down, identify and target millions of children too expensive, too heavy a burden, to educate ... In the delicious doublespeak of class war ... No Child Left results in that child being left behind in the same grade to repeat the failure another year. And another year and another year.³¹

Critics argue that we know the President had little intention of improving the children's situation because he made no provision in the budget to assist those who were identified as failing. As the children who are too expensive to educate are left behind, their options are narrowed. Under this new legislation, schools are obliged to distribute the name, and home phone number and address of each of their students to military recruiters.³²

News reports of such schools show two types of recruitment underway for these children with zero options for local employment. The uniformed military recruiters trawl the same neighbourhoods as

criminal recruiters. Both hold out inducements. Both make promises that they never keep. Whichever side a young person chooses, their chances of death, disability or prison are very much higher than for the children not deemed educational failures.

Today there are 2.2 million Americans in prison. The United States has imprisoned more of its own people than totalitarian China, which has four times the population. The United States has more people in prison than do India, Russia and Brazil combined.³³

Privatised correctional institutions are a growing investment opportunity. Their salesmen are now lobbying state governments and Congress to expand the market by introducing tougher law and order legislation, longer gaol sentences and new laws that mandate gaol terms for illegal immigrants. They see huge market potential if they can imprison more illegal immigrants. Government spending on incarcerating people in these privatised prisons takes funds from other essential social services.

Equality of opportunity no longer exists in the Land of the Free. Instead of vocational training leading to a local job, those young people being left behind are ignored. The result is that many of them finish up incarcerated in the army, in veterans' hospitals with war injuries, or in United States prisons.

These are but some of the costs of the corruption of the America democracy by a group of the ultra-rich and their mercenaries.

Conclusion

Corrupt American capitalism has privatised the president himself, in a way that is overturning democratic capitalism. Democracy has been corrupted at its core.

In the 1970s the United States had the best record on equality for its people than just about any other developed nation. But thanks to tax cuts for the rich, poorly managed no-bid government contracts awarded to the rich, company lobbyists taking over the government and its regulatory bodies, and the destruction of government services, the

richest 1 per cent are now getting richer faster. At the same time, the Bush administration is creating a tragic new underclass.

This select cohort of the US ultra-wealthy is now targeting the rest of the world with its military and financial power. This group's social engineers and mercenaries are already at work in Australia, led by, among others, Rupert Murdoch and his noisemakers. Australians face a stark choice. Will we take control and force a return to our more democratic form of capitalism or will we submit to the new world of corrupt American capitalism?