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Economic Fairness: President Obama's Most Cynical Tactic

President Obama claims to be on a moral crusade for “fairness.” In one campaign speech after another, he suggests that his soak-the-rich class warfare will stop “millionaires and billionaires” from grabbing more than their fair share of wealth. But the most likely outcome is that he will end up grabbing more than his fair share of power, and everybody else will be poorer.

It would be hard to name a single case where class warfare appeals to envy and resentment are associated with faster growth rates, more private sector jobs and higher living standards for ordinary people. Moreover, not even hard-core communists seem to have believed in the morality of class warfare. It was always a cynical strategy to provide political cover for a power grab.

The modern gospel of class warfare was developed by Karl Marx. Historian Paul Johnson explained that “the undertone of violence always present in Marxism and constantly exhibited by the actual behavior of Marxist regimes was a projection of the man himself. Marx lived his life in an atmosphere of extreme verbal violence, periodically exploding into violent quarrels and sometimes physical assault. Marx’s family quarrels were almost the first thing his future wife, Jenny von Westphalen, noticed about him...One of Jenny’s earliest surviving letters reads, ‘Please do not write with so much rancor and irritation.’ At Bonn University, the police arrested Marx for possessing a pistol...the university archives showed that he engaged in student warfare...he fought a duel...it is clear that many of his incessant quarrels arose from the violent expressions he was prone to use in writing and still more in speech, the latter often aggravated by alcohol...Marx quarreled with everyone with whom he associated.”

Marx and his comrade Friedrich Engels claimed that (1) there was relentless class struggle between capitalists (the “bourgeoisie”) and workers (the “proletariat”), (2) the workers would become poorer and poorer, and (3) eventually there would be a revolution by workers against capitalists. But such a revolution didn’t happen, because capitalism delivered higher living standards that benefited everyone. In 1863, Marx wrote Engels,

acknowledging that “the comfortable delusions and the almost childish enthusiasm with which we hailed the era of revolution have all gone to hell.”

Since Marx promoted violence, it wasn't surprising that his ideas flourished in some of history's most barbaric regimes. The first was the Soviet Union, thanks to Vladimir Ilyich Ulyanov (or “Lenin,” the best-known of his 160 pseudonyms). The mastermind of the October 1917 Russian Revolution, he had become familiar with Marx by reading the works of Nikolai Chernyshevski, a revolutionary author admired by his brother Alexander who had been hanged for attempting to assassinate the Tsar. Lenin hated aristocrats and middle class people who ostracized his family after the hanging. According to biographer Robert Service, Lenin embraced Marx's view that “morality was a derivative of class struggle...[Lenin] rejected conscience, compassion and charity...he created the Cheka [secret police]...he eliminated concern for ethics. He justified dictatorship and terror.”

Lenin made his Bolsheviks the most successful revolutionary faction that became the Communist Party of the Soviet Union. He was more responsible than anyone else for the estimated 4 million deaths that occurred during the October Revolution as well as the war communism and the New Economic Policy that followed, until his death in 1924. Historian R.J. Rummel, who compiled statistics on mass murder, pointed out that the class warfare doctrine “explains how individual communists could beat, torture and murder people, and sleep well at night.”

Lenin's successor Iosif Vissarionovich Dzhugashvili – Josef Stalin — grew up amidst harsh poverty in Russian Georgia. His father was a failed cobbler who beat him up during his many drunken rages. Apparently Stalin joined Lenin's Bolsheviks, because he could be out on his own, and he was an angry man accustomed to violence. He was diabolically clever, provoking some of his adversaries to attack his other adversaries – weakening all of them. He proved to be quite proficient at Bolshevik fund raising via persuasion, fraud, extortion and armed robbery.

Stalin didn't seem particularly concerned about the fine points of Marxist doctrines like class warfare. He sympathized with Georgian nationalism against the Tsar, but he readily abandoned that view when pressured to accept Marxist orthodoxy. Stalin's top priority was to gain power, and he thought absolute adherence to tedious Marxist doctrines could serve as a test of an associate's loyalty.

Conversely, Stalin found that the slightest deviation from Marxist orthodoxy was a convenient rationale for authorizing the murder of “class enemies.” For example, in 1929 there was talk about forcing “kulaks” to work on Soviet collective farms. The kulaks were independent and supposedly rich farmers, though only about one percent of them had more than one employee. Stalin, however, insisted that “Now we have the opportunity to carry out a resolute offensive against the kulaks and eliminate them as a class.” More than 11 million of these people starved to death in the Ukraine or were shipped to the Arctic where they froze to death.

Like Stalin, communist China's Chairman Mao seemed to view class warfare not as a moral principle but as a doctrine that could help him gain power. This became evident from the very beginning of Chinese communism. In 1921, the Soviet Union started and for many years funded the Chinese communist party. The Soviets controlled more Chinese territory than other foreigners like the Belgians, British, French, Germans, Italians and Japanese – and the Soviets wanted more Chinese territory.

The Soviets demanded that their Chinese comrades promote a peasant revolution, so they could exploit the resulting political chaos. As historians Jung Chang and Jon Halliday explained, the strategy was “to divide the Chinese peasants into different classes on the basis of wealth, and to stir up the poor against the better-off.”

Chang and Halliday made clear that Chairman Mao wasn't attracted to communist class warfare as a moral principle. He embraced it because the Soviets paid him a stipend for reading books, writing propaganda and sleeping late. Mao wasn't interested in the agonies of starving people. This was the man responsible for China's most devastating catastrophe, the “Great Leap Forward” (1958-1962). According to Frank Dikötter, author of Mao's Great Famine, some 45 million Chinese people were worked, beaten or starved to death.

Mao's highest moral principle was to pursue his own self-interest, regardless of how many people suffered as a consequence. Chang and Halliday put the matter bluntly: “Mao did not believe in anything unless he could benefit from it personally. He argued that conscience could go to hell if it was in conflict with his impulses.

Although Marxism generally hasn't appealed to Americans, progressives have endlessly attacked the private sector and suggested that there's no limit to how much good politicians might do if only they had more power. Progressives have embraced the soak-the-rich doctrine of class warfare. It has done less harm here than in communist regimes, because we have had constitutional limitations on government power – in particular, a separation of powers. But class warfare has done harm here.

For example, at the dawn of the progressive era, muckraking journalist Ida M. Tarbell became famous for her critical history of John D. Rockefeller's Standard Oil Company (1904). She called his policies “revolting to one's sense of fair play.” She believed Standard Oil was “blackened by commercial sin.” While she seemed to abhor entrepreneurs, she admired dictators. She wrote an admiring biography of Napoleon – the conqueror who established the first modern police state and started wars that were estimated to have killed between 3 million and 7 million people, including civilians.

In 1926, Tarbell visited Italian fascist dictator Benito Mussolini who had come to power four years earlier by ordering his armed “blackshirt” thugs to kill political adversaries, burn their offices, seize municipal buildings and organize demonstrations involving tens of thousands of followers who demanded power. Tarbell, in her autobiography, gushed: “I saw that Mussolini had a most extraordinary smile, and that when he smiled he had a dimple... When he accompanied me to the door and kissed my hand in the gallant Italian

fashion, I understood for the first time an unexpected phase of the man which makes him such a power in Italy.”

Another progressive journalist, Lincoln Steffens, called Mussolini “the divine Dictator.” Steffens wrote, “The man is as powerful as an elemental force.” Not to be outdone, the progressive magazine publisher Sam McClure, who published articles by these and other muckrakers, declared that fascism was “a new and dawning civilization,” Mussolini solved “the problem of democracy,” and Italians were “the one free people.”

Theodore Roosevelt was America’s first progressive president. He denounced private businesses as he sought to gain more power. He accused Standard Oil and other businesses of being wicked monopolists, even though output of oil, steel, electricity, cars, food, hair pins and just about everything else was increasing dramatically, while prices were going down, down, down. Real monopolies did the opposite — restricting output to force up prices and gain monopoly profits.

Nonetheless, TR targeted Standard Oil, America’s biggest discounter, for dissolution. In addition, historian Henry Pringle noted “a dispatch from Washington which said that Roosevelt intended to ‘break’ [entrepreneur Edward] Harriman and his railroad lines.” In the December 1906 State of the Union message, TR warned that “the Government has now definitely begun a policy of resorting to the criminal law.” Scholars Robert F. Bruner and Sean D. Carr, at the [University of Virginia](#), reported that “By 1907, the Roosevelt administration had sued nearly 40 corporations.”

Like Tarbell and other progressives, TR had a blind spot for political power. The year he became president, his biography of Oliver Cromwell was published. Cromwell was the 17th century British military commander who established a dictatorship and crushed the Irish. “On the whole,” TR wrote, England and Scotland fared well under Cromwell.” TR demanded “far more active governmental interference with social and economic conditions in this country.” He declared: “I think [the presidency] should be a very powerful office, and I think the President should be a very strong man who uses without hesitation every power the position yields.” He added, “I believe in power.”

In light of Lenin, Stalin, Mao, Hitler and other totalitarian rulers who arose during the 20th century, it’s astounding that TR actually said: “I don’t think any harm comes from the concentration of power in one man’s hands.” This is a man widely admired by Democrats like [Barack Obama](#) as well as Republicans like Newt Gingrich and Karl Rove.

TR’s attacks on business backfired after the 1906 [San Francisco](#) earthquake. Reconstruction called for a tremendous amount of capital, and gold reserves flowed from [New York](#) banks to California. The New York banks were under pressure because of their dwindling reserves. Gold also flowed abroad, especially to London and Paris. The Great Northern railroad was among many businesses that couldn’t refinance loans. Westinghouse announced an offering of 100,000 shares of stock, but only a third were sold.

The stock market broke on March 13, 1907. Many firms went bankrupt. New York City couldn't find buyers for its bonds. There was a scheme to corner the stock of United Copper Company, but it collapsed. This led to the failure of Knickerbocker Trust, New York City's third largest trust company, as well as other banks that had loaned money for the scheme. Regional banks withdrew their reserves that had been deposited with New York banks.

TR blamed the financial crisis on "certain malefactors of great wealth [who brought about] as much financial stress as they possibly can, in order to discredit the government." According to Bruner and Carr, "The initial judgment of knowledgeable observers was that the March 2007 break in stock prices had been sparked by investor fears arising from the Roosevelt administration's aggressive attitude toward railroads and industrial corporations."

For a while anyway, TR backed off. He let it be known that he wouldn't interfere with U. S. Steel's plans to acquire Tennessee Coal and Iron Company. He asked Attorney General Charles J. Bonaparte not to file an antitrust lawsuit against [International Harvester Company](#). "Roosevelt was a badly frightened Chief Executive toward the end of 1907," historian Pringle observed.

When TR's fifth cousin Franklin Delano Roosevelt became president in 1933, he began denouncing investors and entrepreneurs. His speeches bristled with barbs like "overprivileged," "excessive profits," "excessive private power," "unscrupulous money changers," "economic royalists," "privileged princes" and "economic tyranny."

FDR declared that "the duty rests upon the Government to restrict incomes by very high taxes." He increased the tax burden with higher personal income taxes, higher corporate income taxes, higher excise taxes, higher estate taxes and higher gift taxes. He introduced the undistributed profits tax. Altogether, during FDR's New Deal (1933-1940), taxes more than tripled — from \$1.6 billion in 1933 to \$5.3 billion in 1940.

That's not all. As Robert Higgs observed, "the Roosevelt administration proposed, and Congress enacted an unparalleled outpouring of laws that significantly attenuated private property rights. States followed suit with their 'little New Deals.'"

All this increased the risks of investing, so there was less of it. "Gross private investment plunged from almost 16 percent of GDP in 1929," Higgs reported, "to less than 2 percent in 1932; recovered to 13 percent in 1937 before falling again in the recession of 1938; and as late as 1941 stood at only 14 percent." Without more investment, it was almost impossible to create more jobs.

At the same time, FDR signed a number of laws like the National Industrial Recovery Act, the National Labor Relations Act and the Fair Labor Standards Act that made it more expensive for employers to hire people, and whenever something becomes more expensive, there's likely to be less of it. So even when investors and entrepreneurs would like to have hired people, the New Deal discouraged them from doing that, and double-

digit unemployment persisted all through the 1930s. Class warfare has had terrible consequences, then as now.

When politicians go around peddling class warfare, they're drawing from a poisoned well.

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