



Plutocrats make it clear: Capitalism trumps democracy — why some free-marketeers actually like dictators

Some business elites and libertarians openly admit that capitalism and democracy are inherently antagonistic

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August 11, 2016

“Capitalism is a lot more important than democracy,” Stephen Moore asserted.

“I’m not even a big believer in democracy,” he added.

Moore, a former member of the editorial board of The Wall Street Journal, is an economic adviser for Republican presidential nominee Donald Trump. He made these comments in an interview in Michael Moore’s 2009 documentary “Capitalism: A Love Story.”

“Democracy doesn’t always lead to a good economy or even a good political system,” said Moore, a fellow and former chief economist at The Heritage Foundation, a conservative think tank.

To many people, that this important political and media figure openly espouses such extreme views might seem shocking. Yet Moore is by no means alone. This sentiment is widely held among economic elites.

Peter Thiel, the hedge-fund billionaire, venture capitalist and modern-day vampire who helped bankrupt Gawker by backing Hulk Hogan’s lawsuit, has made his contempt for democracy quite clear.

In a 2009 article for the libertarian think tank the CATO Institute, titled “The Education of a Libertarian,” Thiel declared, “I no longer believe that freedom and democracy are compatible.”

“The 1920s were the last decade in American history during which one could be genuinely optimistic about politics,” he said, referring to a time in which Black Americans were systematically lynched, with the support of the U.S. government.

Thiel continued: “Since 1920, the vast increase in welfare beneficiaries and the extension of the franchise to women — two constituencies that are notoriously tough for libertarians — have rendered the notion of ‘capitalist democracy’ into an oxymoron.”

The billionaire was subsequently grilled for his implication that women's suffrage was a bad thing. In an editor's note added later, Thiel conceded, "While I don't think any class of people should be disenfranchised, I have little hope that voting will make things better."

He concluded the article on a frightening, even fascistic note: "The fate of our world may depend on the effort of a single person who builds or propagates the machinery of freedom that makes the world safe for capitalism."

Capitalism and democracy

Thiel's overtly anti-democratic views, although certainly extreme, are frankly not that uncommon.

For plutocrats, capitalism — the system that allows them to hold on to their enormous wealth while billions of people live in grinding poverty — trumps democracy — which could threaten their wealth.

In fact, the idea that capitalism is necessarily democratic is quite novel in history. Capitalism has its roots in 17th-century mercantilism, and, for hundreds of years, it existed in and with thoroughly undemocratic systems.

Adam Smith, one of capitalism's leading thinkers (although, as world renowned intellectual Noam Chomsky has pointed out, Smith's work is frequently misrepresented), lived in the 18th century after all, at a time when democracy scarcely existed.

Even after the industrial revolution, with the gradual rise of liberal capitalist democracy as the dominant form of government, full enfranchisement has remained elusive.

For the vast majority of the history of capitalism, most of the population in ostensibly democratic societies was not able to vote. In the U.S., women — half the population — were unable to vote until 1920, and many Black Americans were not able to vote until 1965. Still today, large numbers of citizens are disenfranchised because of legislation discriminating against former felons and continued voter suppression practices like voter ID laws.

Likewise, in Australia, Aboriginal people were not able to vote until 1962. And in France, women could not vote until 1944.

Meanwhile, in the decades since activists finally earned the suffrage, through great sacrifice and struggle, capitalist democracies have gotten less and less democratic.

A 2014 study by professors at Princeton University and Northwestern University found that "economic elites and organized groups representing business interests have substantial independent impacts on US government policy, while average citizens and mass-based interest groups have little or no independent influence."

"Majorities of the American public actually have little influence over the policies our government adopts," the scholars wrote. "If policymaking is dominated by powerful business organizations and a small number of affluent Americans, then America's claims to being a democratic society are seriously threatened."

Moreover, the research of economist Thomas Piketty, released in his groundbreaking book “Capital in the Twenty-First Century,” shows that capitalism inherently leads to a further concentration of wealth among elites, which creates instability and undermines democracy.

Many of the founding fathers of the U.S. were openly antagonistic to democracy precisely because it could threaten their tremendous wealth. Influential historian Charles Beard detailed in his 1913 opus “An Economic Interpretation of the Constitution of the United States” how the rich founding fathers had specific economic interests in declaring independence from Britain, and were greatly enriched by forming a new independent government — particularly one that would preserve slavery, historian Gerald Horne emphasizes in his book “The Counter-Revolution of 1776: Slave Resistance and the Origins of the United States of America.”

To date, George Washington is still the richest president, by far, with an estimated more than \$500 million in wealth, adjusted for inflation. (Although a potential President Trump could unseat Washington for this dubious superlative.)

Alexander Hamilton, an architect of the U.S. constitution, scorned democracy. He insisted that “the rich and well born” must be given “a distinct, permanent share in the government,” in order to “check the unsteadiness” of the “turbulent and changing” masses.

Only the wealthy elites can “maintain good government,” Hamilton wrote. He continued: “Can a democratic assembly, who annually resolve in the mass of the people, be supposed steadily to pursue the public good? Nothing but a permanent body can check the imprudence of democracy.”

The founding father’s ideological imprint lives on in the U.S., and not just in the government. The newspaper Hamilton founded, The New York Post, remains active and influential, with a right-wing editorial stance under the ownership of conservative media mogul Rupert Murdoch.

Today, this open disdain for democracy is still prevalent among economic elites. Stephen Moore and Peter Thiel are joined by an array of capitalist ideologues who feel the same.

Disdain for democracy, support for authoritarianism

Yet it is not just contempt for democracy that one will find in some libertarian literature. Even more troubling is how leading free-market thinkers have actively upheld authoritarian countries as positive examples of governance.

The so-called “economic miracles” that took place since the rise of neoliberalism in countries like Hong Kong, Singapore, Chile and China are often admired. In 2015, libertarian economist John C. Goodman published an article in Forbes warning that democracy could threaten the free-market economies of Hong Kong and Singapore.

“The right dictator — one who appreciates the power of free markets to lift all boats — seems to outperform democratic government in what we might consider the most enlightened parts of the world,” he said.

Goodman applauded the large economic growth in Hong Kong, which has an undemocratic system of governance based on the model set up by British colonialists, and which saw massive pro-democracy protests in 2014.

“Capitalism in Hong Kong is in far greater danger from its own citizens than it is from anyone in Beijing,” wrote Goodman, a media pundit who served as the former director of the free-market think tank the National Center for Policy Analysis and is now a senior fellow at the Independent Institute, another conservative think tank.

“Here is my fear: If the citizens of Hong Kong get an unrestricted right to vote, within two decades Hong Kong will look like a typical European welfare state,” he added.

Authoritarian Singapore is another model for Goodman. And he even spoke highly of China. The People’s Republic of China very clearly made a break with socialism in 1978, with the rise to power of Deng Xiaoping. Since China abandoned socialism and embraced capitalism, even capitalism of the authoritarian variety, some right-wing economists speak enviously of its “economic miracle.”

Some free-marketeers look quite fondly upon certain kinds of dictatorships, and appear to yearn for a return to feudalism.

Goodman actually cited the far-right tyranny of Augusto Pinochet as another positive example. “Under a rather harsh dictatorship, Chile emerged as the richest country in Latin America,” he wrote.

What the prominent libertarian pundit did not mention were the tens of thousands of people murdered, tortured, disappeared and forced into exile by Pinochet’s brutal regime. On Sep. 11, 1973 (the “first 9/11,” as Chileans say today), the CIA helped violently overthrow Chile’s democratically elected socialist government.

The U.S. subsequently propped up Pinochet’s bloody dictatorship. Nobel Prize-winning libertarian economist Milton Friedman became the ideological father of Chile’s new hyper-authoritarian free-market utopia.

The Chicago Boys, laissez-faire economists from the University of Chicago who had been trained by Friedman, helped advise the Pinochet regime, proposing neoliberal policies like privatization and deregulation of the economy, emphasizing that the state not intervene economically — while the state simultaneously rounded up leftists and threw them into internment camps, torturing and killing them en masse.

Goodman’s talking points are by no means new. In 1998, economist John Wenders wrote an article for the libertarian think tank the Foundation for Economic Education titled “Democracy Would Doom Hong Kong.”

“Hong Kong prospered precisely because there was no democracy there,” wrote Wenders, a former professor at the University of Idaho.

The country has no constitution, but its “constitution-like framework emphasized private-property rights and freedom of contract,” he said. “And with no democratic political force bent on favoritism and redistribution, the economy was free to prosper.”

Harvard Business School invited a powerful Hong Kong capitalist to speak, Wenders recalled. When he was asked why India’s economy had grown so much more slowly than his, he replied, “One word: Democracy.”

In the article, Wenders likened democracy to a dogmatic religious icon that only capitalists are brazen enough to challenge.

“Don’t freedom and democracy go hand in hand? The unpopular answer, of course, is no. Freedom and democracy are different,” he wrote. “Democracy evolves into kleptocracy.”

If Hong Kong hopes to continue its “economic prosperity,” the economics professor concluded, “its first order of business should be to draw up a constitution that guarantees private property and the freedom to make contracts, and to turn a deaf ear to those who clamor for democracy.”

No true Scotsman

This extreme worldview, in which ensuring the growth of the economy and the enrichment of corporate elites takes precedence over ensuring working-class people have a say in how their lives are governed, is quite widespread among free-marketeters.

Perhaps this is unsurprising, considering slavery was historically at the heart of laissez-faire ideology. Many of capitalism’s earliest theorists were staunchly pro-slavery, and capitalism as a global system was built on the slave labor.

The strongest nations that dominate the world today established their wealth and dominance through enslavement and colonialism, shackling and exploiting people in the Global South, stealing their natural resources and killing millions upon millions.

In his magnum opus *Das Kapital*, Marx famously wrote, “The discovery of gold and silver in America, the extirpation, enslavement and entombment in mines of the aboriginal population, the beginning of the conquest and looting of the East Indies, the turning of Africa into a warren for the commercial hunting of black-skins, signalled the rosy dawn of the era of capitalist production. These idyllic proceedings are the chief momenta of primitive accumulation.”

Some libertarian ideologues try to explain away capitalism’s anti-democratic tendencies, and incredibly bloody and ugly history, using the no true Scotsman fallacy. Actually existing capitalism is not actually capitalist, they insist; no real capitalist system would have flaws.

The most popular strategy is to blame “corporatism” or “crony capitalism.” In this theological view, the Almighty Free Market knows all. If a society has an economic problem, it’s simply because that society is not actually capitalist; it’s “corporatist” and “crony capitalist.”

Political scientist Michael Parenti has responded to such arguments pointing out that the vast majority of the world is capitalist, and the vast majority of the world is poor.

But, in the libertarian's eyes, this is simply because real capitalism has never existed — and never will exist, because, if it did, its perfection would be tarnished by its own existence. After all, if real capitalism doesn't exist and has never existed, then it can remain pure, a kind of unblemished unicorn economy.

Other free-marketeers, primarily business elites like Thiel, who have to function in an actually existing capitalist reality, simply do away with any democratic pretenses.

To leftists, this does not come as a surprise. For more than 150 years, Marxists have defined capitalism as the dictatorship of the bourgeoisie, a system in which the rich capitalists invariably run and control society.

Throughout the Cold War, U.S. propaganda insisted that capitalism and democracy are synonymous. But this has not been the case for the vast majority of capitalism's history. And some capitalists are no longer pretending.

The dangers of neo-fascism

This is incredibly dangerous, particularly at a time of capitalist crisis. This kind of politics is precisely what fueled the rise of fascism in the early 20th century. In order to save capitalism from socialist and communist movements, fascists proposed an authoritarian alternative.

Donald Trump's far-right, racist, xenophobic policies have reinvigorated discussion and study of the rise of early 20th-century fascism. Fascism in the 21st century is certainly different than it was 100 years ago, but there are many similarities, and it is important to understand the history.

In the 1920s and '30s, at the time of the Great Depression and immense economic crisis, fascists were critical of capitalism, but they wanted to save it from communism, which was rapidly on the rise.

Benito Mussolini, the founder of fascism, made it clear that the left was the enemy. "The socialists ask what is our program? Our program is to smash the heads of the socialists," he wrote. Mussolini's fascist regime systematically murdered leftists.

And the first people forced into concentration camps in Nazi Germany were communists, socialists, anarchists and trade unionists, deemed "enemies of the state." The Nazis hoped to exterminate communists — although they were eventually defeated by them. (The notoriously anti-communist British Prime Minister Winston Churchill declared in the House of Commons, "it is the Russian Armies who have done the main work in tearing the guts out of the German army.")

In 1933, during the rise of fascism, libertarian journalist Henry Hazlitt, a popular figure in conservative circles, defined fascism as "dictatorship in the interests of the plutocracy" — in opposition to its mortal enemy communism, which he called "dictatorship in the interests of the proletariat." (One might add Hazlitt preferred capitalism, dictatorship in the interests of capital.)

Fascists certainly supported heavy state intervention in the economy (and in every other part of society), but, unlike socialists, they did not believe in social ownership of the means of

production. Many business elites supported fascist politicians, and worked in a symbiotic relationship with fascist governments.

Despite its misleading name, the Nazi Party adopted thoroughly capitalist privatization policies that European neighbors would not adopt until decades later. In his study “Against the mainstream: Nazi privatization in 1930s Germany,” economist Germà Bel noted that Nazi Germany responded to the depression by privatizing public services, going “against the mainstream trends in the Western capitalist countries, none of which systematically reprivatized firms during the 1930s.”

“Privatization in Nazi Germany was also unique in transferring to private hands the delivery of public services previously provided by government,” Bel wrote. “The firms and the services transferred to private ownership belonged to diverse sectors.”

He added, “privatization was used as a political tool to enhance support for the government and for the Nazi Party.”

“Third positionists,” another term used for fascists, try to propose a third option between socialism or capitalism, the left or the right — or between what Marxist economist Rosa Luxemburg famously described as “socialism or barbarism.”

Herein lies the danger of anti-democratic views becoming increasingly popular in capitalist circles. This public contempt for democracy shows that, when faced with another systemic crisis, the ruling class, the economic elites, may decide to abandon democracy in order to save capitalism.

The fact that one of the men making these anti-democratic arguments, Stephen Moore, is an advisor to a major presidential candidate who is getting close to half of the vote in polls, is a very ominous sign.

In some ways, Trump, a billionaire real estate mogul with authoritarian tendencies, has presented himself with a kind of “third-positionist” strategy, breaking down traditional left-right boundaries with his views on issues like trade and Social Security. Neo-fascists and the far-right see Trump’s campaign as their moment to shine, and to recruit. This is incredibly distressing.

Trump is just the beginning of this trend. And the trend is global, with the resurgence of the far-right throughout the world — with leaders like Marine Le Pen in France, Geert Wilders in the Netherlands, Narendra Modi in India, Shinzo Abe in Japan and even more overtly neo-fascist movements in central and eastern Europe.

To be clear, these figures look more like Mussolini than they do Hitler, but Mussolini rose to power a decade before Hitler did. And, at present, things look like they will continue to get worse, unless there is an active force of opposition.

This underscores the tremendous importance of opposing left-wing campaigns, like those of Bernie Sanders, Jeremy Corbyn and others. These movements show that there is an alternative to capitalism, one that can preserve and strengthen democracy. These leaders’ socialist visions, and the enormous, diverse grassroots movements they have inspired, signal a beginning of a resurgence of left-wing politics.

But if these movements are defeated, the growing authoritarian movement that blatantly places capitalism over democracy could succeed.

History shows that, if capitalism has a relationship to democracy that is not inherently antagonistic, it is largely one of indifference. For those concerned with saving democracy, socialism — economic democracy — is the way to do so.