http://www.counterpunch.org/2014/10/09/the-new-old-capitalism/print

The New Old Capitalism

Workers Versus Owners (Again)

by JOHN K. WHITE

OCTOBER 09, 2014

What do authors and taxi drivers have in common? No, this is not a lead-in for a joke, but a question about the same old problem with unregulated capitalism. Answer: They're both being squeezed by cut-throat competition; authors by Amazon who are selling books for pennies and taxi drivers by Uber who are being beaten to fares by smart-phone apps. It's no surprise – slash-and burn capitalism purposefully changes innovation into efficient selling – but the real question is, Who benefits – owners or workers? That one is as old as the hills and certainly no joke.

Today, the argument is posed as a question of left versus right. On the right, the position is put by the likes of American laissez-faire economist Milton Friedman who observed that new technology often comes at the cost of jobs. He famously noted about a foreign canal site in the 1960s, where workers used shovels instead of earth movers, ostensibly as part of a make work program: "If it's jobs you want, then you should give these workers spoons, not shovels."

But his argument is puerile because it doesn't consider all the facts, like a child in a supermarket whose mother refuses him a chocolate bar and screams, "But why can't I? I want it." Because you eat too much candy already, because candy rots your teeth, because you're growing and you need to eat more greens. Regulation is good in raising children and in economies, because the bigger picture is the smarter picture.

In *Globaloney: Unraveling the Myths of Globalization*, Micheal Veseth argues against oversimplified capitalism and small-picture thinking. About Adam Smith's famous specialized pin-making factory, he noted that just because 10 men working together can make 240 times as many pins as 10 men working individually (48,000 versus 200 pins, because of division of labor: drawing out, straightening, cutting, pointing, grinding, etc.), it doesn't follow that all ventures will obtain, in Smith's words, "universal opulence." In fact, according to Veseth, we can blame Smith's "incredibly broad generalization about the division of labor" for our misconceptions about capitalism, which among other things failed to account for social costs or competition from other nation states, and for our thinking of the "complex patterns of global markets as simple images of hamburger stands and soda pop cans." It's not just about jobs and who does what, it's about a fair market place, and being a functioning part of one's world.

To be sure, regulation is essential to decide which markets are allowed and who should run them. We can't let anyone do anything. Preferential mobile phone licenses guarantee success for some over others. Trade agreements make it easier for goods to travel between countries without undo meddling. In Britain, a global wine industry was revamped overnight when licensing regulations were changed to allow supermarkets to compete with specialty shops. As Veseth noted, "Broader distribution networks, scale economies, and longer opening hours" changed the wine-selling landscape forever, which "triggered the global wine avalanche."

Indeed, no one wants to curb success and go back to living without the innovations and conveniences that make up our modern world. Straw huts leak, outhouses stink, making fire by friction is hard on the hands (there, that's a Friedmanesque tautology). But it's crazy to use new technologies without questioning their impact on existing infrastructure.

Regulation exists to ensure safe and fair working conditions. Is fracking safe? – let's see before we shoot now and asks questions later. Should Google ensure privacy in its services? – you're darn right. And, at the very least, one hopes a taxi driver is properly insured and knows how to drive.

Of course, new tech markets rely on easy access and the smallest of margins, making them extremely popular. Good for business, though not so good for workers, who are paid less to work in such new-fangled, ultra-efficient industries. And great for owners, who multiply the miniscule margins by the hundreds of millions and even billions of customers to reap maximum profit. Is it really a surprise that inequality is increasing in such an uber-efficient, owner-run world?

English political economist David Ricardo called it "a premium on efficiency," where a more efficient means of production results in better business. Austrian economist and Harvard professor Joseph Schumpeter called it "creative destruction," where innovation revamps the old in a "relentless pursuit of novelty." American-Canadian activist and author Jane Jacobs noted that increased efficiency comes from "import replacements" that provide easier access to local manufacturers to make products cheaper. Basically the old adage, "Build a better mousetrap and the world will beat a path to your door" — supposed economic selection at its best.

But why should the owners be the only ones to benefit? Especially those who are given preferential treatment by governments that don't think through the costs of changed landscapes and displaced lives. Apple paid $36 million on more than $7 billion profits at its Irish unit in 2013. That's 0.5 percent tax. How does that pay for the infrastructure and social costs required to create the market? Should Apple and Nike employ workers at less-than-living wages in countries where basic labor laws don't exist? Is working at Wal-Mart akin to modern slavery? Isn't $15 at least a fair minimum wage?

The hard-fought battles for fair wages and decent working conditions throughout American history are being thrown out the window in the rush to build our better mouse traps. Owners over workers every time.

The business of America cannot just be business. Otherwise, the owners alone win and inequality increases especially as new tech monopolies dominate our latest speed-of-light photonic markets. That the small cannot compete fairly with the large is one the greatest weaknesses of a supposed free-market system. Fair competition is the loser in a viral, mousetrap-building world, where a stacked-market economy restricts and excludes competition.

Is it right that 400 people in the United States have more wealth than the GDP of all but six countries, including Canada, Brazil, and Italy (It'd Be Simpler if We Just Gave All Our Money to the Nearest Billionaire, Pete Dolack), while food stamp rolls are at record numbers and median household income has shrunk by 8 percent in the last six years (Illusionary Growth, Paul

Craig Roberts)? Or thatGoogle is involved in the NSA's PRISM spying program (When Google Met WikiLeaks, Nozomi Hayase)?

Just because something is doable doesn't mean it should be done. Technology is not a license to print money anyway one can. Our current system is not what was intended by life, liberty, and the pursuit of furniture.

There are important decisions to be made about how we want to live and share in a fast-changing technological world, one that benefits more than just owners. It's time to start making them.