America in Decline, Noam Chomsky - snip on deficit, BigPharma and politics

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"It is a common theme" that the United States, which "only a few years ago was hailed to stride the world as a colossus with unparalleled power and unmatched appeal is in decline, ominously facing the prospect of its final decay," Giacomo Chiozza writes in the current Political Science Quarterly.

The theme is indeed widely believed. And with some reason, though a number of qualifications are in order. To start with, the decline has proceeded since the high point of U.S. power after World War II, and the remarkable triumphalism of the post-Gulf War '90s was mostly self-delusion.

Another common theme, at least among those who are not willfully blind, is that American decline is in no small measure self-inflicted. The comic opera in Washington this summer, which disgusts the country and bewilders the world, may have no analogue in the annals of parliamentary democracy.

The spectacle is even coming to frighten the sponsors of the charade. Corporate power is now concerned that the extremists they helped put in office may in fact bring down the edifice on which their own wealth and privilege relies, the powerful nanny state that caters to their interests.

Corporate power's ascendancy over politics and society -- by now mostly financial -- has reached the point that both political organizations, which at this stage barely resemble traditional parties, are far to the right of the population on the major issues under debate.

For the public, the primary domestic concern is unemployment. Under current circumstances, that crisis can be overcome only by a significant government stimulus, well beyond the recent one, which barely matched decline in state and local spending -- though even that limited initiative probably saved millions of jobs.

For financial institutions the primary concern is the deficit. Therefore, only the deficit is under discussion. A large majority of the population favor addressing the deficit by taxing the very rich (72 percent, 27 percent opposed), reports a Washington Post-ABC News poll. Cutting health programs is opposed by overwhelming majorities (69 percent Medicaid, 78 percent Medicare). The likely outcome is therefore the opposite.

The Program on International Policy Attitudes surveyed how the public would eliminate the deficit. PIPA director Steven Kull writes, "Clearly both the administration and the Republican-led House (of Representatives) are out of step with the public's values and priorities in regard to the budget."

The survey illustrates the deep divide: "The biggest difference in spending is that the public favored deep cuts in defense spending, while the administration and the House propose modest increases. The public also favored more spending on job training, education and pollution control than did either the administration or the House."

The final "compromise" -- more accurately, capitulation to the far right -- is the opposite throughout, and is almost certain to lead to slower growth and long-term harm to all but the rich and the corporations, which are enjoying record profits.

*Not even discussed is that the deficit would be eliminated if, as economist Dean Baker has shown, the dysfunctional privatized health care system in the U.S. were replaced by one similar to other industrial societies', which have half the per capita costs and health outcomes that are comparable or better.

The financial institutions and Big Pharma are far too powerful for such options even to be considered, though the thought seems hardly Utopian. Off the agenda for similar reasons are other economically sensible options, such as a small financial transactions tax.*

Meanwhile new gifts are regularly lavished on Wall Street. The House Appropriations Committee cut the budget request for the Securities and Exchange Commission, the prime barrier against financial fraud. The Consumer Protection Agency is unlikely to survive intact.

Congress wields other weapons in its battle against future generations. Faced with Republican opposition to environmental protection, American Electric Power, a major utility, shelved "the nation's most prominent effort to capture carbon dioxide from an existing coal-burning power plant, dealing a severe blow to efforts to rein in emissions responsible for global warming," The New York Times reported.

The self-inflicted blows, while increasingly powerful, are not a recent innovation. They trace back to the 1970s, when the national political economy underwent major transformations, ending what is commonly called "the Golden Age" of (state) capitalism.

Two major elements were financialization (the shift of investor preference from industrial production to so-called FIRE: finance, insurance, real estate) and the offshoring of production. The ideological triumph of "free market doctrines," highly selective as always, administered further blows, as they were translated into deregulation, rules of corporate governance linking huge CEO rewards to short-term profit, and other such policy decisions.

The resulting concentration of wealth yielded greater political power, accelerating a vicious cycle that has led to extraordinary wealth for a fraction of 1 percent of the population, mainly CEOs of major corporations, hedge fund managers and the like, while for the large majority real incomes have virtually stagnated.

In parallel, the cost of elections skyrocketed, driving both parties even deeper into corporate pockets. What remains of political democracy has been undermined further as both parties have turned to auctioning congressional leadership positions, as political economist Thomas Ferguson outlines in the Financial Times.

"The major political parties borrowed a practice from big box retailers like Walmart, Best Buy or Target," Ferguson writes. "Uniquely among legislatures in the developed world, U.S. congressional parties now post prices for key slots in the lawmaking process." The legislators who contribute the most funds to the party get the posts.

The result, according to Ferguson, is that debates "rely heavily on the endless repetition of a handful of slogans that have been battle-tested for their appeal to national investor blocs and interest groups that the leadership relies on for resources." The country be damned.

Before the 2007 crash for which they were largely responsible, the new post-Golden Age financial institutions had gained startling economic power, more than tripling their share of corporate profits. After the crash, a number of economists began to inquire into their function in purely economic terms. Nobel laureate Robert Solow concludes that their general impact may be negative: "The successes probably add little or nothing to the efficiency of the real economy, while the disasters transfer wealth from taxpayers to financiers."

By shredding the remnants of political democracy, the financial institutions lay the basis for carrying the lethal process forward -- as long as their victims are willing to suffer in silence.

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