

Reflections on the “Inside Job”

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It's depressing to watch the movie “Inside Job” simply because it is true. Shockingly true. It is also interesting to watch the comments come in from Europe where the movie is just now playing. I wonder whether it will alter public opinion of America. It should.

The American economic policy elite, by which I mean the academics, politicians, and business leaders that comprise it, is shamefully inadequate. In my more extreme moments I would call them irretrievably corrupt. They all shift from one seat to the next. They all intermingle. They all attend the same schools. They all believe the same basic ideas. They are all out to enrich themselves. They all deny any wrongdoing or fault. They all work endlessly in the interests of the system.

In fact they are the system.

So, neutering bank reform was essential in order to protect their rent seeking ability. Shifting the focus of debate onto the national debt was essential in order to mask their collective culpability and graft. Imposing austerity on the rest of us was essential in order to avoid paying the consequences of their ineptitude and indifference. In order to protect themselves they had to stand together and spew out platitudes and patronizing homilies about how tough we all need to be in order to dig out from the crisis. A crisis that their ideas, their actions, and their greed caused.

All around the world everyday people are suffering a loss of wealth and, or, income as a direct result of the ability of this small group to impose its own agenda on us. Yet that group has emerged unscathed. They still rotate through the same jobs. They still teach at elite schools. They still control the academic agenda. They still run the same banks. They still staff the Treasury or the Federal Reserve Board. And they still dictate how our national wealth will be divided: 95% for them, 5% for the rest. Just the way it ought to be in a society where democracy has been weakened by decades of free market dogma, slipshod oversight, defunded government, and an extraordinary collapse in ethical standards.

No wonder the Tea Party is up in arms. Our social fabric is beginning to fray. Anger permeates debate. Reason flies out the window. Facts become opinions. Opinions become facts. We stopped being we. Instead we became them versus us. Turned in on ourselves by the needs of the system.

Only one group wins when society turns on itself: the elite in charge. That dark and amorphous group we dare not contest for fear of the unknown. Or at least that is what they tell us.

America is not what it was. Its political system is horribly corrupted by the flow of money. Rich companies and individuals impose their views simply by dint of their ability to spend. The rest of us, those who object, are muted by the flow of cash that drowns out dissent. Supreme Court justices cavort in private jets and take cash sums for speaking to lobbyist groups. They then ask us to believe they are impartial. Politicians view fund raising as

their primary task. They then ask us to believe they are impartial when they vote. Professors write papers supporting the objectives of their sponsors, and then see no conflict of interest. Business leaders pay themselves whether their companies succeed or fail. Boards of directors stand idly by as CEO's leave with millions – hundreds of millions – even though they are unmitigated failures. Managers stay put even though they are manifestly incompetent. The concept of shareholder control is laughed at: the SEC actively prevents shareholder democracy. It might destabilize the system. So no one owns big business. There is no control. The system just is. It is a mockery of capitalism. It is a mockery of democracy. But especially of democracy.

And all the while they preach that this is the land of opportunity.

Their opportunity.

Once America embarked on its great experiment with illusion, back in 1980, it deliberately stepped away from a fact based narrative. It plunged into Hollywood. Or Disneyland. Politicians realized they could cast balm across fears by talking in hopelessly unreal dreamlike terms. They also learned to demonize the opposition and the government. Words were recast with new and derogatory meanings. Alternative ideas and views were systematically eliminated or stifled. Their new way was simplified, black and white, and unrelentingly self regarding. Gradually the great utopians were able to kick away reality. They were able to shut out what Judge Brandeis called the disinfecting capacity of sunlight. In the shadows they constructed a version of laissez faire, updated and outfitted for the modern era.

They have persuaded regular people to vote consistently against their own best interests. They have led the country into decline. They have started wars on a lie and a whim. And they have shifted the national wealth in unprecedented amounts into their own pockets.

The crisis did not hurt them at all. It hurt us. It was their mess. It is ours to clean up.

And we agree to do this, why?

Because we are told the system must be preserved. The nation is fragile and we must surely understand the need for tough austerity action. We must take our medicine. We must sacrifice those pensions. We must give up those immature dreams of rising wages. This is, we are told, a global economy. We must suffer the consequences of the dreams of the poor who aspire to be like us. Capital is free to shift around the world. Profits are to be found abroad. If that hurts us here, then that's just the system at work. And we must never disrupt the system. Never, ever, disrupt the system. It is a work of nature just like the oceans or the mountains. The market is an artefact, not of humans, but of the natural world. It is invisible to us. But we are caught in its dehumanizing grip. If the mechanism requires that you accept a lower wage, please do, it makes the model work so much more smoothly.

And the corruption stinks. Yet it exists. The lack of ethics reeks. Yet it persists. Just recently the economics profession failed to come to grips with its ugly lack of ethics. Apparently market forces will impose some form of ethics. So economists don't need to abide by the same rules that the rest of society seems to think are important.

When you have sunk so far down the free market rabbit hole that you believe it will fix everything, ethics becomes just another exogenous variable to be assumed away. When you

assume that all social ends are best met by efficient outcomes from constrained optimization models, ethics is obliterated by the great machinery that guarantees that optimum. And when you become irritated by the niceties of reality and its inexorable muddiness such that you treat it as an unfortunate intrusion into the sublime order of your theory, you have left behind both humanity and the need to balance work with an ethical view. Mad science is mad, however complex or elegant its math.

All of this stems from my viewing of that movie.

I guess it put me in a bad mood.

My distemper stems from the grim truth the movie tells. It reveals just how far America has lurched from its earlier, more prosperous, trajectory. It tells us how hard it will be to get back, if we can, to a more balanced, less extreme, less unequal state.

And economics, at least its orthodox brand, isn't helping. Indeed it has been co-opted, willingly so, by the system and those who benefit from it. Many of our most renowned economists are guilty of aiding and abetting the gutting of our democracy, and of feeding at the same trough as the bankers who destroyed the economy. There are some, well meaning, that claim economics is apolitical. Possibly. They claim the bourgeois values of capitalism are worthy of protection and nurture. After all we are all so much better off. Perhaps. But they ignore the ease with which orthodox economics has been turned into an ideological exercise. They ignore the inequality. They dismiss social remedies as pathologies eating away at the fine muscle of capitalism. Maybe they are right. But they are not politically neutral.

Democracy and capitalism are in conflict. The one protects the weak by giving them power. The other exploits the weak by concentrating that power in the hands of the wealthy. The two groups fight. Those who deny this struggle deny reality. They would prefer a pleasant world where the rich and poor cohabit in joint interest. Where labor and capital are equals. Utopia. Harmony. Quiet. And not the cacophony of the real world.

I do not seek the supremacy of either democracy or capitalism. Either, *in extremis*, can be volatile and unhealthy. I seek a balance. And when I watch the "Inside Job" I am reminded of how far from balance we are. Right now it is our democracy that is lost. We have a surfeit of capitalism. We are bloated by the corruption and lack of ethics that it has brought. We need to change.

In my world, that means economics has to change.

But you all know that already.

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