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Economic hypocrisies in the pandemic age

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Introduction

This paper examines some of the most egregious hypocrisies associated with capitalist claims about the state of the economy in the context of the Covid-19 pandemic in the USA. To be clear, there is a difference between the hypocrisies discussed here and the internal contradictions of capitalism already outlined by Karl Marx. For him, unlike the expositions of classical economists from Adam Smith to David Ricardo, the division of labor that reduces the cost of production and promotes economies of scale in turn encourages systemic (monopolistic) over-production. Unlike classical political economy, Marx fleshed out his labor theory of value as a key constituent in an M-C-M system of capital accumulation in which competitive forces tend to lead to over-accumulation and over-production in a self-destructive and unstable system. Over-production depresses profits and wages so that consumption decreases as well, and bankruptcies ensue (with layoffs and market contraction); this logic differs from the ever-expanding growth models of markets whose business cycles are mere short-term inconveniences. All of this is not to say that Marx would not be surprised at the ironic realities of our current economic logics, where some labor unions are completely in cahoots with management or when so-called leftist detractors of Wall Street find themselves invested in the stock market through their pension funds or 401K savings accounts.

My interest here is neither to follow David Harvey's analysis (2014) of the inevitable demise of late capitalism because of its internal contradictions nor to argue against John Cassidy's (2009) inflated sense of capitalism's inevitable rational growth and success despite evidence to the contrary. Rather, my focus is on the deliberate misrepresentation of capitalism's contemporary failures. What is both fascinating and troubling is the manner in which the theoretical (read "scientific," for some) apparatus is invoked when it serves certain interests but ignored for political expediency or even completely inverted to benefit the few at the expense of the many. (e.g., Robert Reich, 2015) By side-stepping the problematic logic of capitalism and offering ingenious explanatory excuses to ward off critiques, contemporary politicians and their servile economic apologists still maintain, falsely, that if approached correctly, (market and financial) capitalism is as sound as it ever was supposed to have been.

Economic hypocrisies in this essay are contextualized within the current American political domain; they are seen as dubious economic policies adopted for purely political ends. My charge of hypocrisy is not concerned with obvious inconsistencies in political circles, but with the deliberate mischaracterization of capitalism as the ultimate platform for the promotion of freedom and equality, fairness, and prosperity for all participants. (Sassower, 2020; see also McCloskey, 2010 and 2019 on liberalism) The appeal to moral standards at times conceals and at others reveals hypocrisy: it is not aspirational but cynically self-serving to capitalist elites and their beneficiaries.

Examples

All the examples listed here are on some level obvious: once detected, they require minimal critical inspection. What they illustrate, in their own different ways, is a blatant disregard of pious claims about scientific (and therefore rational, consistent, and transparent) frameworks within which capitalism is said to function. When capitalist doxa is conveniently discarded, ingenious arguments pose as alternative explanatory logics.

The first example relates to stock market indices. Former president Trump boasted that during his presidency the economy was doing better than ever before, evidenced by the performance of the stock market.[1] But judging by the economic devastation brought on by business closures caused by the global coronavirus pandemic, it's clear that the stock market does not reflect the health of the economy at all,[2] despite its continued rise in 2020 and early 2021.[3] The justification for using the stock market as a measure of economic prosperity and a strong national economy is twofold: first, the overdetermined ability of the market to raise large funds for new businesses (which we still observe today with Initial Public Offerings) is seen as an indicator of growth. The second, related observation that defenders of the stock market appeal to as a measure of financial health is the liquidity investors enjoy when they wish to exit the market. Regardless of price fluctuations, the argument continues, buyers and sellers on the trading floor largely agree with Efficient Market Theory, which assumes that share prices reflect all the important information associated with listed companies. These two justifications have made it possible to claim that the increased value of shares traded on the stock market reflects (efficiently and wholly) the health of listed corporations as well as the economy as a whole. But the logic deployed here is both outdated and misleading in the current environment of financial capitalism, deploying an argument that parallels commentary made by financialization theorists and post-Keynesians alike.

Three comments may help unveil the hypocrisy perpetuated by politicians who refer to the stock market as the bellwether of economic health and claim credit by pointing to their to their ingenious policies. First, stock ownership is concentrated in the portfolios of the wealthy (despite the fact that many pension funds are heavily invested there).[4] This undermines the claim that the stock market reflects the health of the general economy, given that the vast majority of citizens do not benefit from a strong market. Second, venture capitalists, angel investors, and digital crowdfunding platforms have been every bit as successful as the market for raising funds for corporate expansion. This has been as true for small business initiatives

[1] According to Ben Levisohn (2020), "The Dow Jones Industrial Average gained 56% during Trump's presidency, the eighth-best return for any single term of a presidency. It's also well above the 29.9% average of all four-year terms going back to William McKinley's first term, which began in 1897. Among Republican presidents, it was the fourth-best gain, lagging behind only Ronald Reagan's second term—the Dow gained 77% – the 65% gain during Dwight D. Eisenhower's first term, and the 157% surge during Calvin Coolidge's second term. Investors finished Trump's four years a whole lot richer."
[2] See for example, what happened in January of 2021 with speculative short selling of large hedge funds and the pushback by individuals using digital platforms to force "short squeeze" (that raises the price of the shares that speculators anticipated would lose value (Philips and Lorenz, 2021).
[3] David Lynch (2020) reports that "The market is agnostic about politics." According to Marc Chandler, chief market strategist for Bannockburn Global Forex. "We like to think democracy is better. But at the end of the day, investors don't seem to care so much about that."
[4] Patricia Cohen (2018) reports that "A whopping 84 percent of all stocks owned by Americans belong to the wealthiest 10 percent of households. And that includes everyone's stakes in pension plans, 401(k)'s and individual retirement accounts, as well as trust funds, mutual funds and college savings programs like 529 plans."

as for high-tech start-ups:[5] the claim that IPOs are the mainstay of the stock market is empirically false. Third, one of the most significant factors that lifts stock prices (outside of insider trading or the trading by large investment banks that "move" share and commodity prices) is corporate "buybacks" of their own shares to increase their value. Such stock purchases add nothing to overall economic health and may even be detrimental to corporate success when it diverts investment from Research & Development.[6] It is therefore hypocritical not only to view stock market indices as reflecting the economy writ large or to give tax breaks to corporations (more on this below) in the name of "job creation," when in fact non-taxed profits are used for dividends and buybacks, enriching already wealthy shareholders.

My second example considers pandemic stimulus policies and their effects. Issuing federal checks to individuals and corporations is part of federal fiscal policy that directly intervenes in the economy. (Tax Policy Center, 2020) One standard measure of how this spending affects the economy in general is the "multiplier effect," which measures how every dollar given to individuals is spent (also called the Marginal Propensity to Consume) and is applied to any injection of spending into the economy.[7] Referring to John Maynard Keynes's (1964[1935]) theory and its implementation after the Great Depression and, more recently, in the Great Recession of 2008-2011 (Estevez, 2020), fiscal conservatives have criticized such government intervention for two reasons. First, they invoke the threat of inflationary pressures on the economy (when the Federal Government prints money), and second, they sound the alarm over the increase of national debt (more on this below). But where was the outcry by laissez-faire (or so-called Invisible Hand) proponents when taxpayers bailed out large banks during the Great Recession because they were "too big to fail"? (Phillips, 2020)

The stimulus program of 2020, responding to the pandemic and its attendant economic devastation, was meant to help those who were laid off or had to close their businesses (especially those in the hospitality industry and related services), as opposed to what took place with the bailout of large banks in the Great Recession (which did not – nor was it designed to – prevent millions of home foreclosures and personal bankruptcies). Instead, billions of dollars found their way to large, publicly traded corporations that have used portions of the funding for dividends and stock buybacks, already discussed above.[8] Congress enacted the stimulus

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[5] See Rebecca Lake (2019) on angel investors and crowdfunding; see Bob Zider (1998) on venture capitalists.
[6] William Lazonick, Mustafa Erdem Sakinç, and Matt Hopkins (2020) argue that "Stock buybacks made as open-market repurchases make no contribution to the productive capabilities of the firm. Indeed, these distributions to shareholders, which generally come on top of dividends, disrupt the growth dynamic that links the productivity and pay of the labor force. The results are increased income inequity, employment instability, and anemic productivity."
[7] Aine Doris (2020) reports that part of the difficulty in assessing the multiplier effect is that it depends on how much money families have in their bank accounts when the stimulus check reaches them. However, this factor is unknown to researchers: "'We wanted to understand the multiplier effect of CARES payments – how when the government gives you a dollar, you spend it and effectively give someone else a dollar, who then goes on to spend it, giving someone else a dollar, and so on,' Yannelis says. 'This is how fiscal stimulus works, so you have to look at people's marginal propensity to consume to assess the multiplier effect.'"
[8] See, for example, Peter Whoriskey, Steven Rich, and Jonathan O'Connell (2020): "Publicly traded companies have received more than $1 billion in funds meant for small businesses from the federal government's economic stimulus package, according to data from securities filings compiled by *The Washington Post.* Nearly 300 public companies have reported receiving money from the fund, called the Paycheck Protection Program, according to the data compiled by The Post. Recipients include 43 companies with more than 500 workers, the maximum typically allowed by the program. Several other recipients were prosperous enough to pay executives $2 million or more. After the first pool of $349 billion ran dry, leaving more than 80% of applicants without funding, outrage over the millions of dollars that went to larger firms prompted some companies to return the money. As of Thursday, public companies had reported returning more than $125 million, according to a Post analysis of filings."

programs with an eye to warding off both leftist and conservative critiques that followed the bailouts of large banks during the Great Recession. Buried in each of the large stimulus packages were sufficient loopholes that benefited large corporations gaming the rules, corporations that were themselves exposed to the downturn because they did not have sufficient reserves.[9] During the recent pandemic downturn, billionaires disproportionately increased their personal wealth by over $1 trillion (Egan, 2021), and their numbers grew by nearly a third (Denham, 2021).

The third example focuses on the debates over tax relief to the very rich. Reasonable arguments about uniform global taxation pertaining to the global economy hold some sway as nation-states play with different sets of rules and thereby undermine whatever monetary policy any single state attempts to enact so as to affect corporate tax rates (since multinational corporations are quick to "relocate" their headquarters to enjoy the most favorable tax code) (Center for Global Tax Policy, 2020). As Thomas Piketty (2020, Part Four) convincingly argues, without a global approach to taxing wealth, no national remedy can solve gaping inequalities at the personal level. The fact that no such tax has been globally imposed --which would, of course, require buy-in from the U.S.--is evidence of a lack of will by the superpowers, guided, one presumes, by the wealthy donor class that imposes its will on political leaders to look the other way.

More to the point, the Tax Cuts and Jobs Act of 2017 was the most dramatic revision of the tax code since the days of the Reagan Administration.[10] Projected to cost between one and two trillion dollars, the argument in favor of this tax reform (which includes some reduced tax rates for middle-income earners and child credits) harkens back to the "trickle-down" theory (Supply Side Economics) of the 1980s that gave theoretical (if not moral) cover to tax breaks for the rich.[11] This example illustrates not only that politicians whose campaigns are funded by large "megadonors" (Goldmacher, 2021) are fond of scoring political points at the expense of future economic calamities (deficit spending), but that large corporations and the very rich actively lobby to minimize their tax burden. Two sets of arguments commonly accompany these policy positions: first, the moral righteousness of not being taxed for one's toil or ingenuity, and second, the greater the tax revenue, the greater is the opportunity for government agencies to

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[9] Adam Looney (2020) explains some of the tax breaks tucked into the stimulus package: "Tucked into the bill is a provision to allow businesses to deduct expenses that were paid for by the government's Paycheck Protection Program (PPP). Normally, a business owner may deduct only expenses they actually paid for. ("This is basically Tax 101," Treasury Secretary Steven Mnuchin noted in May in defense of IRS guidance that said businesses cannot deduct expenses covered by the forgivable PPP loans.) Passing legislation to allow businesses to pay their expenses with taxpayer-provided PPP funds *and then* to deduct those expenses against their own taxes would be a windfall to high-income business owners – a windfall that would exceed the amounts that Congress is considering in unemployment insurance, rental assistance, food aid, or healthcare."

[10] According to William Gale (2019), "TCJA will (a) have minimal impact on long-term growth; (b) increase disparities in after-tax income by giving the largest relative and absolute tax cuts to high-income households; (c) make most households worse off after taking into account plausible ways of financing the tax cut; (d) make the government's troublesome long-term fiscal status even worse; (e) make the tax system more complex and more uncertain; (f) make it harder for policymakers to fight future recessions; (g) reduce health insurance coverage, raise health insurance prices, and (h) reduce charitable giving."

[11] Matthew Lichtblau (2019) explains the fallacy of the so-called "trickle-down economics" or "Supply-Side Economics" in this way: "To put it bluntly, the theory that undergirds this phenomenon, dubbed "trickle-down economics" by its myriad critics, is a macroeconomic fallacy. At its core, trickle-down theory invokes supply-side economics in contending that the imposition of substantial taxes on higher-income individuals is inimical to economic growth. Instead, proponents of this school of thought advocate the implementation of lessened taxes on high earners to incentivize business expansion and investment, with the idea that this growth will trickle down to lower earners in the form of financial and occupational benefits."

squander budgets and become even more wasteful with their ever-enlarged bureaucracies. One need not look far to find the neoclassical explanatory model that appropriates Adam Smith's "Invisible Hand" as a justification for deregulation regardless of what Smith said or meant (Aspromourgos, 2008).

Under the pretense of unburdening hard-working taxpayers from the unfair intrusion of government agents into their personal affairs and pockets, wealthy and well-connected individuals and corporations reduce their own tax exposure. In doing so, they do not benefit the economy because they do not create enough new jobs that pay sufficiently additional taxes to offset the loss of national revenue or reduce the national debt. As mentioned above, tax breaks are used for corporate buyback of their own shares and distribution of dividends to existing shareholders. Government services suffer a contraction, and the interest payment on the national debt keeps on increasing. The mendacity of this ongoing political ploy backed by dubious economic modeling reminds observers that economic experts of certain ideological persuasions are happy to produce shoddy models to buttress their claims regardless of empirical data.

Piketty (2020, pp. 31-33, 445-450) demonstrates that progressive taxation in the United States during the period of 1950-1980 (when the highest marginal rates were over 80%) not only decreased the inequality gap (more on this below) but also ensured a robust economy, perhaps the most successful tenure of market capitalism in its history. The current hypocritical concern for the fate of the economy and the national debt disguises the self-serving concern by the rich to part with a portion, however little overall, of their income and wealth. The claim that high marginal rates disincentivize creativity and entrepreneurship has been proven demonstrably false by the empirical evidence, which has been collected and documented by Piketty and his co-authors.

The fourth example relates to the importance of the national debt to the health of the economy. As finance capitalism ascended in the late 20th century and early 21st century, and as the gold standard was relinquished much earlier in the Bretton Woods Agreement (1944), the role of central banks (Federal Reserve in the U.S.) has become increasingly important. The Federal Reserve can decrease interest rates to stimulate investing and increase the supply of money to decrease unemployment (monetary policy). The government can decrease taxes to stimulate the economy or print money for its spending (fiscal policy). Either method intentionally intervenes in economic fluctuations (business cycles). Proponents of the Modern Monetary Theory (MMT) draw on Abba Lerner's (1960) functional finance and Fred Moseley (2016) on the nature of money creation by a sovereign currency issuer (which does not depend on taxation) and suggest that the printing of money only becomes inflationary at the point when all currently available resources are in use. Defenders and detractors of MMT (Edwards and Mohamed, 2020) agree that empirical data from stimulus programs (deficit spending) have proven that there is no danger, so far, of inflationary pressures.

As the 2020–21 pandemic has devastated many sectors of the American economy and the government has tried to intervene in various ways, hypocritical judgments abound. The tax reform of 2017 raised the federal debt while benefiting the wealthy; stimulus programs in 2020 and 2021 have also raised the federal debt, claiming to benefit primarily the unemployed and poor, at least in the short-run and in the absence of structural reform. At the confirmation hearing of the new Treasury Secretary, Janet Yellen (who headed the Federal Reserve under the Obama Administration, and who, after her departure from that post, garnered millions in speaking fees from large banks) (Makortoff, 2021), Senator Toomey (R-PA) raised questions about the wisdom of deficit spending and the rising national debt, questions that were not raised during President Trump's tax reform of 2017 (Rappeport, 2021). Selectively exercising financial logics is common to politicians and economists who pander to their wealthy donors and look out for their own self-interests.

The fifth example of a hypocritical double standard focuses on health disparities. During the pandemic, those who have historically suffered from social and economic inequalities (including food insecurity and environmental racism) have contracted the coronavirus and died from it in greater proportions and numbers than their wealthier counterparts.[12] Not only do underlying conditions affect one's ability to maintain good health, but as limits are imposed and working conditions change, the least advantaged (especially "essential" workers in health care and other public-facing sectors) once again find themselves disproportionally affected around the world.[13] The pandemic did not affect the poor and rich alike, as some also claim is the case when individuals find themselves in the marketplace, but has increased the disparity between them. As Ian Goldin and Robert Muggah (2020) report,

> "The pandemic is a boon for the ultra-rich. The staggering rise in the stock-market is testament to this. In the US, over 44 million people lost their jobs and unemployment surged towards 15% between April and June 2020. Yet the fortunes of the top five billionaires rose by $102 billion, increasing their wealth by 26%. In fact, the combined wealth of US billionaires increased by over $637 billion to a total of $3.6 trillion, which is considerably more than the entire wealth of the 54 countries on the African continent.... Between 1980 and 2020, billionaires in the US saw their wealth soar by 1,130%, increasing more than

[12] Clare Bambra, Ryan Riordan, John Ford, and Fiona Matthews (2020), while comparing the 2020 pandemic with earlier ones (the 1918 Spanish influenza pandemic and the 2009 H1N1 outbreak), conclude the following about the current pandemic: "The prevalence and severity of the COVID-19 pandemic is magnified because of the pre-existing epidemics of chronic disease – which are themselves socially patterned and associated with the social determinants of health... These inequalities in chronic conditions arise as a result of inequalities in exposure to the social determinants of health: the conditions in which people 'live, work, grow and age' including working conditions, unemployment, access to essential goods and services (e.g., water, sanitation and food), housing and access to healthcare." They conclude: "Historically, pandemics have been experienced unequally with higher rates of infection and mortality among the most disadvantaged communities – particularly in more socially unequal countries. Emerging evidence from a variety of countries suggests that these inequalities are being mirrored today in theCOVID-19 pandemic."

[13] Ian Goldin and Robert Muggah (2020) explain that:
"There are at least four ways the COVID-19 pandemic is increasing inequality:

- First, higher-paid workers are working from home while lower-paid blue-collar workers typically do not have this option.
- Second, a higher share of low-paid workers [is] in essential services such as nursing, policing, teaching, cleaning, refuse removal, and store attendants where they are more likely to come into contact with people who are infected.
- Third, lower paid workers are more represented in the sectors that have suspended activities such as hotels, restaurants and tourism services.
- Fourth, the pandemic is increasing poverty and inequality between richer countries that can afford to bail out their firms and provide social safety nets, and poorer countries that do not have the capacity to do so.

A recent survey of 37 countries indicates that 3 in 4 households suffered declining income since the start of the pandemic, with 82% of poorer households affected. The impact on different communities depends entirely on their specific circumstances. In the US, for example, over 2 million more households claim that they do not have enough to eat since the pandemic. In fact, one in five African American households says they are going hungry."
See, more recently, Robert Gabeloff (2021) on recent detailed data about stock ownership.

> 200[-fold] faster than median wages. At the same time, the tax obligations of billionaires in the US declined by 78% between 1980 and 2018 (measured as a percentage of their wealth)."

These numbers speak for themselves. The richest 1% benefit from any calamity, while the 99% bear the brunt (recalling Occupy Wall Street, 2011). The gap between billionaires and the rest of society expresses itself in power relations that not only protect them from taxation but also give them political power to dictate policies that benefit only them and their companies. This is how hypocrisy cloaks cynical exploitation with moments of philanthropic largess.

As Piketty (2020, Part 1) and many others have explained, "Inequality Regimes" have proposed different arguments at different times to justify and morally whitewash any suggestion that inequality (of wealth or income) is unfair. Hypocritical on many levels, any claim for enriching the already wealthy through favorable tax treatment or direct corporate subsidies, which are labeled by some "corporate welfare" (de Rugy and DeHaven, 2020), reeks of post-hoc justification of a phenomenon that on its face cannot and should not be justified (namely, the accumulation of obscene amounts of capital). This is not to say that economic outcomes should be identical for all, but rather to argue that inequalities, when they come about (especially through inheritance, but also at times because of hard work or extraordinary talent), should not forestall opportunities for others, nor should the wealthy have so much financial clout in the political arena. Piketty prefers the idea of the "circulation of capital" to emphasize that it is possible to conceptualize a temporal nature of private property, one that disallows inheritance (Ibid., 972). The moral argument about merit, as Michael Sandel (2020) reminds us, overlooks the economic conditions under which individuals and corporations compete in capitalist environments, over-emphasizing success stories without context (pretending that "equal opportunity" is available to all).

Conclusion

Any examination of contemporary hypocrisies related to political economy exposes some of the underlying contradictions of the logic of late capitalism. Yet this indictment is not enough, since it merely updates Marx's original critique of classical economics (market capitalism). Perhaps they expose in a newer guise the continued power relations between the very rich and the rest of society. If finance and surveillance capitalism still promise freedom of choice and prosperity for all, the sad realities of the 21st century expose their falsehood. The charge of hypocrisy does not ring hollow as long as it reminds us of the dangerous appeal of the neoliberal variant of capitalist ideology, one that appeals to the many but caters to the few. I suppose there would be no hypocrisy if the naked truth of the American variant of capitalism's foundations were admitted, that is, if we were willing to see that since the inception of the American colonies, wealth inequality was accepted as inevitable and perhaps even warranted according to the ideals and policies of the founding fathers, some of whom were themselves plantation oligarchs who owned, traded, and bred enslaved Africans. Twentieth-century ideologues, such as Ayn Rand and Milton Friedman, nostalgic for claims of freedom and equality that were never supposed to extend to the entire population, may deny their own bad faith, but the America they missed or imagined has always been one in which only the privileged white few had any hope of prospering. Promises of freedom and equality were never supposed to cover the entire population; indeed, they came to fruition for the few at the expense of the many. The so-called American Dream is more of a nightmare when we acknowledge that the United States is one of the least socially or economically mobile countries among the members of the Organization for Economic Co-operation and Development.

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