Scene on Radio: Capitalism
Episode 6: Thirty Glorious Years
Transcript

Arlene Arevalo, interviewer on street: The phrase "economic freedom." What does that mean to you personally?

Music

Lucrezia, New York City: Not being reliant on a job I hate to be able to eat and exist.

Jeff, New York City: I don't think about it. Now that you bring it up I'm thinking about it for the first time, and I feel like, okay, well yeah, I already am free economically.

Unidentified woman, Palo Alto, California: Um, economic freedom? I think that looks like a, like a social-political system that supports people's basic needs.

Vincent, New York Financial District: I don't like to talk about that, but maybe, like, I know I will be more free, like, when I get the inheritance of my parents.

Taya, Harlem: Having enough money to disappear. A lot of people want money to be seen, but I want it to go off the grid and just control my businesses from like a laptop in a place where you need a helicopter or a boat to get to. (Laughs)

Miles, Morrisville, NC: economic freedom to me means I don't have to worry about my rent for the next month, I don't have to worry about where i'm going to get my next meal – not having that worry, which I've had for the last couple of months because I was laid off a couple months ago.

Jean, Durham, NC: Oh, man. It would mean everything. It would be nice to be able to be economically free. That's not the reality we live in. (laughs)

Music

Ellen McGirt: Hey, John.

John Biewen: Hey, Ellen.

Ellen McGirt: Economic freedom. From what we just heard, it sounds like it can mean different things, depending on how you look at it.

John Biewen: Well yes. We deliberately asked the question in an open-ended way. A lot of those answers that we just heard were personal – about being free from money worries and constraints as an individual. But more often, I think, at least if you listen to politicians and business leaders, that phrase "economic freedom" is meant to describe a society's economic system.

Ellen McGirt: That sounds right. In the United States, "economic freedom" is pretty much synonymous with "free market" capitalism. We're free to buy and sell what we want, to start a business, to go to work for any employer that will have us – basically, to make our own way.

> **Capitalism! Instructional film, Coronet Films, 1948: Actor as school boy:** Under a capitalistic system, you're free to make almost any kind of a contract with anyone.
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> **Actor as hIgh school girl:** Freedom of contract. Competition, profit motive, private property. And what do they all add up to? Free enterprise. Well, that's what capitalism is! A system of free enterprise.

John Biewen: That's from a 1948 instructional film that was shown in high schools across the U.S. This economic freedom sounds … good. It does leave some open questions about the limits of these freedoms. Are you gonna limit the "freedom" of employers to exploit their workers, to pollute the environment, and so on, or the freedom, say, of some essential workers to strike if that would damage the community in some way? But I also want to point out that under this conception, economic freedom is what's called a "negative liberty," right?

Ellen McGirt: Yes, meaning that no one is telling you *not* to do something. I think the most relevant example here would be a socialist or communist government that bans anyone besides the government itself from starting a business. But as we heard from those person-on-the-street interviews, some people dream of a different sort of freedom, which for some of us is only possible if the government does get involved. The freedom to have your basic needs met, to be economically secure.

John Biewen: This makes me think of Franklin Delano Roosevelt, and his 1941 State of the Union speech.

> **Franklin Delano Roosevelt, State of the Union Address, January 6, 1941:** In the future days which we seek to make secure, we look forward to a world founded upon four essential human freedoms.

John Biewen: These included familiar, Constitutional freedoms – freedom of speech and religion. But then Roosevelt came with this one, which is not in the Bill of Rights:

> **Franklin Delano Roosevelt, State of the Union Address, January 6, 1941:** The third is freedom from want, which, translated into world terms, means

economic understandings which will secure to every nation a healthy peacetime life for its inhabitants everywhere in the world.

Music

Ellen McGirt: Freedom from want. Aside from FDR's speech, the United States has *never* embraced *that* kind of economic freedom as a universal right. We left off in Episode 5 with the Gilded Age – the first one, in the late 19th century.

John Biewen: Yeah, we're *in* the second Gilded Age, but that's Episode 7.

Ellen McGirt: In those years, the 1870s to the 90s, economic freedom was pretty much reserved just for the capitalists. There were few antitrust laws against corporate collusion or monopoly. No consistent policy of corporate or personal income taxes. No protections for workers or unions.

John Biewen: It really was a Wild West economy – well, for working people. The ownership class was really not left to fend for itself in quite the same way. As we said last time, the federal government handed out huge swaths of public land to help the industries, especially railroads, that were fueling the economy and making plutocrats rich.

Ellen McGirt: The government also used tariffs to protect U.S. industries from foreign competition, which pushed up prices for ordinary consumers. The result was predictable: tough times for most people, and vast wealth held by a few.

> **History Channel, "The Men Who Built America", narrator:** John Rockefeller becomes the richest man in the history of the world, with a net worth of 660 billion dollars in today's money.

> Music

Ellen McGirt: But things would start to change in the years before and after the turn of the 20th century. Regular working people would push back – so hard that politicians would eventually start to listen.

John Biewen: After things collapsed in the Great Depression, those struggles would lead to a period of shared prosperity, unlike anything before or since, in the world's leading capitalist country, the United States.

Ellen McGirt: That stretch, in the middle of the 20th century, has been called the Thirty Glorious Years. But that phrase makes clear that capitalism's golden age, in America, had an expiration date. It wasn't going to last.

> Music: Theme

John Biewen: From the Kenan Institute for Ethics at Duke University, this is Scene on Radio Season 7: *Capitalism*. Episode 6. I'm John Biewen.

Ellen McGirt: And I'm Ellen McGirt. We're telling the story of the world's dominant economic system and how people – the powerful, *and* ordinary working people – shaped it over time. Later in the season we'll explore ideas about how to *remake* our economic system to better serve people and other living things.

John Biewen: As we've said, capitalism, by definition, is an economic *and political* system. Starting with the decision to protect private property and create legal structures for things like corporations and business contracts, the question is not *whether* government will shape how a market economy operates. The only question is *how,* and for whose benefit.

Ellen McGirt: In this episode: How the balance of power shifted in the twentieth century – for a time. And led to a better kind of capitalism – if of course, you think prosperity being broadly shared is a good thing.

John Biewen: We're gonna focus on the United States – the world's biggest economy, and, it seems, the nation most often committed to economic freedom for the people who own capital. Lots of other wealthy countries have more consistently embraced “mixed” economies: capitalism combined with tight regulation, workers’ rights, and a strong welfare state.

Ellen McGirt: Eventually we’ll consider why the U.S. has gone a different way, especially in the last forty or fifty years. OK, John. You’re gonna take us from the Gilded Age up to the 1970s or so. Then we’ll talk more.

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John Biewen: Last time we mentioned some major battles between workers and their employers in the late 19th century. The struggle by working people for more leverage, and a better deal in an economy that overwhelmingly served the rich, made its way into electoral politics, too.

William Jennings Bryan, speech to Democratic National Convention, 1896: Mister Chairman and gentlemen of the convention….

John Biewen: In 1896, William Jennings Bryan, a former congressman from Nebraska, gave one of the most famous speeches in American political history: the “Cross of Gold” speech at the Democratic National Convention in Chicago. This is a recording of Bryan, not in 1896, but reading the speech 25 years later, when recording technology was further along.

> **William Jennings Bryan, Democratic National Convention, 1896:** I come to speak to you in defense of a cause as holy as the cause of liberty – the cause of humanity.

John Biewen: In a depressed economy in the 1890s, Bryan was calling for a major policy change. He wanted the U.S. to abandon the gold standard and to coin an unlimited amount of silver as well. This would have eased the money supply, driving up prices and helping indebted farmers and other workers. Bankers and industrialists opposed the change, saying an end to the gold standard would harm "business interests." Bryan said the people making that argument were using the term "businessman" too narrowly.

> **William Jennings Bryan, 1896 "Cross of Gold" speech, Democratic National Convention:** The man who is employed for wages is as much a businessman as his employer. … The merchant at the crossroads store is as much a businessman as the merchant of New York. The farmer who goes forth in the morning and toils all day, … and who by the application of brain and muscle to the natural resources of the country creates wealth, is as much a businessman as the man who goes upon the Board of Trade and bets upon the price of grain. … We come to speak for this broader class of businessmen.

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John Biewen: The speech electrified the convention. It catapulted Bryan, just 36 years old, to the Democratic Party's presidential nomination. Historian Eric Rauchway of the University of California-Davis says Bryan represented a new version of the Democratic Party. It was still the white supremacist party in the South, where Democrats had seized power after the end of Reconstruction and were locking in Jim Crow apartheid in the 1890s. But nationally, at the same time, the Democrats now said they stood for the people – at least the white people – who actually produced things, and not the "parasitic" ownership class.

> **Eric Rauchway** And it's terrifying to many of the moneyed classes. There's a tremendous amount of money raised by the Republican Party in 1896 to prevent the election of William Jennings Bryan to the presidency, on behalf of William McKinley, who's probably the most purely conservative president to serve in American history, which is to say he ran on not changing anything.

John Biewen: McKinley and his well-financed campaign defeated Bryan. But after McKinley was assassinated in 1901, his vice president, Theodore Roosevelt, took office. Roosevelt ran for reelection in 1904 – as a Republican, but on a platform that sounded more like Bryan's populism than McKinley's conservatism.

Eric Rauchway: It's partly a conviction, I think, on Roosevelt's part, that these are good politics.

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John Biewen: By 1904, Eric says, candidates from the left to the right saw that if you wanted to get elected you should side with the little guy – or say you did.

Eric Rauchway: The Republican Party for the first decade or so of the 20th century is the national home of what becomes known as progressivism, and stands for, not overthrowing the capitalist order or the industrialist order, but regulating it in some semblance of the public interest. And of course there's a big row, or in fact there are a series of rows, over what the public interest might be. But there is this generalized notion, for which Theodore Roosevelt is an articulate spokesperson, that the economy ought to be bent to serve ordinary citizens.

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John Biewen: Historians call this period, the 1890s to the 1920s, the Progressive Era. People hungry for “progress” embraced horrific ideas, like eugenics, and doomed ideas, like the prohibition of alcohol. But on the economic side, the movement did bring: the first antitrust laws, breaking up monopolies and corporate collusion; workers’ compensation insurance; the eight-hour workday as the new standard; then a work *week* of five days instead of six. The list goes on: the federal corporate income tax in 1909, followed by a Constitutional Amendment four years later that led to the federal *personal* income tax. In the progressive spirit, that tax only applied, in the early days, to the highest-paid two percent of the population.

In Episode 5 we heard that the Industrial Revolutions of the 18th and 19th centuries had created massive wealth for a few people at the top while most people’s lives didn’t get much better. This was now changing, with the Progressive Era in the U.S. and similar political shifts in other Western countries. The British economist John Maynard Keynes wrote that by 1914, for the middle and upper classes of the world:

> **John Maynard Keynes, The Economic Consequences of the Peace, 1919 (voiceover):** Life offered, at a low cost and with the least trouble, conveniences, comforts, and amenities beyond the compass of the richest and most powerful monarchs of other ages.

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John Biewen: Let's be clear: Keynes is still talking about just a portion of the global population. In 1914, two-thirds of humans were subsistence farmers. The majority couldn't read and had never ridden on a train or even seen a steam engine. Life expectancy hadn't improved much since before the first Industrial Revolution. But in the countries that had launched those projects of gunboat capitalism, then used that stolen and extracted wealth to industrialize, and now had begun to share the wealth more broadly within their societies, thanks to workers' movements and government intervention – in those rich countries, the prosperity was spreading. By 1914, more than a quarter of Americans had a telephone in their home. About a fifth had electric power and flush toilets. These numbers would soon double and double again until just about everybody in rich Western countries had these, and other, conveniences.

> **History Channel, "The Men Who Built America", music, narrator:** Childhood friends William Harley and Arthur Davidson attach an engine to a bicycle and begin selling motorcycles to the masses...

John Biewen: Increasingly, the corporations that are churning out new mass-produced machines, and consumer goods – Hershey's chocolate, Wrigley's chewing gum, Max Factor cosmetics – are also taking somewhat better care of their workers.

> **History Channel, "The Men Who Built America", narrator:** They're creating products for the masses while paying their employees a livable wage, with safe working conditions and a standard forty-hour workweek.

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John Biewen: Again, that's the History Channel series, the Men Who Built America. But pendulums do swing. During and after World War One, economic times were good in the U.S., and the demands for change from the working class got less loud. By the end of the 1910s, says Eric Rauchway, members of one major party, at least, decided the economic reforms had gone far enough.

Eric Rauchway: So by the time you get to the national elections in 1920, the Republican Party has brought its progressives to heel or at least made them know that they're not particularly welcome in their party. So you have the Harding, first the Harding and then the Coolidge Republicans, at the national level, which preside over a retrenchment of much that was identified with progressivism. There is a lowering of taxes. There's a withdrawing from regulation of business. There's a cracking down on labor unions. And in general, the adoption of what we would fairly well recognize as anti-progressive politics.

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John Biewen: The 1920s – yes, the Roaring Twenties – are again a time when a lot of Americans are enjoying and celebrating the wonders of the market. Even if they can't quite afford those wonders. Many people could take out a loan to buy that new Ford – or that share of Ford stock.

> **Eric Rauchway:** As the United States economy booms more and more through the 1920s, people begin to participate in stock speculation, which is to say, gambling on stocks in the United States, and sometimes they borrow money to do that. Because it seems like the stock market's just gonna keep going up and up and up and up, because everybody's buying all these cars and radios and washing machines, and all these Western Europeans are paying money into American banks and everything looks great!

> **William Benton, Studs Terkel Archive:** The clients, when I called upon them throughout 1929, instead of paying attention to their business, were picked up with the speculative fever of the purchase and sale of stocks on the stock market.

John Biewen: This is William Benton, recorded in about 1970 by the interviewer Studs Terkel. Benton had later been a U.S. Senator from Connecticut, but in 1929 he was in his late twenties, selling advertising.

> **William Benton, Studs Terkel Archive:** And I would sit there, trying to talk to them about advertising and trying to get them to listen to the points I wanted to make about the coming development of radio, and the phone would ring and

there would be a continuing sequence of interruptions talking about the stock market.

Arthur Robertson, Studs Terkel Archive: And then the spurt of the casino, at no limit stakes.

John Biewen: Arthur Robertson, also from the Terkel archives. He was a stock speculator.

Arthur Robertson, Studs Terkel Archive: I saw people, shoeshine boys, that were buying $50,000 worth of stock with $500 down. Everything was bought on, on hope.

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John Biewen: By the fall of 1929, U.S. consumers had run up big debts, and stock prices were way higher than they had any business being. A classic bubble. It's a feature of a capitalist economy that it has to grow. If it's not growing, that's a crisis. And if economic activity slows down by a lot? That's a calamity. So, capitalism also depends on confidence – or faith. If a whole bunch of people stop believing, all at once, that growth is gonna continue, well, we know the story. Eric Rauchway.

Eric Rauchway: When it does crash, in 1929, and it crashes a couple of times, actually, that creates a tremendous amount of uncertainty about what's going to happen next, about which companies are going to prove to be solvent, which are going to fail. It makes people less likely, of course, to invest. It makes lenders less likely to lend. If you have this economy, both domestic and international, that's built on the continuing lending of money, and all of a sudden people are a little bit more hesitant to lend, you can see how that would slow down other kinds of economic activity, and so…

John Biewen: Suddenly, people can't get auto loans anymore, so car sales drop off. The car companies then slow down or stop the production of cars…

Eric Rauchway: Which means that's gonna be a drag on steel industries, rubber industries, glass industries, you know, petroleum industries, all the things that go into car making and use….

John Biewen: With sales dropping off, companies start lowering prices to attract buyers. Then lower them again. When everybody lowers prices, the effect is disastrous. It becomes deflation, which leads to just the opposite of what those lower prices were meant to inspire: it slams yet another break on people's willingness to spend.

Eric Rauchway: You know, if people see prices going down, they have an incentive to hold onto their money because their money is becoming more valuable relative to the stuff they want to buy as time goes on. So you have this contribution, by that price lowering impulse, to the cessation of economic activity. Deflation is a capitalism killer, basically.

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John Biewen: You know the rest. Businesses collapse. Unemployment soars. People rush to pull their money from banks and banks start failing. The downward spiral continues. For a year, then another, then another.

Peggy Terry, Studs Terkel Archive, WFMT: And it’s really hard to, to talk about the Depression, because what can you say except you were hungry? And it’s hard to make that sound like anything. Until you’re that way yourself and then you know.

John Biewen: Peggy Terry, of Oklahoma, talking to Studs decades later.

Peggy Terry, Terkel Archive: And back then I’m not sure how the rich felt. I think the rich were as contemptuous of the poor then as they are now. But at least among the people that I knew and came in contact with, we all had a sense of understanding that it wasn’t our fault, that it was something that had happened to the machinery. In fact, most people blamed Hoover. I mean, they’d cuss him up one side and down the other. It was *all* his fault. I’m not saying he’s blameless, but I’m not saying either that it was all his fault because our system doesn’t run just by one man and it doesn’t fall just by one man, either.

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John Biewen: Something had happened to the machinery. And it’s true, no national leader makes an economy go, or drives it into the ditch, all by him or herself. But under the Republican President Herbert Hoover, the federal government took a hands-off approach to the deepening Depression, hoping the business community and the American people would band together and muddle through.

Eric Rauchway: Yeah, this didn’t work.

John Biewen: So in November, 1932, American voters would choose a new president, who would work not only to end the Great Depression, but to save capitalism – by changing it.

[BREAK]

Studs Terkel, *Hard Times* oral histories: What did you sense about the ordinary guy, the guy on the street?

Lewis Andreas: He was mad, and I think that unless something like the New Deal had come up, he might have begun to get violent.

John Biewen: A medical doctor in Chicago, Lewis Andreas, in conversation with Studs Terkel, recorded around 1970. Andreas brings up this memory from the early 1930s.

Lewis Andreas, Terkel Archive: You probably remember a very ominous march down Michigan Avenue one day, a very silent, straggling march, you know, of the unemployed. Nobody said anything, they were just a dark mass of people flowing down that street. And I think in their minds then was, the point will be reached where we're not gonna take this. I remember....

Studs Terkel: The silence....

Lewis Andreas: I remember it particularly because of the silence. This was a glum march. There was no waving of banners, no enthusiasm, but an undercurrent of desperation and I would say maybe of uncrystallized intent to do something about it if all this didn't stop.

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John Biewen: In 1932, a leader of the Federation of Labor, Edward McGrady, warned a Congressional committee that if the government didn't take bold action, leaders would soon face a bigger challenge than helping hungry people. "The cry next winter," he said, "will be to save this government of the United States." Eric Rauchway says, given the severity of the Depression, some Americans wanted big changes in the nation's economic and political systems to make sure nothing like this could happen again. For some, the changes they hoped for were inspired by the far left. The Communist Party reached the peak of its popularity in the U.S. in the 1930s. For others, says Eric Rauchway, the attraction was the far right.

> **Eric Rauchway:** I mean, you know, fascism is on the rise throughout the world in 1932. Adolph Hitler comes to power at almost the same time as Franklin Roosevelt, and that's another direction that could be taken in reaction to this sense of civilization failing.

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John Biewen: Many historians, asked why the United States moved to the center left in response to the Great Depression, instead of the far right, say dumb luck was a key factor: A conservative government was in power when the economy collapsed, so the right wing took the blame. Franklin Roosevelt wins a sweeping victory in November 1932, and he's sworn in the following March with a mandate: Do something. His administration launches a blizzard of programs with three- and four-letter acronyms -- the CWA, WPA, CCC. The NRA – not the gun lobby, the National Recovery Administration. Subsidies for farmers, public works programs that put people to work, bank restrictions and deposit insurance to protect people's money. A little later, huge additions to the safety net: Social Security, to address rampant poverty among older Americans, and cash welfare for needy families. And major new labor laws, guaranteeing workers the right to organize and bargain collectively.

> **Radio announcer, "fireside chat," April 28, 1935:** Ladies and gentlemen, the president of the United States.
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> **Franklin Roosevelt:** My friends, since my annual message to the Congress on January fourth last....

John Biewen: In radio broadcasts billed as fireside chats, Roosevelt spoke to the American people in frank detail, explaining his plans and the pragmatic philosophy behind them.

Franklin Roosevelt, radio broadcast, September 20, 1934: In our efforts for recovery, we have avoided on the one hand the theory that business should and must be taken over into an all-embracing government. We have avoided on the other hand the equally untenable theory that it is an interference with liberty to offer reasonable help when private enterprise is in need of help. The course we have followed fits the American practice of government: a practice of taking action step by step, of regulating only to meet concrete needs. A practice of courageous recognition of change.

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John Biewen: Roosevelt was born into a wealthy family that had made its fortune investing in things like railroads, coal, and real estate. Nonetheless, some of his critics on the right called him a closet socialist attacking American capitalism. Others, to his left, said just the opposite: He was a loyal plutocrat, doing just enough during a grave crisis of capitalism to save the system that had made his family rich. Rauchway says FDR kept his deepest thoughts and feelings to himself. But clearly, Eric says, Roosevelt did come to believe that a real shift in economic and political power was needed in American society.

Eric Rauchway: Roosevelt was going to see that wages went up. Roosevelt was going to see that workers could unionize. Roosevelt was going to do things not only in the interest of the people who had always had wealth and power, put them back where they were, but also kind of shift the balance a bit in favor of those who had not had wealth and power and influence before. And the more that became clear, the more the more conservative elements of American life turned against him. And Roosevelt's response was to say, no, I really do mean this (laughing). I really am gonna keep pushing in this direction. It's hard to say, you know, whether he would necessarily have done quite the same when he started out in ‘33 as he ended up doing by the time you get to ‘36, when he famously or infamously says, you know, those folks hate me and I welcome their hatred.

Franklin Roosevelt, 1936 renomination speech: These economic royalists complain that we seek to overthrow the institutions of America. What they really complain of is that we seek to take away their power. (Audience cheers.)

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John Biewen: It's striking from an American president, this talk of taking power from the captains of industry. With the New Deal and all that came with it, the United States was joining some other industrialized countries in declaring that markets by themselves did not meet the needs of society. A strong overlay of regulation and government intervention was necessary. The economic historian Brad DeLong – remember, he wrote *Slouching Towards Utopia,* a history of the long twentieth century – DeLong summarizes the economic debate that has raged inside capitalist countries like this: First, he says, a solid majority of people with influence are convinced that markets really are essential to producing wealth and prosperity – because they create a system of crowdsourcing. Markets invite anyone and everyone to figure out the solutions to problems, with the possibility of financial reward, rather than assigning that job, say, to a group of bureaucrats. DeLong says the 20th century bears this out.

> **Brad DeLong:** When the Iron Curtain fell in 1990 and we could look around, we discovered that those countries on the Soviet side of the Iron Curtain that had tried to run an economy without the market system to help coordinate and crowdsource, that they really were only about one fifth as rich as the market economies, the capitalist market economies that were otherwise very similar to them, places that indeed had been similar before the division of Europe and Asia that produced the Cold War had been. Southern China, only one fifth as rich as Thailand and so on and so forth. East Germany, only one fifth as West Germany. You know, so we need the market.

John Biewen: At the same time, DeLong says, lots of people see that the market doesn't work its magic on *all* human problems, but only those that lend themselves to serious profit-making.

> **Brad DeLong:** You know, that you only exist to the market if you can show them the money. And so what the market sees, what the market really sees, is it sees the intensity of need by a person multiplied by their wealth. And that's what it aims to satisfy. No wealth, the market doesn't care about you. And you can survive only if the market thinks you're useful enough to be worth hiring and paying.

John Biewen: It's an undeniable fact about capitalist markets, DeLong says, that they're unfair. They lavish financial rewards not on the people who are most deserving or most in need, but on…

> **Brad DeLong:** The people who have been lucky or somewhat skillful, or just in the right place at the right time, or kind of unscrupulous enough to have managed to grab stuff.

John Biewen: The never-ending argument, then, is what to do about all of the above. DeLong crystallizes the debate by focusing on two economic thinkers – both born in Austria, both influential in the middle of the twentieth century. First, that champion of markets, Friedrich von Hayek. Hayek said inequality, however extreme it might get, is the price a society should willingly pay for "freedom."

> **Brad DeLong:** Hayek said that's the best we can do. You know, if we try to accomplish social justice in addition to market prosperity, well, you know, often the social justice won't be too just, it'll just be what one particular group thinks is good, and that may be very bad from everyone else's perspective. And also, it'll destroy the market's ability to do its job. So I quote from Job here, right? That the market giveth, the market taketh away, blessed be the name of the market. That, Hayek thinking that was the only gospel that we could afford to believe in, and anything else would put us on the road to serfdom, to some form of industrial serfdom in which we would have neither social justice nor prosperity.

John Biewen: Which brings us to the other Austrian-born thinker.

Brad DeLong: You know, opposed to Friedrich Hayek, there indeed is Karl Polanyi, saying that's just not going to work, that people will not be happy with a society in which the only rights that are vindicated are property rights. You know, that people will demand a government and a system that vindicates other rights, too.

John Biewen: Karl Polanyi said most people believe they have a right to be paid reasonably well for their work. A right to keep their job if they have one, or, if they lose it, to get another one without much trouble. He also said people rightly object when land is treated as just another commodity, to be bought and sold regardless of how it affects the surrounding community. In other words, DeLong says, people who are embedded in a place feel they have a right to some continuity in how that place looks and feels.

Brad DeLong: Rather than that everything be bulldozed just because some financier three thousand miles away has decided it doesn’t satisfy some maximum profitability test.

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John Biewen: Brad DeLong argues that the decades after World War Two, in the U.S. and in much of the rich Global North were capitalism's best years so far, because they brought together the best insights from Hayek and Polanyi.

> **Brad DeLong:** That is, a recognition of the power of the market, but the definite willingness to curb the market in the interest of all of these other rights that people want vindicated. The idea that man was not made for the market but rather the market was made for man. And so you have a strong government, redistributive taxes, high taxes on the rich, lots of public programs, a belief that everyone has a right to a lot of good things by virtue of their status as citizens. You know, the arsenal of social democracy.
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John Biewen: Social democracy is a phrase you don't hear in the U.S. nearly as often as in, say, northern Europe. As Brad is using the term, it refers to a mixed economy, one shaped by the preferences of voters that blends markets with elements of socialism: regulation and programs that are government-funded and sometimes government owned and operated.

Brad DeLong: Which I call the shotgun marriage between Hayek and Polanyi, blessed by John Maynard Keynes.

John Biewen: Keynes was well known as an advocate of government spending to stimulate the economy. DeLong includes Keynes to make the point that the U.S. government also spent a lot of money during this period, on everything from the military, and scientific research, to the Interstate Highway System, to investments like the GI Bill. That program pumped almost a hundred billion dollars into educating former servicemen – mostly white servicemen – from the 1940s to the early 70s. In the 1960s, the Johnson Administration's spending on the Vietnam War and Great Society antipoverty programs was called "guns and butter."

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John Biewen: The results of this experiment in social democracy, in the lives of the American people, are plain to see in hard numbers. It's been called The Great Compression – that time in the twentieth century when the incomes of the richest and poorest Americans got squashed closer together, relatively. If you look at a graph showing a measure of inequality in the U.S., the line looks like a hammock: It starts high, early in the century, sags downward from the 1940s through the '70s, then heads back up again after 1980. Other graphs that look just the opposite help to explain why inequality declined. A chart of labor union membership starts low at the time of the Depression, rises and peaks in the 1950s, then plunges again starting in the 70s. The top marginal tax rate for folks with the biggest incomes? In 1930 it's 25%. It soars through the next four decades, ranging from 70- to 95-percent. Then the top rate plunges in the 1980s, in the Reagan years, as inequality rises again.

Music

John Biewen: In those post-war years of shared prosperity, a striking consensus took hold among the political class in the United States, and even a lot of people in business, that the New Deal Order, as it's been called, could not be abandoned. The people wouldn't stand for it. In 1954, president Dwight Eisenhower, a Republican, wrote this in a letter to his brother:

> **Dwight D. Eisenhower, letter to Edgar N. Eisenhower, 1954 (voiceover):** It is quite clear that the Federal government cannot avoid or escape responsibilities which the mass of the people firmly believe should be undertaken by it. The political processes of our country are such that if a rule of reason is not applied in this effort, we will lose everything – even to a possible and drastic change in

> the Constitution. … Should any political party attempt to abolish Social Security, unemployment insurance, and eliminate labor laws and farm programs, you would not hear of that party again in our political history. There is a tiny splinter group, of course, that believes you can do these things. … Their number is negligible and they are stupid.

Music

John Biewen: Ellen, let's bring you in here. What are you thinking?

Ellen McGirt: John, that was fascinating, and what a revealing chain of events. One thing: You've been using this phrase, John, "Thirty Glorious Years." Can you remind me who said that?

John Biewen: I hadn't heard that phrase myself, until I read Brad DeLong's book – although it wasn't news that those post-World War II years, from the mid-1940s to the mid-70s or so, were an unusual period of shared prosperity and lower inequality, right? In a lot of capitalist countries, including the U.S. But the phrase itself, as Brad DeLong explains, French intellectuals have used the phrase, Thirty Glorious Years, to refer to that time.

Ellen McGirt: OK. But nobody's saying that things were glorious in every way in the middle of the twentieth century, right? Certainly not in the United States. I mean, there was a lot going on in that stretch of time. The Cold War, McCarthyism, the Korean and Vietnam wars, deeply embedded white supremacy in the United States, and still so much work to do on women's rights and LGBTQ rights and so many other issues.

John Biewen: Absolutely, to all of that. I think of "Thirty Glorious Years" as slightly ironic in its overstatement, and also as a description of a fairly specific phenomenon: the extent to which capitalist economies were working *relatively* well for a *somewhat* broader-than-usual share of the population.

Ellen McGirt: So, the 1950s and 60s were a time when, famously, a white man with a high school degree in the United States could get a union job in an auto factory or steel mill and earn a good paycheck that would support a family and a mortgage and send his kids to college. But at the same time, a lot of Black people were still stuck in deep poverty as sharecroppers in the South, and Latino farmworkers were just as poor and dispossessed. And for women, the doors to many careers were either closed or just beginning to open.

John Biewen: Yes, and yes. And, as I said earlier, there were large parts of the *world* that were not included in this gloriousness, either – or were, in fact, still being exploited to help make all this prosperity possible in places like the United States.

Ellen McGirt: We're gonna hear more on that theme later in the season, in an episode that takes us to West Africa.

John Biewen: Brad DeLong, the economic historian we heard from here, acknowledges all of these points. He wrote this about that time period: "It was closer to material utopia *for white guys in the global north* than ever before."

Ellen McGirt: With all of those very important qualifiers, we are talking about a time when, within the capitalist world, inequality was less extreme than ever before.

John Biewen: And I want to bring up one more way of quantifying this. Statistics can make the eyes glaze over, but there's an economic measure that we don't hear about as often as things like the unemployment rate, inflation, GDP, those go-to economic indicators for politicians and the news media. Although, I did catch this a while ago. The public radio show *Marketplace*, being wonkier that some, did report on this measure that I'm talking about:

> **Sabri Ben-Achour, Marketplace Morning Report, April 12, 2024:** Next month, the Bureau of Labor Statistics will tell us how much of the income generated by workers' toil actually went to workers in the first quarter of the year. The stat is called the labor share of national income, and as Marketplace's Nancy Marshall Genzer explains….

Ellen McGirt: The labor share of national income. So, of all the income that businesses bring in, from sales of their goods and services, how much of that goes to workers. As opposed to, how much winds up as profits in the pockets of stockholders.

John Biewen: That number, according to the federal reserve, also went up significantly during the "thirty glorious years" in the United States. In the before times, in 1930, workers took home about 57% of the money that was generated by their labor. 57%.

That labor share went up in the 1940s, to about 65% – almost two-thirds of corporate income was going to workers. It stayed over 60% for the next few decades, well into the 1970s.

Ellen McGirt: That doesn't sound like a huge increase – from fifty-some percent to sixty-some percent. But the result, over those decades, was trillions of dollars in the pockets of people in the bottom 90-percent of the income scale – that's money that would have gone to the wealthiest folks without those more progressive policies that reduced inequality. And then, guess what, starting in about 1975, the labor share of national income went down, and down. Until now, things are more like they were back in the days of Herbert Hoover.

John Biewen: But again, that's the story of the next episode.

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John Biewen: Let's zoom out again and place all of this into our bigger story about the history of capitalism. Remember, we said that during its first three and a half centuries or so, capitalism made a small number of people, and monarchies, very rich, but didn't do much for most regular people. Then, two big things happened. One, we covered in Episode 5 – that great acceleration that started around 1870: the rapid growth in productivity and technology, propelled by industrial research labs that turned inventions into products, and so on.

Ellen McGirt: But then something else happened, and this, John, feels like the big takeaway from this episode. We saw the success of social movements and political pressure from below. Those movements were fueled and helped along by crises – like the Great Depression. But it was these pressures that pushed the people in power into embracing experiments in social democracy.

John Biewen: And here's the thing I can't stop thinking about. There's a tendency to look at the big picture, and the improvement in people's material lives across much of the world over the last century or two, and say, wow, look at this broad prosperity enjoyed by millions and millions of people today. Ain't capitalism great? But, at the same time, many of the very programs and policies that made life better for people and reduced inequality were attacked as "socialism" by the advocates of unfettered capitalism.

Ellen McGirt: Exactly. Social security: Socialism! Government-run childcare or healthcare systems: Socialism. So, the message seems to be that those sorts of policies and programs are *not* capitalism. In fact, they're the opposite of capitalism.

John Biewen: So, it seems like, to the extent that the modern world has spread material prosperity to the substantial share of the population, capitalists have played an important role in that story by driving the accumulation of wealth. Though that has not happened without real harm in the process, through the exploitation of labor and the environment. But, granting the benefits, for some people, in the short term, that is still only part of the story.

Ellen McGirt: Yes. Because the fact that millions and millions of people can now live decent lives, working eight-hour days, with protections in the workplace and some level of security in their old age, and on and on, that's the case thanks to people who demanded something other than unfettered capitalism. People who insisted on *non-*capitalist social structures and policies.

John Biewen: Without those policies, our societies would be much more unequal, and more unkind, than they are.

Music

John Biewen: Next time: The New Gilded Age. Our neoliberal era – 1980 to the 2020s.

Credits:

John Biewen: This episode was made by me, with Ellen McGirt and our story editor, Loretta Williams. Music by MIchelle Osis, Alex Symcox, Goodnight Lucas, and Lili Haydn. Music consulting by Joe Augustine of Narrative Music. Person-on-the-street interviews by Arlene Arevalo, Lilly Clark, and Gabriela Glueck. Recording help from Briana Breen. Voiceovers of historical writings by Alan Hall and Scott Huler. We post transcripts for every episode at our website, sceneonradio.org. This season is produced in partnership with Imperative 21. The show is distributed by our friends at PRX. Scene on Radio comes to you from the Kenan Institute for Ethics at Duke University.