

**Scene on Radio: Capitalism**  
**Episode 7: Gilded Age 2.0**  
**Transcript**

**John Biewen:** A content warning: This episode contains the use of a racial epithet.

**John Biewen:** Ellen.

**Ellen McGirt:** Hmm?

**John Biewen:** Our news media do love some opinion polls, don't they?

**Ellen McGirt:** Oh, yes (laughing). I'll own a little piece of that – yes, we do. Almost more than actual news, it seems.

**John Biewen:** I guess some polls are useful. But a lot of times it's really unclear what the results mean – what people are saying with their answers. I'm not talking right now about political, who-would-you-vote-for polls. I'm thinking about those surveys that ask big, broad questions about the economy.

**Ellen McGirt:** Right. 'Is the economy good or bad?'

**John Biewen:** Yeah, or it'll actually be worded something like: "How would you rate the economic conditions in the country today?"

Music

**Ellen McGirt:** Well, I'll tell you this. If a pollster ever called me and asked that question, I'd want to say, compared to what? Compared to, like, last year's economy? Or, compared to a much different *kind* of economy that I'd kind of like to live in?

**John Biewen:** When I see these polls these days, I sincerely wonder if some people, maybe younger people especially, are responding in that second way. You know, forget about the official unemployment rate, stock prices, even inflation, the stuff in the headlines that's supposedly telling us how the economy is doing. And people maybe instead thinking, dude, I can't afford rent. I'm working two gig economy jobs with no benefits and I don't know how I'm ever gonna own a home, have kids, or retire.

**Ellen McGirt:** And by the way, I can imagine these younger folks saying, you boomers and Gen Xers, and everyone who came before, your thirst for wealth has wrecked the climate and put the future of *everything* in doubt. So, Pollster, is *this* the economy you want me to rate?

**John Biewen:** There's also the well-established fact, with these polls, that lots of people don't answer the question, "how's the economy," on its face. They answer to send a political message.

**Ellen McGirt:** If I like the current president, the economy's fantastic. And if the opposing team is in office, I'm gonna say the economy stinks.

Music

**John Biewen:** All that said, from time to time, an opinion poll comes along that seems to actually reveal something. In 2016, a survey of Americans came out, and got some attention.

**John Iadarola, Young Turks, June 2016:** 71% of respondents in this poll agree that the economy is rigged in favor of certain groups.

**John Biewen:** This poll was done by Edison Research and the public radio business show, Marketplace. This next clip is Larry Rosen of Edison Research, speaking on *Marketplace* in June 2016.

**Larry Rosen, Edison Research, Marketplace, June 28, 2016:** What was so interesting about it was that it didn't matter how you looked at the data. Pretty

much everyone agreed with that statement – Democrats, Republicans, independents, people of all ethnic backgrounds. No matter which way we sliced through the data, people feel that the economy is rigged.

**Ellen McGirt:** So, more than seven in ten people agreed with the statement: “the economy is rigged in favor of certain groups.” But who are these “certain groups”? There were other questions in the poll that shed some light on what people meant.

**John Biewen:** Most people, in the survey, agreed that the groups benefiting from the rigged economy include “rich people, politicians, banks and bank executives, and corporations.” Also, a majority, 55-percent, agreed that the decline of manufacturing jobs was caused more by trade deals than by “natural changes” in the economy.

**Ellen McGirt:** That last one seems to indicate that people blamed offshoring and globalization. You mentioned this poll was done during the 2016 presidential campaign. That year we had two major candidates, one in each party, hammering aspects of the economy and calling it, yes, rigged.

**Trump, Republican National Convention, July 21, 2016:** I have seen firsthand how the system is rigged against our citizens...

**Bernie Sanders, Democratic debate, 2016:** I'm running for president because our economy is rigged, because working people are working longer hours for lower wages....

Music

**Ellen McGirt:** John, for years now, there's been a whole discourse about what has happened to people in the U.S. economy over the last few decades, with lots of people summing things up under the term, neoliberalism. Although for some people, "globalization" is a more familiar shorthand. But it is a key aspect of neoliberalism.

**John Biewen:** In Season 4, we looked at this period, since about 1980, in our episode The Second Redemption. In that case, we were focusing on what neoliberalism has meant for *democracy* in the U.S. But it's just as clearly an economic story.

**Ellen McGirt:** And 1980 is often considered the turning point. It brought the election of Ronald Reagan, just a year after Margaret Thatcher took over as Prime Minister in the UK. So, two very right-wing governments swept into power in major capitalist countries on both sides of the Atlantic.

**John Biewen:** That was a watershed after those decades, post-World War Two, of social democratic policies in much of the West – including in the capitalism-loving U.S.A. Which of course we covered in the last episode.

**Ellen McGirt:** So, this conservative takeover meant a real departure, a turn away from the policies of the “Thirty Glorious Years.” But – to focus again on the U.S. – Ronald Reagan’s election was not a bolt out of the blue.

**John Biewen:** It was not. People who wanted to re-establish the dominance of business interests – of corporations and the people who own them – had launched a campaign years earlier, to win hearts and minds. And they got help from shifting conditions in the world, and what most people saw as policy failures under that prevailing “mixed economy” – which combined capitalist markets with strong labor unions and social programs.

**Ellen McGirt:** So, conservatives, or neoliberals, seized the opportunity. They won elections and drove a new, or not so new, agenda. In many ways they pushed the country back toward the Gilded Age. Or, really, into a *second* one.

**John Biewen:** Now, it might be fair to say the average American seriously underestimates that reality. A lot of us who think, yes, the system is rigged to benefit a few people at the top – well, we don’t know the half of it.

Music: Theme

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

**John Biewen:** And I'm John Biewen. We're telling the story of Capitalism and how people shaped it over time. Later in the series, we'll explore how to remake the system, now that a lot of people see capitalism as the problem, not the solution.

**Ellen McGirt:** In this episode: The latest stage in the history of capitalism, in the United States, certainly – an era that a lot of people now say is coming to an end: the neoliberal years.

**John Biewen:** How did that previous “mixed economy” consensus get swept aside by a new consensus a generation later – one that insisted the government step back, in many ways, and make capitalist markets the answer to just about every question?

**Ellen McGirt:** And, how has that worked out for us? OK, John, off you go. We'll talk more on the other side.

**Powell Memo (Voiceover):** CONFIDENTIAL MEMORANDUM. ATTACK ON AMERICAN FREE ENTERPRISE SYSTEM. Date: August 23, 1971. From: Lewis F. Powell, Jr....

**John Biewen:** In 1971, Lewis Powell, a slender Virginian, 64 years old, was a prominent corporate lawyer, soon to be appointed to the U.S. Supreme Court by President Richard Nixon. A Republican occupied the White House, but the Democrats held solid majorities in both houses of Congress. And Nixon was many things, but on economic policy he was more like a future Clinton than a future Reagan: He called for welfare reform, but talked like this about his anti-poverty agenda in a speech to the nation in 1969.

**Richard Nixon, Oval Office address, August 8, 1969:** What I am proposing is that the federal government build a foundation under the income of every American family with dependent children that cannot care for itself, and wherever in America that family may live.

**John Biewen:** Which is to say, that establishment consensus of the Thirty Glorious Years – let's have capitalism but with strong unions and a welfare state – still pretty much held sway among the people in power in the early '70s. This was deeply



frustrating to some corporate leaders – and folks at business advocacy groups like the United States Chamber of Commerce. One of the Chamber’s leaders asked his friend Lewis Powell to write an internal memo – a call to action for the organization. Powell delivered.

**Powell Memo (Voiceover):** American business plainly is in trouble; the response to the wide range of critics has been ineffective, and has included appeasement; the time has come – indeed, it is long overdue – for the wisdom, ingenuity and resources of American business to be marshaled against those who would destroy it.

**John Biewen:** In his 34-page memorandum, Powell describes what he calls a widespread “attack” on the free enterprise system...

**Powell Memo (Voiceover):** ...from perfectly respectable elements of the society: from the college campus, the pulpit, the media, the intellectual and literary journals, the arts and sciences, and from politicians.

**John Biewen:** For its very survival, he said, the business community would have to fight back. He called for a campaign to change the narrative, to persuade Americans of the essential value of free enterprise – in classrooms, on TV and other media, through books, opinion pieces, and a “staff” of public speakers. But, Powell said, changing

public opinion would take time, so the Chamber should also push ahead on another front.

**Powell Memo (Voiceover):** Business must learn the lesson, long ago learned by labor and other self-interest groups. This is the lesson that political power is necessary; that such power must be assiduously (sic) cultivated; and that when necessary, it must be used aggressively and with determination — without embarrassment and without the reluctance which has been so characteristic of American business.

Music

**John Biewen:** People debate the impact of the Powell Memo itself. But it represents the determined mindset of the most ardent free marketeers at the time. Powerful people, well beyond the Chamber of Commerce, did mount the kind of ideological and political campaign that Powell called for – on a scale, very likely, beyond his wildest dreams.

**Phil Donohue, Phil Donohue show, 1979:** I am pleased to present the number one selling book in America, *Free to Choose*. Please welcome the Nobel Laureate in economics, Milton Friedman. (Applause, theme music)

**John Biewen:** That's Phil Donohue, the hugely popular and famously liberal talk show host, welcoming the famously conservative Milton Friedman, in 1979. By this time, Friedman was a household name. The conservative journalist George Will would later call him the "most consequential public intellectual of the 20th century."

**Phil Donohue, Phil Donohue show, 1979:** You are the counselor to presidents and to presidential candidates. It's really a wonderful spot to be....

**John Biewen:** Friedman had become a go-to, celebrity economic thinker, despite the fact – or, because – he was so provocative. In 1970, he wrote a bombshell article for the New York Times titled, "The Social Responsibility of Business is to Increase its Profits." Friedman wrote that business leaders who try to "defend" free enterprise by insisting that their companies also benefit their employees, the community, or the environment ... are "preaching pure and unadulterated socialism." Here's Friedman, on Donohue, arguing that government should regulate less, tax less, and just plain shrink.

**Milton Friedman, "Phil Donohue," 1979:** Right now, to take the simplest measure, the – government spending at federal, state and local levels, amounts to more than 40% of the income of the people of the country. If you go around and ask people, are you getting your money's worth for that 40% of your income which is being spent on your behalf, supposedly, by government, there are very

few people who will say yes. And they're right, we're not getting our money's worth....

Music

**John Biewen:** Milton Friedman was a leading spokesman for a libertarian, pro-market movement, led and funded by wealthy elites – most crucially, the Koch Brothers, Charles and David, the billionaire oilmen from Kansas. Friedman, Charles Koch, and Friedrich von Hayek, the Austrian economist, were all members of the Mont Pelerin Society, an international neoliberal organization founded back in 1947. Hayek, that patron saint of neoliberalism, is the guy historian Brad DeLong talked about in the last episode, summing up his philosophy this way:

**Brad DeLong:** “The market giveth, the market taketh away, blessed be the name of the market.”

**John Biewen:** In an interview in 1978, Hayek talked political strategy – how to overcome most people's skepticism, at the time, toward laissez faire economics.

**Friedrich von Hayek, Free to Choose Network, 1978:** You can never expect the majority of the people to regain their belief in the market as such, but I think you can expect that they'll come to dislike government interference.

**Milton Friedman, “Phil Donohue,” 1979:** The government is too big, it’s too intrusive, it restricts what we can do, it’s becoming our master instead of our servant, and we’ve got to react against it and cut it down to size.

Music

**John Biewen:** Neoliberal thinkers like Friedman and Hayek, bankrolled by the Kochs and other wealthy businesspeople, mounted a decades-long campaign to discredit government and liberate capitalist markets. From their perspective, they were trying to “save capitalism from democracy,” says Nancy MacLean, a Duke University historian. MacLean’s book, *Democracy in Chains*, came out in 2017. She identified another central but less famous player: James Buchanan. Like Friedman, Buchanan was a Nobel-winning economist, and another one-time president of the Mont Pelerin Society.

**Nancy MacLean:** So, James McGill Buchanan, and if listeners haven’t heard of him, don’t feel bad. I never had when I started and most people have not. He was quite content to be in the shadows, unlike some others, like Milton Friedman...

**John Biewen:** Buchanan held radical anti-government ideas: he thought all schools should be privately run, and that workers who get a government paycheck have a conflict of interest and shouldn’t be allowed to vote. Buchanan and Charles Koch met in

about 1970, MacLean found. In a memo to like-minded colleagues in 1973, Buchanan echoed the Lewis Powell memo. He wrote that the libertarian right, being badly outnumbered, needed to “create, support, and activate an effective counter-intelligentsia.”

**Nancy MacLean:** And he was also quite plain spoken about how to do it. He said they needed to create a gravy train. That's his language, a gravy train for kind of the care and feeding of this libertarian counter-intelligentsia. Which is, of course, what Charles Koch then began to do.

**John Biewen:** The Kochs created and funded a striking array of think tanks and lobbying groups. Many are fixtures in American society to this day.

**Mark Levin, Fox News:** ...the Director of the Center for the Study of Science at the Cato Institute...

**Bill Hemmer, Fox News:** ...Manager of the Heritage Foundation's Mees Legal Center. Nice to see you, sir...

**Nancy MacLean:** The Cato Institute, of course, which started as the Charles Koch Foundation. The Heritage Society. Charles Koch boasts that he provided

seed money to the Federalist Society. We now have a Federalist Society Supreme Court majority...

**John Biewen:** It's the Heritage Foundation that produced Project 2025, the extreme, authoritarian blueprint for a second Trump presidential term. The list of Koch-funded groups goes on: Americans for Prosperity, which provided talking points and financial muscle to the supposedly grassroots Tea Party Movement that arose against the Obama Administration. The Mercatus Center, which pushes for government deregulation. And ALEC, the American Legislative Exchange Council, whose members are conservative *state* lawmakers. They pass hundreds of state laws every year, cutting taxes and environmental regulations, and weakening unions.

**Nancy MacLean:** So, it's really a stunning infrastructure. I at one point tried to keep track of it, and we're talking about literally hundreds of organizations.

Music

**John Biewen:** But it wasn't just the right-wing public relations drive that led to change five decades ago.

**Ed Balleisen:** The United States economy ran into headwinds in the 1970s.

There was inflation related to the Vietnam War and oil shocks, and that inflation was persistent.

**John Biewen:** Edward Balleisen is an economic historian at Duke. He points out that inflation in the 70s was far worse, and lasted much longer, than anything we've seen here in the early 2020s.

**Edward Balleisen:** We had multiple years of ten, twelve-percent inflation, and slow growth. And that really bit hard, and it opened the door for a longstanding critique of vigorous government oversight of the economy to gain greater purchase – with politicians, with opinion makers, with the electorate.

**Sound:** hubbub, camera shutters

**Jimmy Carter, news conference, 1978:** The most serious problem that our nation has is inflation. And it's getting worse.

**John Biewen:** Jimmy Carter inherited high inflation when he took office in 1977. Prices had spiked after the oil crisis of the early 70s quadrupled the cost of gasoline. Inflation then soared even higher for a stew of reasons that people still debate, but they included high government spending and, maybe more important, a central bank policy of easing the money supply to cut unemployment. By 1978, inflation was such a crisis that Carter,



a Democrat, was now talking about a government that would spend less and regulate less.

**Jimmy Carter, address to nation, 1978:** We must face a time of national austerity. Hard choices are necessary if we want to avoid consequences that are even worse. I intend to make those hard choices.

**John Biewen:** Even apart from inflation worries, a lot of people agreed, by the late '70s, that government regulation was too heavy in some industries. Ed Balleisen.

**Ed Balleisen:** Trucking was heavily regulated, railroads were heavily regulated, telecommunications was heavily regulated.

**John Biewen (in interview):** Airlines?

**Ed Balleisen:** Airlines. Banking. And there were a lot of inefficiencies that arose because of those restrictions. In airlines, there was a very sharp critique of how difficult it was for new entrants to come into the market and bring competition and therefore lower prices to travelers. And the individuals pushing that argument, this is also very important, were not *at all* just coming from Milton Friedman's acolytes within the Republican Party. The person in the Congress who was leading the charge on airline deregulation was Ted Kennedy.

**John Biewen:** With Democratic and Republican support, President Carter signed the Airline Deregulation Act into law in 1978. It allowed a flock of low-cost airlines to get into the market, and the cost of air travel dropped by half between 1980 and 2010.

Music

**John Biewen:** Politically, the pendulum had swung, for real, in just over a decade.

**TV Announcer, “A Time for Choosing, October 24, 1964:** The following pre-recorded program is sponsored by TV for Goldwater-Miller on behalf of Barry Goldwater, Republican president of the United States. Ladies and gentlemen, we take pride in presenting a thoughtful address by Ronald Reagan.

(Applause)

**Ronald Reagan:** Thank you!

**John Biewen:** The former actor, Reagan, had launched himself to national political prominence in 1964, by giving this combative speech on behalf of Goldwater.

**Ronald Reagan, “A Time to Choose,” October 1964:** Well, the trouble with our liberal friends is not that they’re ignorant; it’s just that they know so much that isn’t so. Now... (Audience laughter, applause)

**John Biewen:** Most Americans thought Reagan's man, Goldwater, was an extremist. They elected Lyndon Johnson in a landslide – a president waging a War on Poverty in pursuit of the Great Society. But sixteen years later...

**Tom Brokaw, NBC News:** NBC News projecting Ronald Reagan the next president of the United States, the fortieth president, at sixty-nine years of age...

**John Biewen:** ...it was Reagan soundly beating the center-left Jimmy Carter. Almost half a century after Franklin Roosevelt was elected, promising a "new deal for the American people," with government to the rescue, the Republican Party finally had a resounding, and triumphant, reply.

**Ronald Reagan:** In this present crisis, government is not the solution to our problem. Government *is* the problem. (Applause)

**Milton Friedman, American Academy of Achievement interview, 1991:**

Ronald Reagan was preaching the same thing in 1964, when he spoke on behalf of Goldwater, as he was preaching when he was elected president in 1980.

**John Biewen:** Milton Friedman, who served as a key economic adviser to Reagan, in an interview recorded in 1991.

**Milton Friedman:** He was the first – only president, in my lifetime, who was elected not because he was saying what the people wanted to hear, but because the people had come around to wanting to hear what he was saying!

Music

**John Biewen:** But it's hard to say for sure whether it was Reagan's neoliberal economic arguments themselves that won over so many voters. Some liked his vibe: he led with patriotic optimism, told folksy stories, and spoke with an actor's timing. And his message was not only about the technocratic pros and cons of government policies. Economic historian Brad DeLong of UC-Berkeley says to understand how economic policy gets shaped in the United States, you have to consider an important *cultural* factor.

**Brad DeLong:** People think they have a right to income and good things that they deserve by virtue of their status or their industry or their traits. And people definitely feel that other people do not deserve things that they do not deserve.

**Biewen:** Yeah, you've talked about the abhorrence of the moochers.

**Brad DeLong:** Yeah.

**Biewen:** And I guess, by extension, the idea of *being* one...

**Brad DeLong:** ...is even worse is, in some ways, even worse. You know, that it's bad for a government to take your money and give it away to the moochers and the slackers, but in some ways it's even worse to be classed, or it's psychologically even worse, to be classified as one.

**John Biewen:** Is that a distinctively strong current in American culture, do you think?

**Brad DeLong:** Perhaps. It does seem to be substantially human. Perhaps it's strongest in America.

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**John Biewen:** Ronald Reagan wasn't shy about signaling who the moochers were, in his view. He used racially coded phrases to talk about mythical abusers of government assistance. The "Chicago welfare queen." The "strapping young buck" who used food

stamps to buy a T-bone steak. He signaled his disdain for the Civil Rights Movement. In his first campaign for governor of California, in 1966, Reagan had said this: "If an individual wants to discriminate against Negroes or others in selling or renting his house, it is his right to do so." In 1980, he launched his official presidential campaign with a speech in Neshoba County, Mississippi, the very place where those three civil rights workers were murdered by the Ku Klux Klan during Freedom Summer in 1964.

**Sound:** Applause, recording of Reagan speech, Neshoba County, August 1980

**John Biewen:** In his remarks that day, Reagan did not mention the murdered young men, James Chaney, Andrew Goodman and Michael Schwerner. But, while talking about upending welfare programs, he did make an appeal to 'states' rights'...

**Ronald Reagan, Neshoba County, August 1980:** I believe in states' rights...

**John Biewen:** ...a loaded phrase evoking the pro-segregation, Jim Crow south. A top advisor to the Reagan campaign, the late Lee Atwater, gave a notorious interview in 1981 to a political scientist. The scholar attributed quotes from the interview to an anonymous "insider," but years later revealed it was Atwater. In the taped interview, Atwater was describing how conservative white candidates had learned to couch their

policy positions in language that, on the surface, made it sound like they weren't talking about race at all.

**Lee Atwater:** You start out in 1954 by saying nigger, nigger, nigger. By 1968, you can't say nigger, that hurts you, it backfires, so you say stuff like, uh, forced busing, states' rights, and all that stuff. And you're getting so abstract now, you're talking about cutting taxes, and all of these things you're talking about are totally economic things, and the byproduct of them is, Blacks get hurt worse than white. And subconsciously, maybe, that is part of it, I'm not saying that, but I'm saying...

**John Biewen:** Black voters apparently heard the dog whistles: 83% voted for Carter in 1980. But a strong majority of the bigger demographic, white voters – 56 percent – went for Reagan.

## **Music**

**John Biewen:** With Reagan in the White House, the economy got worse, then better. The Federal Reserve Chairman Paul Volcker, who'd first been appointed by Jimmy Carter, cranked up interest rates to wrestle down inflation. This created a severe

recession that put millions out of work – leading to the highest unemployment rate since the Great Depression. But inflation did come down, and meanwhile Congress gave Reagan the big tax cuts he asked for. This led to a near doubling of the national debt during Reagan’s presidency, but by 1984, the economy was growing at almost record rates. The Reagan re-election campaign made this memorable claim.

**Reagan ad, 1984:** Music; It’s morning again in America. Today, more men and women will go to work than ever before in our country’s history. With interest rates and inflation down, more people are buying new homes, and our new families can have confidence in the future...

Music

**John Biewen:** Reagan won and served two terms as a popular president. He left office in 1989 as a Mount Rushmore-like giant within his party and the conservative movement. But looking back, his legacy is less clear to people across the political spectrum. Did the economic revolution that Reagan led, along with other neoliberal forces across the world – did it bring about more prosperity, or more hardship and inequality, in the long run?



[BREAK]

**John Biewen:** In the wake of the Reagan Revolution and its overwhelming political success, a neoliberal consensus set in.

**Bill Clinton, 1996 State of the Union Address:** We know big government does not have all the answers. We know there's not a program for every problem.

(Applause)

**John Biewen:** People wanting to illustrate the triumph of neoliberalism like to quote a line from Bill Clinton's 1996 State of the Union address – you know, this one:

**Bill Clinton, 1996 State of the Union Address:** The era of big government is over. (Applause and shouting.)

**John Biewen:** ...though folks usually don't include what he said next:

**Bill Clinton, 1996 State of the Union Address:** But we cannot go back to the time when our citizens were left to fend for themselves. (Applause)

Music

**John Biewen:** The Democratic Party did continue to pursue a stronger safety net, more environmental regulations, and more government involvement in the economy than Republicans wanted. But it's all relative. Most establishment Democrats were simply moderate neoliberals. And this new consensus would hold fast for decades. When another Democrat, Barack Obama, put forth the largest new domestic government initiative in decades, the Affordable Care Act, in 2009, he did not propose a government-run, single-payer health insurance plan – like most every other rich nation has, from Canada to most of Europe to Japan. Free marketeers in the U.S. had long derided that kind of system as “socialized medicine.” So, the architects of Obamacare built the new program to piggyback on America’s unusual – and uniquely expensive – for-profit healthcare industry.

**Barack Obama, address to Congress, September 10, 2009:** Let me set the record straight here. My guiding principle is, and always has been, that consumers do better when there's choice and competition. That's how the market works. (Applause)

Music

**John Biewen:** Under this neoliberal consensus, government regulations were reduced in virtually every industry. Labor laws and their enforcement were weakened, making it harder for workers to organize. In 1960, one-third of U.S. workers were union members; by 2000 that had dropped by more than half, to less than 15%. Congress passed enormous tax cuts, the biggest under Republican presidents like Reagan and George W. Bush...

**George W. Bush, White House lawn announcement, February 2001:** Today I am sending to Congress my plan to provide relief to all income taxpayers, which I believe will help jumpstart the American economy.

**John Biewen:** The lion's share of those cuts went to people with the highest incomes, and corporations. Meanwhile, in the private sector, a new breed of hard-charging corporate executives embraced the ethos championed by Milton Friedman – that “the social responsibility of business is to increase its profits.” This is Jack Welch, the celebrated CEO of General Electric through the 1980s and 90s.

**Jack Welch, interview, ~1995:** If I had three measurements – you told me I had to run this company and I only had three measurements, here's what they'd be: they'd be customer satisfaction, employee satisfaction, and cash flow. Because if

I've got great customer satisfaction, I'm gaining share. If I've got employee satisfaction, I'm getting productivity. And if I'm getting cash flow, the whole system's working. It's a simple game.

**John Biewen:** Welch talked about happy workers, but he laid off so many that he earned the nickname "Neutron Jack," after the bomb of that name that kills people while leaving buildings standing. He offshored a bunch of factories, too.

**Jack Welch, *60 Minutes*, 2001:** We've moved a lot of jobs overseas...

**John Biewen:** No aspect of the neoliberal era had more impact on more people's lives than globalization. The U.S. and other countries made deals to knock down barriers to one another's markets. One of the most earth-shaking moves of all? In 2000, Congress passed, and Clinton signed, the permanent normalization of trade relations with China – giving U.S. companies the green light to set up shop there, or to contract with Chinese partners.

**Bill Weir, ABC News, Feb 21, 2012:** Foxconn attracts a lot of business by having workers close to the assembly line. They spend twelve hours a day in the factory, with two one-hour meal breaks to march single file to a massive canteen for meat and rice...

**John Biewen:** In this ABC News report from 2012, reporter Bill Weir got a rare look inside a gigantic Foxconn plant in China. The Taiwan-based company makes iPhones and other products for Apple, Intel, and other electronics makers.

**Bill Weir, ABC News, Feb 21, 2012:** While the average worker building electronics in the U.S. today makes over \$23 an hour and works 41 hours a week, most of the people at Foxconn earn just over \$2 an hour and strive for a 60-hour workweek.

**John Biewen:** The report included a mention of the eighteen Foxconn workers who had recently died after jumping off company buildings.

**Bill Weir, ABC News, Feb 21, 2012:** The suicide nets are still in place, just in case.

Music

**John Biewen:** Estimates say, just between 2000 and 2010, U.S. employers closed a staggering 57,000 manufacturing plants in the U.S. and cut almost six million jobs.

**Kenny Beck, WXII 12 News, Winston-Salem, NC, October 2009:** Workers pulling out of the Dell plant Wednesday afternoon went their separate ways, but unfortunately they now have one thing in common: they will all soon be out of work.

**John Biewen:** The Department of Commerce said half of those jobs were lost to automation, but companies moved about two and a half million jobs to other countries. They shuttered plants again and again, all across the country, including this vacuum cleaner factory in Iowa, in 2011.

**Co-anchor 1, KCCI, Des Moines, IA, March 2011:** Well, hundreds of employees walked out of the Electrolux plant in Webster City for the very last time today.

**Co-anchor 2:** They did. The company decided to close the facility after opening a new factory in Mexico...

**Duane Hill, Electrolux Worker:** I'm a tough guy but I shed some tears, so ... everybody did.

**Joe Casey, Electrolux Worker:** We're all losing our jobs!

Music

**John Biewen:** The destruction of American jobs over the last few decades, and the erosion in their quality, were accelerated by another big shift encouraged by neoliberal policies – what experts call financialization. It’s a vague, technical-sounding word, but ...

Marjorie Kelly is a former business journalist turned economic reformer and author.

She’s a Distinguished Senior Fellow at the Democracy Collaborative.

**Marjorie Kelly:** Financialization – I call it the problem we're not talking about yet.

It is as big as climate change and yet it's far more invisible.

**John Biewen:** Wait. As big as climate change?

**Marjorie Kelly:** What it means is there's too much financial wealth in the system, in too few hands.

**John Biewen:** Let’s unpack this: What does Marjorie mean by financial wealth – or financial assets – and how can there be too much of them? On one hand, she says, there’s the “real economy.” Businesses produce goods and services, people hand over money to buy that stuff, and much of that money flows back around in the paychecks of workers. And traditionally, some of the companies’ profits also recirculate as

investments in more production and more hiring. On the other hand, financial assets: stocks and bonds, real estate, and debt. Your debts and mine are assets on someone else's ledger. In recent decades, these financial assets have ballooned in comparison with the "real" economy. In the 1950s, when Marjorie Kelly was a small kid, total financial assets in the U.S. were roughly equal to the nation's gross domestic product. Now, they're five times GDP. Who owns these assets? Overwhelmingly, rich folks.

**Marjorie Kelly:** People know that billionaires have all the wealth. And we, you know, there's a lot of talk about how much wealth is going to billionaires. But what we don't talk enough about is where does that wealth come from? That wealth comes from extracting from everyone else, from people and planet and society. So it is this hoovering up, you know. We're told that we're in a trickle down society – let the wealthy do well and a little bit will trickle down, trickle down to the rest of us. Well, the reverse is really the case. That wealth doesn't fall from the sky. It's being extracted from us.

Music

**John Biewen:** It's not just actual billionaires, of course. In 2023, having assets of 14 million dollars would put you in the top 1%, according to the Federal Reserve. So, how dramatically has America's wealth been redistributed *upward* during our new Gilded Age? In 1980, the richest 1% of Americans owned one-fifth of the nation's wealth – a



swollen share already. But the middle class, collectively, was richer than the one percent back then. Today, the 1% owns fully one-third of the nation's assets – and that's *more* than the 29-percent owned by the entire middle class. The poorest half of the U.S. population owns very little – together, just over 1% of the nation's wealth.

## Music

**John Biewen:** How did we get here, and what did “financialization” have to do with it? You can find roughly similar answers from progressive critics of today's capitalism, like Majorie Kelly, and, increasingly, from the right as well. Oren Cass was a top policy advisor to Republican Mitt Romney during his 2012 presidential campaign. Cass is now Executive Director of American Compass.

**Oren Cass:** American Compass is a think tank that we founded back in 2020 to try to develop a new sense of conservative economics.

**John Biewen:** For Cass, conservatives went wrong – and then, so did most powerful liberals – in adopting libertarian, market fundamentalist, neoliberalism. He says one damaging result of the last forty years is a change in the nature and the purpose of the typical corporation.

**Oren Cass:** A corporation, even hundreds of years after Adam Smith, would typically be something bound to a particular place, with identifiable owners and managers who were legally but also personally accountable to their communities, to their workers, to their suppliers, to their customers, and who certainly were doing what they were doing because they wanted to generate a profit, but also, in most cases, had considerations in mind beyond purely profit. And certainly, most people would have said that they had *obligations* that went beyond purely profit. And as technology and the ever more sophisticated role of finance has moved into the corporation, the corporation as a legal entity has become, from the perspective of its owners and its managers, a, in a sense, a financial plaything.

**John Biewen:** A plaything for banks and investment funds, and for private equity firms doing leveraged buyouts – all of them engaged in maneuvers that were foreign to most bankers in the middle of the 20th century. Or, for that matter, in a real or fictional London in 1910.

**Dick Van Dyke as Mr. Dawes, Sr., Mary Poppins, singing:** If you invest your tuppence safely in the bank, safe and sound, soon that tuppence safely invested in the bank will compound...

**Oren Cass:** I'm a huge Mary Poppins fan, and there's the classic song where the banker is trying to take the tuppence from Michael and explaining all the things

they, as an investment bank, could do with the tuppence, the explorations they, you know – the premise was to actually collect capital and deploy it.

**Mr. Banks, Mary Poppins:** You see, Michael, you'll be part of (sings): railways through Africa. Dams across the Nile.

**Mr. Dawes:** The ships, tell them about the ships!...

**Mr. Banks:** Fleets of ocean greyhounds...

**Mr. Dawes:** Tell them more!

**Oren Cass:** And of course, that's not what investment banks or Wall Street, for the most part, do today. They collect capital and use it to buy up piles of existing assets in the assumption that they can convert those assets into simply, you know, slightly more capital than they started with. And so most of what we call investment isn't actually investment at all. It's turning piles of assets around in circles.

Music

**John Biewen:** An important and hugely damaging example of this, according to many critics? The private equity industry, which boomed starting in the 1980s thanks to changes in regulations and the tax code. Today, the biggest private equity firms –

Carlyle, KKR, Blackrock – are effectively some of the nation’s largest employers, through the companies they own, even though most people have never heard of them. These firms gather money from rich individuals, and institutional investors like pension funds, mutual funds and university endowments. The firms then go in search of companies they believe could be more profitable than they are, or that they can squeeze for short-term profits by selling off their assets. Private equity takes control of these companies, often through leveraged buyouts – meaning they use the money they’ve raised to leverage the borrowing of a lot more money to make the purchase.

**Gayle King, CBS This Morning, September 2017:** And the Wall St. Journal reports...

**John Biewen:** This was just one of the most high-profile casualties of a private equity deal.

**Gayle King, CBS This Morning, September 2017:** From the say-it-ain’t-so file: the largest toy store chain in the U.S., Toys R Us, has filed for bankruptcy protection...

**John Biewen:** KKR and a couple other private equity firms bought Toys R Us in 2005, in the process adding massive debt to the company’s ledger.

**Jill Schlesinger, CBS business analyst:** ...and it went private with borrowed money. So the company has five billion dollars of long term debt. No matter how well you're doing, that's an awfully big load to carry.

**Norah O'Donnell, CBS co-host:** What does it mean for the stores and the employees?...

**John Biewen:** Given its debt load from the leveraged buyout, the company couldn't make the investments that would have helped it compete with the likes of Wal-Mart and Amazon. In 2018, Toys R Us liquidated its stores and laid off its 33-thousand workers.

[music]

It's one thing to kill off a toy store chain. But Oren Cass says, increasingly, private equity is making money, and hurting American society, in other ways.

**Oren Cass:** I'm always fascinated by which industries private equity tends to be getting into these days. So, you know, once upon a time, private equity would go get into the corrugated metal roofing industry or whatever, right? They were out there finding all these obscure, undervalued bargains. More and more, what you see private equity getting into are these very intensively *social* industries. Elder care. You know, veterinary services. And every time I see another example of

this kind of thing, what I see as happening is that they've essentially found industries that are not profit maximizing, where part of the premise of operating this industry is you do need to turn a profit but you also have some real obligations to your customers, to the community, that go beyond just maximizing your profit. And the private equity firm is saying, well, what if we just converted that into profit? What if we took all of the embedded social value that the community is benefiting from, and instead extracted it and gave it to rich people?

**John Biewen:** Under private equity ownership, a nursing home that once made a moderate profit while providing decent care for old people will often cut its staff, trim the wages of caregivers, and serve cheaper, lower quality food.

**Marjorie Kelly:** And it's been shown in studies that you have worse patient outcome when the facility is owned by private equity, because they're just, they're just squeezing it.

**John Biewen:** Marjorie Kelly points out private equity firms are doing the same thing to local newspapers – buying them up, then gutting their staffs to maximize profits, at the expense of the community and democracy. Then there's real estate: private equity companies buying up homes to flip them or convert them to rental housing. In the process, putting homeownership even more out-of-reach for families that just want to buy a house to live in.

Music

**John Biewen:** Marjorie Kelly, a progressive who calls herself anti-capitalist, and Oren Cass, a strongly pro-capitalist conservative, agree on quite a lot. It seems both would endorse the finding of that 2016 opinion poll – that the economy is rigged to favor certain people. And they both say today’s capitalism – at least the U.S. version, in the 2020s – is “not producing the outcomes that we want,” as Cass puts it.

**Oren Cass:** And so to the extent that the premise of capitalism is, we're going to get it lined up so that people pursuing their own profit do also create those other things that we need, um, when that relationship breaks down, it is incumbent on policy makers to figure out how to restore it.

Music

**Ellen McGirt:** John. That was a lot. I tell you, when you lay it out this way it just hits differently. And clearly, we really don’t know the half of it. I’m thinking there must be a German word for the experience of shocked by something that you also kind of already knew? You know what I mean?

**John Biewen:** (Laughs) I totally know what you mean, and yeah, I learned so much making this episode. And I can't help thinking back on that image from Episode 2, Ellen, your metaphor for feudalism. The toothpaste tube being squeezed from the bottom?

**Ellen McGirt:** Right. The working people toiled away to produce the wealth of the society, but a small number of powerful people at the top skimmed most of it for themselves, leaving the people who did the work just barely scraping by. Obviously, our world is vastly different from medieval Europe in all kinds of ways, but dude. It's hard not to see that same basic dynamic at work here and now.

**John Biewen:** And what a reversal from the Great Compression of the mid-20th century, when the gap between the richest and poorest Americans got more narrow, less extreme than ever.

**Ellen McGirt:** And you know, John, to me it's a wonder that we've gotten to this point and people aren't *more* angry. It's surprising that the pitchforks haven't come out in greater numbers. But I think a big reason is that people don't really know. I mean, I've been a business and economics reporter, covering the business world during much of this neoliberal era. And, to be fair, there *has* been quite a bit of talk, and reporting, about inequality. People do have a basic awareness that it's a thing. But I don't think that we



in the media have hammered home just how profoundly skewed things have become, and why.

**John Biewen:** In fact, there's research showing that people seriously underestimate the level of inequality in the United States. We've mentioned some numbers on inequality here, but it's so important I think we should just share a few more of these mind-boggling statistics. In Episode 1 we heard what Bernie Sanders said, speaking during his 2016 presidential campaign:

**Bernie Sanders, 2015 speech:** There is something profoundly wrong in our country when the top one tenth of one percent – not one percent, one *tenth* of one percent – owns almost as much wealth as the bottom 90%...

**Ellen McGirt:** A lot of people probably thought, well, that's Bernie exaggerating. But he wasn't. The nonpartisan fact-checking organization, Politifact, looked into that exact claim when Elizabeth Warren made it, and found it "mostly true."

**John Biewen:** That's right. The source of that claim by Warren and Sanders was a pair of economists at Stanford and UC Berkeley. To be specific, they estimated that the richest 0.1% of Americans – a hundred-thousand-plus families – owned one-fifth of the nation's wealth. And the bottom 90% of us – almost 300 million people! – owned more,

but not that much more, about one-fourth of the total. So, 25% compared to 20%. So when Warren or Sanders said the .1% own “almost as much” as the bottom 90%? Close enough.

**Ellen McGirt:** One more way to slice it? Let’s take a global view. In 2020, the *world’s* billionaires, roughly 2100 people, had as much wealth as the poorest 60-percent of humanity – four-and-a-half *billion* people. And that was true, according to Oxfam International, *before* the ten richest people on earth doubled their wealth during the pandemic.

Music

**John Biewen:** The other important takeaway from this episode, I think, is how and why inequality has gotten so extreme.

**Ellen McGirt:** Yes. And here’s what folks like Marjorie Kelly are saying: The overall size of the economy has continued to grow at a pretty steady clip. The pie keeps getting bigger. But as workers and companies get more and more productive, with the help of technology, a huge share of the wealth is being siphoned off and turned into assets held by the rich.

**John Biewen:** What does this really mean? Instead of going into the bank accounts of millions of regular working people through higher pay, it's showing up instead as profit on the corporate ledger, which raises the value of stocks in the portfolios of the mostly wealthy people who own most of the stocks. And at the same time, rich folks get to *keep* more of their wealth thanks to the big tax cuts over the last forty years, especially cuts on the highest incomes and on investment income – which is the main source of income for the very wealthiest people.

**Ellen McGirt:** OK, listen to this. In a study published in 2020 by the RAND Corporation, a pair of economists set out to measure how much more wealth people in the bottom 90-percent of the U.S. population *would have* accumulated over the last forty years if things had been distributed the old way, the way they were during those post-war decades, from the 40s to the 70s. Their estimate? 50. Trillion. Dollars.

**John Biewen:** Fifty trillion. This study also estimated that if the distribution of income had stayed as it was from the mid-1940s to the 1970s, each worker in the bottom 90-percent could have been paid, on average, 1100 dollars more *every month* than what they were paid, over decades. And we've rattled off too many numbers so I'm not even gonna mention the one about the 400 wealthiest American families paying a lower tax rate than the average person in this country – because the wealthiest get most of their

income from investments and that income is now taxed at a lower rate than the wages earned by a barista or a plumber.

**Ellen McGirt:** One last observation, John: It was very interesting to hear from Oren Cass, who founded the think tank to put forward a “new conservative” economic vision – which seems to be part of a broader move away from the neoliberal status quo by *some* politicians on the left and the right. For example, Donald Trump, as president, was very much the neoliberal in some ways. He signed a major tax cut that mostly benefited corporations and wealthy people. But, in an anti-globalization move, he did pull the U.S. out of the Trans-Pacific Partnership. That was gonna be a Nafta-like free trade agreement with countries in the Pacific Rim and the Americas.

**John Biewen:** And as we record this, in the summer of 2024, the new Republican Party platform is calling for across-the-board tariffs and ending China’s most favored nation status, among other things. The party under Trump is taking a populist, protectionist approach – though it still wants to make at least some of the Trump tax cuts permanent.

**Ellen McGirt:** The Biden administration has also veered away from neoliberalism, and pretty sharply.

**John Biewen:** Yes. Biden embraced industrial policy, using government muscle with the explicit goal of advancing certain industries through subsidies and tax credits. In this case, through laws that have meant hundreds of billions of dollars invested in renewable energy and computer chips, creating many thousands of new manufacturing jobs.

**Ellen McGirt:** Biden has also positioned himself as the “most pro-union president in history,” joining a picket line and encouraging labor organizing. So, some shades of Franklin Delano Roosevelt there. I guess we’ll see whether these trends are just a momentary change in direction, or if they really do signal the end of the neoliberal era.

## Music

**John Biewen:** Next time: We hear from people in the younger generations in the U.S. on why they’ve turned deeply skeptical toward capitalism as we know it.

**John Biewen:** This episode was made by me, with Ellen McGirt and our story editor, Loretta Williams. A note: Edward Balleisen, the Duke historian we heard from in this episode, oversees the Kenan Institute for Ethics in his role as Vice Provost for Interdisciplinary Studies. Music by Michelle Osis, Alex Symcox, Goodnight Lucas, Lili Haydn and Chris Westlake. Music consulting by Joe Augustine of Narrative Music. Voiceover by Robert Korstad. Recording help from Mike Toda and Briana Breen. You

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