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'The real division is between democracy and oligarchy'

Former US Secretary of Labor Robert Reich on the methods of the big corporations, citizens' anger and how to beat Trump

Read this interview in German.

In your book *The System: Who Rigged It, How We Fix It*, you claim that the economic and political system in the United States is rigged by a vicious cycle of wealth and power. Can you please explain how?

As more of the nation's income has moved to the very wealthy, that has by definition increased their pool of wealth. Some of that wealth has been used to influence politics. In the United States, there are little or no restrictions on the amount of money that can be spent in political contests, mostly on advertising, on Facebook, on all sorts of activities that help particular candidates.

As more money from the wealthy has flooded the political system, changes have been made in the rules of American capitalism. Everything from a decrease in anti-trust and anti-monopoly enforcement to increasing barriers of organising workers. Bankruptcy has become harder for average people, easier for big companies. Intellectual property rights have extended and it's become easier for companies, pharmaceutical companies, big tech companies, to extend their patents and copyrights. Class action lawsuits have become more difficult.

It's become legal for inside information to be utilised in making stock trades. It's become legal to buy back shares of stock and artificially pump up share prices. The restrictions that were put in place in the 1930s to control Wall Street were almost eliminated before the 2008 financial crisis, and then the restrictions put in place after the financial crisis have also been whittled away.

Taxes have been dramatically cut on people with high incomes. This is the vicious cycle, because, as the so called "free market" is altered in

these and countless other ways, more wealth moves to the top, permitting the next round of alterations in the market to help those at the top. I didn't even talk about all the bailouts and subsidies. You can see even during the pandemic, the big companies get bailed out, the rich get additional tax breaks, and yet average people get very little.

And that makes them vulnerable to demagogues like Trump?

As more people feel that they cannot get ahead, no matter how hard they work, as their hopes dim for improving their own or their children's condition, there is obviously a greater degree of anger and frustration. That's fertile ground for a demagogue to come along and use that anger and frustration for his own purposes, to build his political base, to channel that anger toward scapegoats, such as immigrants, the poor, cultural elites, or the so called "deep state". This is analogous to what Hitler did in the 1930s. It's a frequent strategy of demagogues to prey upon the anger and frustrations of the working class.

Why hasn't there been more outrage and larger protests?

There has been a great deal of protest. Two major candidates in the Democratic primary were Bernie Sanders and Elizabeth Warren. Their success signals a very large and broad based progressive movement in the Democratic Party. In the Republican Party, Donald Trump continues to fool many working class people into believing he is their hero, their saviour, but they're beginning to catch on as well. They see that he's given huge tax cuts to the wealthy and big corporations and that he has rolled back health and safety regulations. The pandemic, I believe, has made all this even more evident.

What we really have in the United States is several mythologies perpetrated by the oligarchy that are giving way under the pressure of reality. One such mythology is that there's a political left and a political right along traditional lines, when in fact the real division is between democracy and oligarchy. The oligarchs want people to be divided because that's the easiest way of deflecting attention from the wealth and power they've accumulated, but people are beginning to see that. The second mythology is that there is a free market, and that government intrudes on that free market, but that mythology is also coming apart, and the pandemic has hastened that process.

Another mythology is that corporations are socially responsible, or can be counted on to respond to their workers and their communities. Well, nothing could be further from the truth. Corporations respond only to their shareholders and their CEOs, who get paid according to how well the companies do. Finally, the mythology of meritocracy,

that you're paid according to what you're worth. People are beginning to see that the system is being distorted by wealth and power. Even a few years ago, the issue of power was rarely discussed in economics, or even in political science, but it is now becoming centre stage. In all these respects we are seeing much more awareness and political action on the part of people to take back politics and the economy from the oligarchy.

In the 2018 midterm elections, we saw a great outpouring of progressive sentiment and success. The Democrats took over the House of Representatives, and it wasn't the corporate Wall Street democrats who did that. It was the young progressive democrats, like AOC, and many other women and people of colour. Times are changing.

In the past you criticised Democrats as the party of the status quo. In your opinion what were mistakes that they made and what does Joe Biden have to do to win the election?

The Democratic Party abandoned the working class. That was the biggest single mistake. The working class had been a key part of the coalition of the Democratic Party in the 1930s, under Franklin D Roosevelt. But over the last 40 years, the Democratic Party has sought to reposition itself in the so called centre. The Democrats thought that the new centre was located in the upper middle class suburbs, the so called suburban swing voters. That, I believe, was ill advised.

It left the vast American working class abandoned. Democrats paid little or no attention to unions, allowed labour unions to wither from 35 per cent of the workforce in the private sector to 6.4 per cent. Without a robust union movement, the Democratic Party was seriously weakened. Concerning Joe Biden, it's too early to tell. By many, he is regarded as the safest candidate to defeat Donald Trump.

What do you think?

That may be right but Biden has got to inspire and activate young people and the working class. He has time to do that. Bernie Sanders just endorsed him. There is an effort to unite the party behind him, but, that’s primarily for the purpose of defeating Trump, in my view the worst president in American history.

If Biden does succeed in defeating Trump that will be only because young people, working class people and progressives got behind him. But that leaves open the question of how forceful Biden will be, if he is elected, as an agent for the progressive cause moving into the future, providing Americans with a stronger social safety net, including healthcare. As you know, the United States is an outlier. American

workers are treated to the harshest form of capitalism. Here, we have socialism for the rich and extraordinarily punitive capitalism for everyone else.

In your book you criticise deregulation and privatisation by the Trump administration. How much is the Trump regime to blame for the current corona related situation in the US?

I would say about 50 per cent of the spread, the death, destruction, caused by the coronavirus is due to the Trump administration. Its incompetence, its deregulation of public health, its ideological rejection of public health in general. But the other 50 per cent was already baked into the American structure. There is not a public health system in the United States. We have a system of private for profit health insurance, run largely by for profit corporations. We have, a safety net that is full of holes, that is in tatters. It was that way before Trump.

Donald Trump is the culmination of years of neglect, of stagnant wages, of widening inequality and corruption and of more income, wealth and power going to the top. If Donald Trump never existed, there would be another demagogue in his place.

Due to the coronavirus over 20 million Americans filed for unemployment over the past three weeks alone. How do you assess the USD 2 trillion bailout package which was negotiated by Democrats and Republicans together?

It's not nearly enough and much of it goes to the wrong people. 500 billion of the package is set aside for bailouts of mostly big companies. They don’t need to be bailed out. If we learnt anything from the Wall Street bailout of 2008, we should have learned that very large companies should never be bailed out. The airline industry, for example, in the United States has a lot of collateral in terms of wealth and assets in the form of airplanes and landing slots. The big hotel chains, they've got properties that will be worth a great deal, once again, when the economy returns.

These big companies are continuously renegotiating their debts with their creditors. Moreover, in recent years they’ve gone deep into debt to get money to buy back their shares of stock for the benefit of their major investors and their CEOs, their top executives. Why should they get bailed out now? It's ludicrous. On the other hand, $1200 per adult is not nearly enough. The typical American spends that much per week on necessities. It's an insult. Much of that money hasn’t even got out to people yet.

The unemployment insurance is a good idea, but the system is

overwhelmed. It can't handle all of the demands that are now being placed on it. Under the Republicans and Republican governors, much of the system is designed to deter people from getting unemployment insurance, even if they're entitled to it. What has happened so far is grossly inadequate.

This interview was conducted by Nikolaos Gavalakis.



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