

THOMAS PALAIMA | REGULAR CONTRIBUTOR

Stomping all over Americans

This year marks the 100th anniversary of the publication of Jack London's dystopian novel "The Iron Heel." In it, a super-wealthy oligarchy has used savage capitalism to destroy the middle class, bankrupt small independent businesses, and turn farmers and laborers into serfs. This no longer sounds like fiction.

For six years, former Sen. Phil Gramm of Texas has been an executive with the U.S. operations of the Swiss bank UBS. Sen. Carl Levin, chairman of the Senate Permanent Subcommittee on Investigations, says UBS has used a variety of clever "secrecy tricks," including smuggling diamonds through U.S. customs in toothpaste tubes, to enable 19,000 wealthy Americans to hide \$18 billion dollars in assets from the IRS. In Levin's opinion, UBS and these fellow citizens have been waging "economic warfare against the United States and honest, hardworking American taxpayers."

The Marie Antoinette quality of Gramm's comment about whining Americans has been much discussed. More significant, however, are oligarchs, like the 19,000 tax-cheaters, who do not whine, because they have profited from the political and economic philosophy that has prevailed since the election of President Reagan.

You might recall Vice President Dick Cheney declaring during the 2004 vice-presidential debate in Cleveland that the answer to the 31 percent unemployment rate in "the biggest poor city in the country" was to "have a first-class public school system," and to do for high schools what the No Child Left Behind Act had already accomplished for elementary schools.

In 2004, the Cleveland public school district had a projected debt of \$1.4 billion dollars. Two out of every three dollars it spent in its annual budget went toward debt service. For 40 years, many of the children in Cleveland's public schools have been left way behind. A February report by the Brookings Institution says that children of poverty have a 62 percent chance of joining the middle class if they get a four-year college degree. But the same report declares that dysfunctional public schools, families and neighborhoods are the main impediments to them even getting to college.

In December 2006, I heard a Federal Reserve Bank official explain that the role of the United States in the world economy was to buy things

and we should keep on buying things, despite the weakness of the dollar and our record levels of household and government debt. I was dumbfounded until I understood that there is a powerful segment of our society that profits from such policies.

The very word "economy" means "household management." Its etymology implies that what goes on at the level of the individual household is analogous to what goes on within national economies. A basic fact of history is that debt comes due. When it does, as in the major economic crises that plagued Greek city-states during the seventh and early sixth centuries BCE, mechanisms may be found to make it perpetual. In the time of the Athenian leader Solon, many small farmers had become debt-slaves. Many Americans are effectively debt-slaves right now.

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But there are people or institutions taking advantage of that indebtedness. A June 2 Newsweek story described how an entrepreneurial broker made a small fortune selling 71 houses in a depressed but stable Slavic neighborhood of Cleveland by manipulating the appraisals of these properties as much as 600 percent upward and then selling them via sub-prime mortgages. The neighborhood is now in ruins.

We think of institutions as culprits. The failure of big banks draws national attention. But for big lenders to fail, the Cleveland story has to be repeated thousands of times. In every case, mortgage lenders, real estate agents, appraisers, lawyers and sellers — in the Cleveland case, the broker split his 8 percent commission with these other parties — profit from the situation and bring about misery for individuals and whole communities.

We have had 28 years now of deregulation and anti-government politics. We have had savings and loan, junk bond, Enron, Iraq contractor and sub-prime real estate scandals. Our government is off our backs. This leaves the poor, powerless and uneducated exposed to economic predators, what London called "the law of club and fang."

We have drifted far from LBJ's vision of a Great Society. We need a new new deal.

Palaima is Dickson Centennial professor of Classics at the University of Texas at Austin. He recommends Bill Moyers' PBS Journal, at <http://www.pbs.org/moyers/Journal/07182008/watch.html>, which examines the effects of subprime deregulation.