

## **Capitalism is Dead. Long live Capitalism.**

**By Ana Tajder**

I don't get it. What is going on? Revolutionary things I was "whispering" to the readers of my blog only a few months ago -- you know, the stuff about saving the world -- are now echoing across the globe from people like the US Treasury Secretary and the British Prime Minister; from Chancellors, Presidents and President-Elect, even Nobel Prize winners.

It was only a while ago that my father called and said "I love what you are writing, dear, but be careful! You might get arrested as a lefty..." So now what? Is Bush too much of a lefty? Am I going to share my prison cell with Obama and Sarkozy and Merkel?

### **Ana Almighty**

Since summer, I've been promoting Ana's Plan to Save the World. In brief: Switch off the financial markets (they are nothing but legalized crime, anyway); Put the multi-nationals under state control. What was that about Coca-Cola buying water wells?! And Time Warner deciding what we think?

Limit wealth: 500 million -- € or \$, I don't care -- should be enough for any wealthy person. The rest should go to the state for projects that will benefit everyone.

Wake the governments up (!): Only princesses get to sleep for 100 years! Remind our representatives of their job descriptions: you know, the stuff about serving, protecting and guiding in times of trouble and assuring welfare for all. Of course, there may not be anyone one who is capable of doing this. But we should at least try.

That was all before the crisis.

Now two months later, financial markets have shut down and state control is suddenly the only way to survive. As I write, the largest banks have been nationalized and French president Nicolas Sarkozy is proposing partial re-nationalization of Europe's key industries. The German government is limiting management bonuses. And Barack Obama wants to implement higher taxes for the top 5% of the richest Americans.

In short, governments are awake at last and suddenly... working! They are creating bailout plans and trying to save their respective economies. And they seem to have finally remembered that they are here to protect their citizens. *Everybody*, not just the rich.

Actually, the world's quick reaction to my plan has left me a bit confused. I feel like "Bruce Almighty", the Jim Carry character to whom God gives infinite powers to show him how difficult it is to rule the world. Well, I *know* it's difficult. Personally, I've never understood why anyone would even *want* to become president.

Stunned at the prospect of becoming "Ana Almighty", however, I have tried to understand where the crisis came from. I spent a week watching CNN, NTV, Euronews and every discussion I could find on this topic, and fighting my way through *Time*, *The Economist*, *Die Zeit*, *Der Standard*, *Spiegel* and so forth, I ended up with an overdose of economics and politics, but I was happy to find out... what I had known all along.

Now, we were officially allowed to acknowledge that the problem lay in basing a system on soap bubbles and false values, as well as in uncontrolled greed with no moral obligation. The whole system is crumbling, not only its financial or economic aspects, making this into a crisis of ideology.

### **Soap Bubbles and Moral Turpitude**

The problem started when values were separated from the "real economy" **i.e., the buying and selling and general moving of goods and services around**. But what is the "unreal economy"? Only 1/5 of the money circulating the world comes from producing goods. If we estimate for the

other 1/5 to come from services, this makes 2/5 of wealth coming from the “real economy”. Which means that 3/5 is the wealth is based on... What? Speculation?

If David Beckham earns \$50 million a year (oh, suddenly we hear that football clubs are \$5 billion in debt!), Will Smith \$80 million, Gisele Bündchen \$35 million and Dick Fuld earned \$490 million in stocks and options for bringing Lehman Bros. to bankruptcy, then this money cannot have real and *fair* value. Even if someone somewhere used underpaid kids to produce things for less than they are actually worth and someone somewhere else sold those things for much more, the margin is not high enough to cover the other 3/5 of the virtual money, including Ms. Bündchen’s fee and Mr. Fuld’s bonus.

So the Wall Street wizards simply *invented* the money - they created those virtual values with a little help from mathematicians and physicists. They invented and traded securities that were too complex for anyone, including themselves, to fully understand.

And something interesting happened: it seems that in this virtual money, we rediscovered the irrational belief long lost with the decline of religion. Derivatives took the place of God: exactly because they were too complex to be understood, everybody believed they possessed the magic powers to reward the virtuous. (Of course Americans found religion again too...) Unfortunately, derivatives do just the opposite; they're what Warren Buffet called, “financial weapons of mass destruction.” In reality, they were pixie-dust securities, soap bubbles of fantasy and wishful thinking. Because nobody understood what was going on, this virtual bubble was allowed to grow until it was stretched too thin and it simply had to pop.

To keep the faith in this new God, traditional moral obligations had to be forgotten. Only ten years ago, executives were still trying to manage their companies well, to make quality products, to treat customers right, to create a good working environment for their employees. Cutting costs was done only in times of crisis. Then something called “shareholder value” took over, cutting costs, jobs, benefits, quality – no matter what it meant for the employees, the environment, the customers, the community. And the more damage done, the higher the bonuses.

Until 1990, there was a law in Germany limiting salaries of managers to up to 20 times the average salaries of their workers. Then communism collapsed, capitalism began raging out of control and managerial salaries rose up to 400 times workers’ salaries. While the wealth of the rich grew 9,4% in 2007 to \$ 40,7 trillion, health and social systems all around the world crashed and a new class of working poor emerged. Profits were privatized and the losses nationalized. Now, this *absurdum* has reached a grand finale. The current crisis was caused by a few thousand people – they could all be named. Of course nobody will do that, and they will remain unpunished. The rich will stay rich (and some probably get even richer) while the poor will grow poorer while paying for the mistakes of the rich. One week after the government rescued AIG with 84\$ billion of taxpayers’ money, its managers spent \$444,000 at a luxury resort. In past two years, Lehman bankers earned \$8.200.000.000 in bonuses. Where did this money go? Surely not into the bailout.

This is where we reach the core problem. The greed ruled out moral obligations, a failing that was obvious for years. But nobody protested. While intellectuals were whispering, religion leaders were silent and governments were sound asleep. Or worse, helping out. So this crisis is not only financial or economic – it is a crisis in the loss of basic human values and sense of shared purpose, without which, no society can survive.

So now what? Is capitalism dead? No, of course capitalism is not dead; but in order to recover, it needs fundamental changes. We have the U.S. nationalizing its banks, and German finance minister Peer Steinbrück admitting that “certain parts of Marxist theory are not so wrong.” Sarkozy is telling us that “Uncontrolled capitalism perverted the real economy and we need a

new balance between the state and the market.” The UN’s International Labour Organisation just predicted that by the end of 2009, 20 million jobs will be lost as a result of the crisis, and asked governments to create a safety net to amortize for those lost jobs

Saving the system means embracing certain aspects of socialism. Economies cannot grow forever. Automation results in increasing unemployment. There are also limits to consumerism – who needs more than two cars and five TV sets?

The election of Barack Obama gives us hope. But the power of the business lobbies is immense. And changing economic cultures in the USA and UK, those admired cradles of turbo-capitalism, will be very difficult. But there is not much choice. Quick and dirty solutions will bring the next crash all the sooner. And as Frithjof Bergmann, of The Center of New Work, has predicted, it may even bring class war. Without fundamental change the lessons of the panic will soon be forgotten; the governing princesses will go back to sleep, and the greedy will rise from their graves to blow new soap bubbles to carry off all of our dreams.

So here’s my revised plan to save the world: Restore real values – not only real market values, but also real *moral* values like fairness, responsibility, equality, honesty, freedom, love for one’s neighbor and fulfillment in life. This is the only real way out of this crisis.

For my part, I will try to convince Obama, Merkel and Sarkozy -- in our “lefties” prison cell -- of my plan. And maybe if we join hands over the table at midnight, Marx will appear – and whisper a few solutions into our waiting ears.