THE SEVEN DEADLY SINS OF CAPITALISM

From the American dream to the credit nightmare

Benjamin Franklin referred to the American dream in its autobiography. Historian James Truslow Adams summed it up in his "*Epic of America*" *(1931) as a "dream of a land in which life should be better and richer and fuller for everyone, with opportunity for each…*". Note that Adams added: "*It is not a dream of … merely material plenty, motor cars and high wages*."[7] In "*Death of a Salesman*" Arthur Miller's major character is on a journey for the "American Dream". Over the decades, the spiritual content of the dream has diminished while material components have kept on rising. Freedom of choice is mainly synonymous with a wide variety of shopping options, a better life is reduced to "*material plenty*." In "*Born to Run*" Bruce Springsteen talks of a "*runaway American dream*", while Randy Newman sings ironically about "*great big things*" that show "*It's money that matters in the USA*".[8]

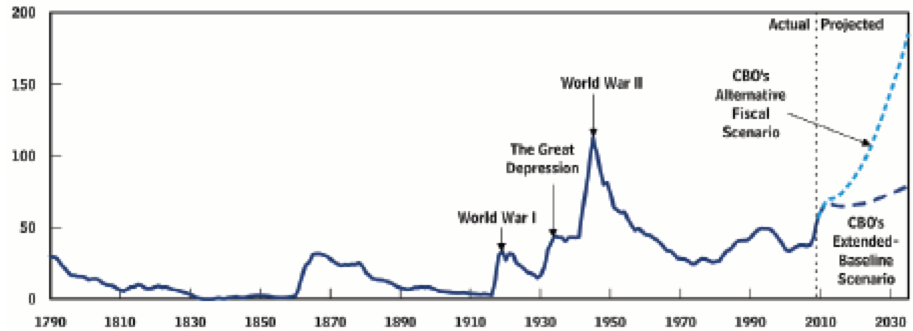
Herman Daly, an economist, John Cobb, a theologian, and David Loy, a professor of philosophy, write that "*our shift to consumption values has revolutionized the way we relate to each other. Shopping has become the great national pastime… On the basis of massive borrowing and massive sales of national assets, Americans have been squandering their heritage and*

7 James Truslow Adams: "*The Epic of America*" (1931, Simon Publications, 2001).

8 Bruce Springsteen: "*Born to Run*" (Columbia, 1975). Randy Newman: "*It's Money that Matters*", from "*Land of Dreams*" (WEA-Reprise, 1988).

impoverishing their children. So much for their patrimony..."[9] The New York Times columnist Joe Nocera rightly puts much of the blame on credit as a whole.[10]

U.S. Federal debt (publicly held)



Source: Congressional Budget Office (July 2010)

Before the 1929 crash, the U.S. debt level was already way above 100 percent of GDP and surged in the 1930s; the debt problem – and its cost – has kept on worsening ever since. Before the late-2000s financial crisis, U.S. total debt reached 230 percent, excluding financial institutions. Including these, the percentage jumped to 350 percent of GDP (or to about 300 percent having removed asset-backed securities). In recent years, some firms borrowed up to $30 for every $1 they owned. Skyrocketing debt levels are/were of course not exclusive to the U.S. But the easy-money game was by far the most advanced in America. At first glance, it looked like a win-win, both for borrowers and lenders. Lending standards had been lowered, adjustable-rate mortgages had become the rule, but as most Americans want to have, buy and own, the roundabout kept on turning. At the end of 2007, the ratio of debt to disposable

9 Herman E. Daly, and John B. Cobb, Jr.: "*For the Common Good*" (Beacon Press, 1994), cited in "*The Religion of the Market*", by David R. Loy, in the Journal of the American Academy of Religion (Summer 1997).

10 "*A Piece of the Action: How the Middle Class Joined the Money Class*", by Joseph Nocera (Touchstone, 1995).

personal income had risen to 127 percent, from 80 percent in the nineties, with much of it related to mortgage costs. One of the results is that one out of every two Americans now lives on a low income or below the poverty line. On top of that, financial institutions issued large amounts of debt in the mid-2000s: the top five investment banks (of which a number have now disappeared) reported $4.1 trillion in debt in 2007, the equivalent of 30 percenr of U.S. GDP. To cap it all, government debt kept on increasing, with large amounts borrowed from Asian lenders. Note that, contrary to popular belief and right-wing propaganda, public debt increase is not only a left-leaning inclination: "*By the Treasury Department's count, Congress has acted 78 times since 1960 to raise, extend or alter the definition of the debt limit – 49 times under Republican presidents, and 29 times under Democratic presidents.*"[11]

Households, banks and the government had (have) already spent some (or much) of their future earnings: "*The current crisis marks the point at which the bills begin to get paid*."[12] Eric Zencey thinks that all crises that have beset the U.S. economy in recent years are "*crises of debt repudiation. And we are unlikely to avoid more... until we stop allowing claims on income to grow faster than income*."[13] Before copying a largely outdated U.S. model, one should reflect on the explanations and the implications of the late-2000s financial crisis and the huge bailout that followed. A Silicon Valley venture capitalist nailed it: "*You can bail out the economy, but you cannot bail out the environment. America has been borrowing money from China to buy oil from the Middle East. This 'borrow, buy, burn' model has*

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11 "*Charting the American Debt Crisis*" (New York Times, July 28, 2011).

12 As written by David Leonhardt in the Herald Tribune ("*Debt is whittling away at U.S. economic power*", October 13, 2008).

13 "*A living, breathing economy*", by Eric Zencey, Professor at the Empire State College (Herald Tribune, April 15, 2009).

to change."[14] The buying, owning, housing, borrowing and burning model helped to define an "American way of life", regarded and preached by some as "my way or the highway". It is now running out of steam and has become purely and simply unsustainable. Claiming like Mitt Romney that his administration would "*permit drilling wherever it can be done safely*" is both pure demagogy and sheer irresponsibility. Tax-inclusive gasoline (or petrol) costs a Norwegian more than twice as much as for an American. Does that make the former's life less good than the latter's? One may doubt it, as the Norwegian state prefers to use oil revenues for funding arts and culture rather than for lowering fuel price for big drivers in big cars leaving big profits for big oil. The future oil shocks will be a rude awakening for many, and a reminder that the American dream now lives mostly in… Hollywood. "*It's called the American dream because you have to be asleep to believe it,*" said the satirist George Carlin.