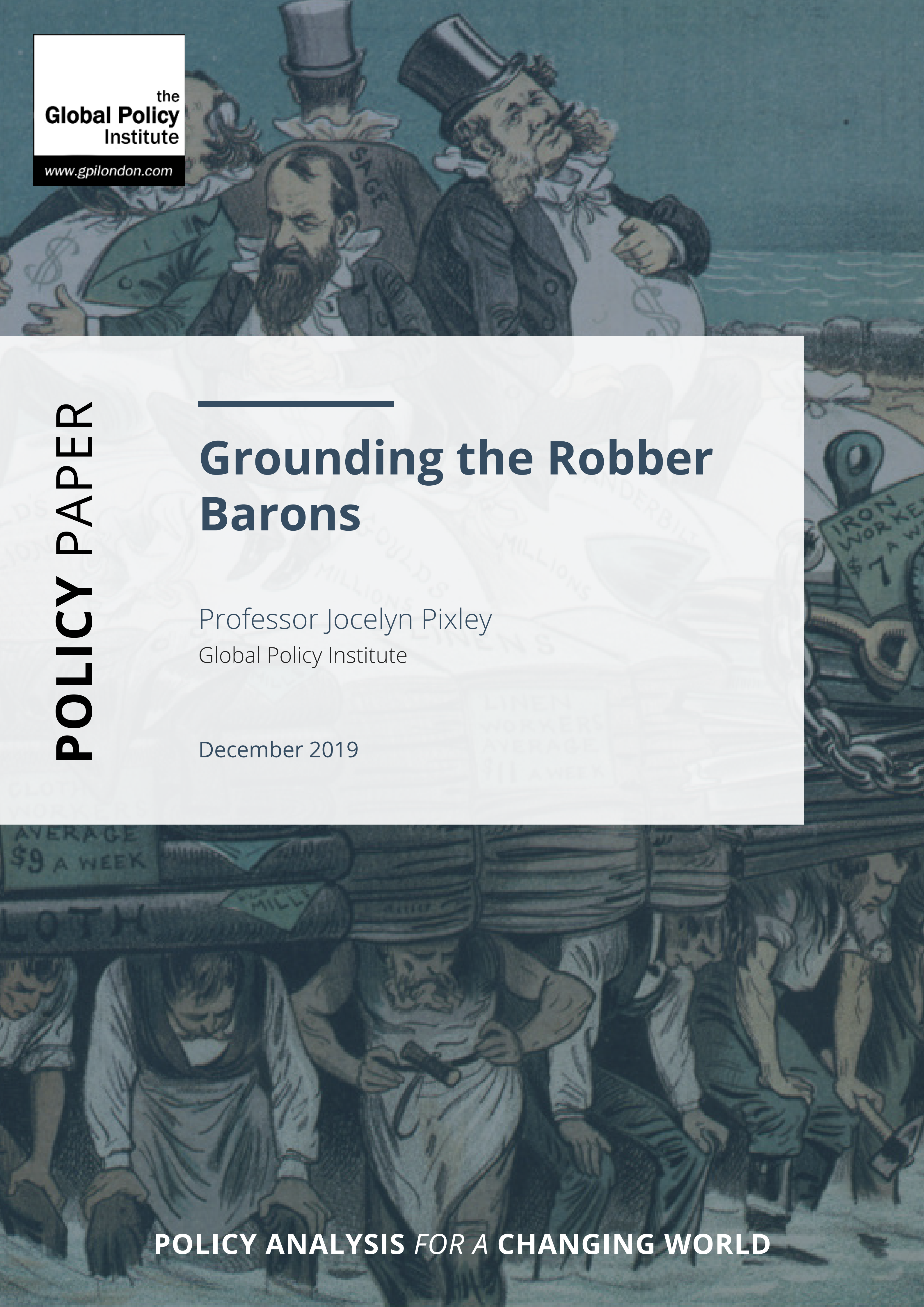

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POLICY PAPER

Grounding the Robber Barons

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POLICY ANALYSIS *FOR A* **CHANGING WORLD**

Grounding the Robber Barons

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Abstract

The British Academy's 'Principles for Purposeful Business' report argues, 'the purpose of business is to solve the problems of people and planet profitably, and not profit from causing problems'. This is taken by most economic commentators to be self-evident. In this paper Professor Pixley begs to differ. Corporate strategy is now driven by the realization of profit through financial disruption, the undermining of competitors, and the neutering of an independent politics. The welfare of citizens is secondary, indeed accidental, and the role of skilled workers and professionals is taken for granted and where necessary ignored, even on matters of safety. Holders of common stock are also at risk. The theorist who first described this predatory business model was the American economist Thorstein Veblen whose The Theory of the Business Enterprise (1904) explained how the Robber Barons extracted such vast fortunes from their enterprises. Professor Pixley argues that the analysis is relevant once again, not least because of the re-financialization of the economy on finance's terms.

'*The interest of the community at large demands industrial efficiency and serviceability of the product; while the business interest of the concern as such demands vendibility of the product; and the interests of those men who have the final discretion in the management of these corporate enterprises demand vendibility of corporate capital'.*

Thorstein Veblen wrote this in 1904 (in *The Theory of Business Enterprise*, pp. 157-8). The statement takes a bit of decoding because this is not how we generally think of companies. Even (tepid) rethinking by many of us is out of date whereas Veblen is now up to date - or rather capitalism has returned to its old 'Robber Baron' days. Large companies are complex organizations with intricate supply chains, and they employ experts to manage them, with shareholders as the ultimate owners. Not so said Veblen. Shareholders are merely pensioners of enterprises, the real owners are the financiers who buy, sell, and consolidate companies often with credit, for example debentures or the issuing of bonds. Profit is derived by outsmarting competitors in matters of financial engineering. The underlying physical assets are irrelevant; most managers and owners are interested 'to so manage the enterprise as to enable them to buy it up or sell out … advantageously'. The successful company has to exhibit earning capacity in relation to its stock market capitalization, which is determined by the 'folk psychology' of stock markets and the PR skills of the company. What dribbles down into general economic welfare is incidental, but it does simply because of the advantages of rationalization of production on a large scale. Modern business capitalism 'is dependent on the discretion of the great holders of immaterial wealth'.[1]

Being an American, Veblen is most familiar there. And yet, Veblen's description is easily recognised by those *not* brought up in the era of managed capitalism, an era when companies had to behave, pay their taxes, and nurture at least the highly skilled workforce. The post-war restraints – on mass sackings for example – and codes disappeared as, over the last 40 years, every single conceivable market has been freed up. It is the *financier-business man* who comes out on top of the hierarchy of power - and who determines what wealth is and who will hold it.

Recent corporate outrages shock those of us over 40 but understood through Veblen these examples are simply conforming to today's business model - or rather, back to the future. The examples I outline below may seem extreme, but it is the new logic driven by the wholly impersonal mentality of the 'pecuniary or business employments' Veblen identified in 1904. When this breaks through into citizen democracy by inciting politicians with market ideology and its inducements, there remain no obstacles to outright fraudulent business practices and severe disruption.

Australia recently conducted a Royal Commission (televised like others) into the financial sector, with a 2019 Report that showed the extent of fraud and dubious dealings among banks and financial services. The corruption was remarkably like that found in earlier banking inquiries in the UK and USA after the Great Financial Crisis (GFC). A once mutually owned firm charged dead people *for* life insurance; bank boards dictated their conditions of faux compliance with the regulatory authorities and, worst of all, isolated Indigenous communities were fleeced of slender savings. A highly pro-market, socially authoritarian Government in office since 2013 had lifted all financial controls and now ignores financial malfeasance (and its own).

The Treasurer recently hectored business to cut back share buy-backs, near to tears – such is the ideological hold of free markets and actions of the big monopolies – given his dislike of corrective policies.[2]

Australia is not a poor country, but one that has vied with the USA and UK for 200 years and sometimes was top, *per capita*, of the GDP ladder. Australia was also somewhat egalitarian but forgets that now. Water mismanagement by agribusiness sparked food farmer 'Water Baron' slogans recently. The banking Commission only reminds us that previous bank reforms of Labor governments were torn up in 2013 and most financial sectors have returned to pre-GFC practices. Indeed, the global results are worse than before, with the US example of Boeing showing the malign control by financial groups and CEOs of once reliable, ordinary airline producers, as we see further on. There are many cases though.

Robber barons is an old term eminently suited to gather these above threads to analyse the contemporary, allegedly more democratic situation, and in opposition to the current condescension towards history. The economists who have preached about the spontaneous market order that relies on authoritarian precepts ('neoliberalism' is their term not mine) remain shameless, in face of social structural evidence and alternative analyses.

Historical contexts are different (Veblen after all lived from 1857 to 1929) but similarities lie in harsh defences of unregulated private property, then and now. As well, new rigidities of status groups (lack of mobility) and hostile class relations (global and domestic) are tilted heavily towards mobile capital (against the frail and sick through to workers). Most singularly, Veblen's original logic separated the corporation from its board and executive, because the two entities have different motives. The firm produces goods or services, usually efficiently, skilfully and creatively. But top-down orders contradict these cooperative activities, as whistle-blowers inside firms, hospitals and public services, or US Democrat candidate Warren's draft 'Stop Wall Street Looting Act' attest.

The aim of corporate looters is to exact obedience from workforces and rip off bank clients, pensioners, workers, and no matter the inefficiencies and lawlessness that *working* firms and the *public* endure. Barons must knock out their rival business-financiers. Some people within cannot stand this and even complain, but many are compromised.

Comparisons with previous eras are telling although far from romantic. Veblen suggests that many early economists like Sombart and Cantillon assumed small-scale industry with owner-businessmen gaining productive efficiency and a personal livelihood, including community-based craft workshops and US small farms. That was out-of-date during Veblen's time (in Britain and Australia, much earlier): a few, like Alfred Marshall recognised changes, with a 'law of substitution'. To Veblen, this was no 'balanced process' but a shift from old owner surveillance (also in Sidney Pollard) to 'shrewd investments' in distanced, non-local 'coalitions' which manipulated firms' 'pecuniary side'. Markets expanded but were always subject to 'disturbances', some of which could cripple or accelerate 'industrial branches' and bring 'widespread derangement'. Not one to mince words, Veblen showed how gains were made with no care for the 'welfare of the community'.[3]

This chimes with Weber on capitalism's peculiarities in the 'West' being marked by a 'cold-eyed pursuit of profit'. Veblen argued the late 19th century economists still praised the efficiency, serviceability and economies from consolidation, and regarded chronic 'perturbations as less attractive' (to study). Veblen instead insisted that disruption was primary to his 'theory of business enterprise' and of its 'principles'. That is, Captains of Industry aimed to increase ownership via 'deals' and by creating delays for other 'businessmen'. He cites 'long-drawn struggles' in US Steel Corporation with 'derangement, duplication', and how serviceability was not 'decisive'. Veblen used the US railway development as an exemplar. With the rise of the absentee owner, the results were/are drastic inefficiencies and failure of consolidation (private rail tracks built for trains to collide on competing tracks, for example). These Captains were exempt from 'unbusinesslike scruples' and now detached from small community personal market control - pre-capitalistic - and instead used advertising.[4]

The looters' motives are not for general profits alone (present tense); because rivalry is based on which corporation beats its competitors in *above average profits*, by inflicting damage. Vitality exists inside the corporation, but not among executive-financier types who aim to incapacitate. This can be by mergers, outsourcing or questioning their *competitors' probity*. Veblen's 1904 *Theory*, then, is again becoming familiar. He politely contested classical and neo-classical economics on their depiction of 'the life history of objective values' and their 'laws'. Instead, 'laws' of 'supply and demand', 'spontaneous' markets, the dubious merits of competition, *ad nauseam*, were abstracted from the life history of social relations among humankind of a given era.

Moreover, in contrast to the harmonious timelessness of orthodoxy, Veblen saw capitalism distinguished by how the 'financier-businessman' depends on 'the metaphysical stability of the money unit'. Although money's value is never stable (and so, is not and cannot be orthodoxy's 'objective value'), it is this business 'man' who is at the 'seat of depressions and exaltations'.[5] Everything that is counted is 'run in terms of the value unit', and a *reduction* of earnings, as so 'rated' in those terms

…is felt as an impoverishment … even if it carries no hardship in the way of a reduced command over the material means of production, of life, or of comfort. … A business man's rating … rests on the pecuniary magnitude … not on the mechanical serviceability of his establishment or output. An enhancement is a source of gratification and self-respect … Veblen (1904, pp. 232-3)

Another pertinent comment is that vital 'recapitalisation' for an ailing firm is resisted if loans or securities fund the enterprise, because fixed charges retard any adjustment and prolong depression. As experienced recently, the interest rate is the relevant cost, but, not to Veblen whether the rate is 'too' high or low relatively, or it rises or falls, but that it exists. Veblen further says that regardless, it is the money unit that is counted, whereas inside the firm, 'mechanical efficiency' is the standard measure – a standard destroyed by top Boeing managers, see example below. To Veblen, few financiers are given to 'fine-spun reflection' about assuming stability of the money unit; rather it is beyond the scope of 'business traffic' to question money's value.[6]

It is possible to argue that Veblen provides the vivid details to Weber's approach to money.[7] As Geoff Ingham puts the Weberian view, money is a social relation created in constant processes of conflict, As Geoff Ingham puts the Weberian view, money is a social relation created in constant processes of conflict, and ‘how, or how much money is created has no one solution and whichever is gained comes through struggle which gives money value’. Whereas Weber and Ingham suggest the value of money is only decided in conflict (‘man against man’), Veblen closely specifies that struggle in specific business ‘principles’ of disruption, the gains from in-fighting that can ‘cripple or accelerate’ actual businesses. The ‘beliefs’ in money’s stability, even if disrupted by a teensy amount can create the businessman’s ‘malady’ – to depression (and ‘his’ money illusion is far more decisive than of workers).

As well, Veblen contrasted his analysis of how ‘chronic depression is … normal to business’, with Marx’s ‘discussion of the declining rate of profits and the manner in which [Marx] conceives overproduction, speculation and crises’ as arising from the tendency of profits to a minimum’. Not to Veblen who introduces the actors who ‘aim to incapacitate’ in which ‘rivals struggle to inflict or endure the most pecuniary damage’. In contrast to Marx’s and orthodoxy’s lines, Veblen argued price rises or falls (depressions; booms) are caused usually from circumstances ‘extraneous’ to ‘the industrial process’, such as through currency or money inflation. As Veblen says, speculative inflation is ‘least useful’ except to business-financiers through keeping up prices; to adding to ‘aggregate wealth’ – not to improving efficiency at all. Later he cites Hobson on under-consumption and argued ‘palliatives’ (Hobson for higher wages, and ‘taxation on “unearned” income’) are unlikely when ‘business interests’ are able to influence public policy heavily. Veblen’s own interest in 1904 is what ‘overproduction’ or ‘under-consumption’ means for business and whether business ‘habits of thought’ give cogency to it in a ‘concretely real state of affairs’. His lengthy discussion of advertising also undermines arguments about falling rates of profit or the ‘real’ economy, because prestige items for conspicuous consumption are not impacted, and nor are pharmaceutical goods notably when specious claims are made.[8]

I think one can argue that as an alternative to Weber’s concept of the ‘iron cage’ of capitalism and its bondage to a huge economic cosmos, in which we are doomed until the last ton of fossil fuel is burnt, is Veblen’s equally bleak way of characterising the contents or producers of the iron cage: of ‘rationalisation’ disrupted inside firms. Efficiency is not a pecuniary aim nor, I agree, is ecological protection (mere 'externalities'). Manager-financiers are highly active in an irrational sense to enterprises (like crippling them and/or not recapitalising) and only social democratic governments can loosen the iron cage and, moving along, somewhat in the Bretton Woods 1944 agreements.

Bretton Woods, weak though it was (care of the US Fed), did not even touch Wall Street, and the City of London was always resistant. Since the 1960s, American firms’ business-financiers regained global power to withdraw efficiency and squeeze corporations in counterproductive ways, as Veblen put it long before. President Kennedy relaxed the *90 per cent* progressive top tax rate, although not *carte blanche*, since the cut was conditional on corporates investing. Today there are no conditions. For instance, Boeing’s association of engineers (as it were) deteriorated after Boeing bought McDonnell Douglas (in 1997), to inherit ‘a notoriously dysfunctional product line from the corner-cutting market gurus.’ Other engineers saw how ‘the collision of deregulation and Wall Street’ created inevitable tragedies.[9]

What led to such inefficient, finally scandalous financialised corporations? Banks had evaded controls through the post-war Eurodollar markets. To Ingham, banks' profits are from a franchise and licence to produce credit-money that are 'based on the central bank/state underwriting' their enterprises and overall backing to banks' ability 'freely to determine the rate of interest' on the loans they create. Banks can 'maintain at least the appearance of performing the basic functions that enable investment in production, efficient exchange and adequate levels of consumption to take place' and be thus free to exploit 'their unique privilege'. But banks are not doing any positive things today; instead hoarding and repairing their balance sheets; *smoothing* the earnings of corporations for gain.[10]

Problems mount up from Hayekian prescriptions to enforce freedoms of private property, contract and licence laws, and unregulated banking. Central banks are only preferred if their 'independence' is under neoclassical government precepts of inflation 'targets' to ensure precarious employment levels and defend a stable money unit. Debt-deflation is regarded as a 'cleansing' process whose duration must not be halted by social justice policies, regardless the suffering of populations. In 2010, President Obama was stymied most of all by the threat of bond vigilantes working for banks to control state debt. A Friedman-type monetarist said the interest and exchange rates 'at which the market will willingly hold the government debt and money' was the primary concern.[11] In Veblen's analysis of depression, any reduction of firms' earning capacity will prove catastrophic because of the large consolidated firm and its complex interstitial relations. Only war, with speculative inflation, or colonization and other 'wasteful' expenditures can maintain some prosperity but if it slackens there is usually a crisis of some sort. Veblen noted 'prosperity now means, primarily, business prosperity; whereas it used to mean industrial sufficiency'.[12]

I have stressed today's central banks pursue a politics of the 'absurd'. The *bravest* refuse to accept monetary policy is the sole means for coping with a depression (rather fiscal-public policy, unknown in Veblen's day, and again forbidden in Anglo-America and the Eurozone). Some central bankers insist (like Veblen) financier-banking sectors prefer *weak economic activity* and refuse to invest in new projects, notably those to combat global warming and provide safety.[13]

The Crash Course of Boeing

Of many contemporary cases that resemble Veblen's, Boeing 737 MAX is the stand-out production case in aircraft; and with airline firms, US Southwest lucrative no questions asked deals with Boeing. BA's decline into financial manoeuvres and Qantas versus Virgin Australia, are also illustrative. The Boeing case is analysed best in what I see as a carbon copy of Veblen's on railways, in *The New Republic* (2019).[14] Aircraft have not been a new product to financial markets for decades; that was a time when passengers needed luring onto what were still fairly dangerous aircraft. After that, the only gains to be made were in speculating on stock values, no longer in worrying about passengers' safety, or the firm's survival.

A Boeing 737 MAX in October 2018 and, in March 2019, another crashed with the deaths of all on board. Back in the 1990s, the engineers and physicists *inside* Boeing corporation had warned about what was happening.

[One physicist] didn't previously imagine Boeing's brave new managerial caste creating a [737 MAX] problem as dumb and glaringly obvious as MCAS (or the Maneuvering Characteristics Augmentation System) …. he worried about shrivelling market share driving sales and head count into the ground, the things that keep post-industrial American labor leaders up at night." [And] back in 2002 he'd compared the costs of a grounded plane [showing it] would dwarf … the minimal short-term savings of another [production] outsourcing …

Post-war developments at Bretton Woods, however, gave freedom for mobile capital (Pixley 2018). Using Veblen's separation of the creative, cooperative firm from its manager-financiers, now thoroughly global, there was evidence in 2002 of Wall Street's objections to the physicist's criticisms of Boeing's cost-cutting:

A Wall Street analyst … cut him off mid-sentence at one of [the Boeing physicist's] presentations: "What you're telling me is that your business is different. That you're special. Well, listen: Everybody thinks his business is different, because everybody is the same. Nobody. Is. Different."'

This was no different to former robber barons, who understood nothing about industrial enterprises. Veblen said the 'management of industrial affairs through pecuniary transactions, … has been to dissociate the interests of those men who exercise this discretion from the interests of the community'. New managers have 'an interest in making the disturbances large and frequent', no matter the widespread hardship, since they are like bull or bear speculators disrupting enterprises no matter how efficient.

It is possible to argue that post-WWII instituted some controls that were ending by the 1980s, although consumer safety has been a constant battle. Ralph Nader's 'Unsafe at any speed' had car firms improve, [15] but with types like UK PM Boris Johnson aiming to remove EU 'red/green tape', as in the USA and Australia, things look worse. With airline safety, in 1993, GE's notorious downsizing CEO Jack Welch—by then well on his way to becoming 'the most grotesquely lionized character in American business' —abruptly fired several thousand aviation engineers with their chief. The results were predictable: The engines failed their tests, often in spectacular fashion.

As the *New Republic* recounts, a Boeing Welch protégé CEO focused on maligning and marginalizing engineers as a class, and airplanes as a business. 'You can make a lot of money going out of business.' Later, just before the GFC, Boeing was facing actual competition, not just financial market ups and downs, but from Airbus, and Boeing's market share had dropped. Executives then demanded new, cheaper models than the esteemed Boeing 777. Huge battery fires resulted from outsourcing the production of the 787.

Learning nothing, a few years later the 737 MAX software was engineered by recent grads of software-coding academies making as little as $9 an hour, 'part of Boeing management's endless war on the unions … The MCAS crash was just the latest instalment in a broader pattern'. There was also a 'no simulator' deal with [the US] Southwest airlines – a huge purchaser of Boeing, that led to concealment and suppression of designers' concerns to pilots.

Thus, a generation after 'Boeing's initial lurch into financialization, was the entirely predictable outcome of the byzantine process by which investment capital becomes completely abstracted from basic protocols of production and oversight': *The New Republic* author suggests this is an example of 'late stage capitalism' – but Veblen's analysis, and the brief post-war time when 'finance was the servant', show otherwise.

The mere buying and selling of stocks by outsiders ... is of course a speculative business...But so far as such buying and selling is carried on by the managers of the corporations whose securities are the subject of the traffic, and especially where the securities are bought and sold with a view to the control of the corporations in question and their management for private tactical ends, a characterization of the business as 'speculative' is inadequate and beside the point (Veblen 1904: 165).

After the two MAX crashes, Boeing disseminated misinformation – via making crashes look very 'complex' and that only US pilots could understand. In fact, the US planes had a 'disagree' light, but that 'extra' mechanism avoided how the plane needed to be 400 feet up to activate 'disagree'. But Boeing's implication was the Indonesian pilots were clueless. When, in March 2019, the Ethiopian Flight went down too, the Chinese authorities and, finally, the weak FAA grounded the MAX. Ethiopian pilots *had* followed override checklist and problems had worsened with 'tweaks' in production.

After the Indonesian crash, the Boeing board spent $20b buying its own stock; still led by Jack Welch protégés. Initially, Congressional Republicans tried to blame the dead pilots and a 'regime of lax foreign pilot training standards'. They told the American Airlines pilots' union to ignore facts like his charge that Boeing aimed 'to slash research and development spending, lay off half the engineers, or subcontract whole chunks of a plane without designing it first'. A financier who lost his entire family, Paul Njoroge, later laid out to Congress the sequence of 737 MAX orders, ten-figure stock buybacks, and dividend hikes that had dealt out this horrible fate: 'Could that be the reason Boeing did not feel obliged to ground the MAX even after the second crash of the Boeing 737 MAX?' he asked. 'Boeing cared more about its stock price than preventing such a tragedy from occurring again,' and so had begun 'a pattern of behaviour blaming innocent pilots.'

It took 12 minutes for the MCAS to down Lion Air into the Java Sea, and 6 minutes in Ethiopia – and in a later simulation, it took the full force of pilot's and co-pilot's bodies to move the crank. In all, 'Boeing had manufactured a self-hijacking plane' with a cowardly checklist that killed them all faster.[16]

The New Republic's above evidence was verified when CEO Muilenburg admitted 'mistakes' to Congress in the week of 28 October. 'Boeing C.E.O. knew about pilot's warnings before second crash' (NYT) of the 737 Max, with by then a total 346 people dead. A pilot had sent messages in November 2016; the regulator FAA deferred to the company, making decisions on how much FAA rules would cost Boeing (not passengers or crew).[17]

US senators lashed out at Dennis Muilenburg, the CEO of Boeing, for 'hiding' the details of the anti-stall system on its 737 Max aircraft which, as we saw, fostered the two fatal accidents that killed 346 people in total.

It was a ‘cover up’; a Democrat Senator said the pilots never had a chance in these ‘flying coffins’. Boeing pushed to limit any expensive training for pilots of its 737 Max jet, despite acknowledging that a failure of its anti-stall system could be 'catastrophic' if they did not respond in 10 seconds. In marketing the Max to its customers, Boeing boasted that pilots would not need to train on a simulator to fly the new jet. Emails also show Boeing asked the regulator not to force it to mention its anti-stall system. Mr Muilenburg was paid $23.4m dollars — a 27 per cent increase on 2018. The compensation included a $13m bonus: he defended his pay to Congress.[18]

Finally:

Boeing is merely one case in the decades-long idolising of free (financial) markets. How, speaking sociologically, has the social structure changed? Middle class professionals are now proletarianised: not only engineers but university academics, lawyers, accountants are rendered precarious by vast corporations’ executives and boards. Key Performance Indicators (KPI) further distance inner financial management from ill-named Human Resources departments, which apply metrics of dubious quality to (dismiss) creativity, nurture and cooperation. These and the now defunct idea of a ‘calling’ are all unmeasurable.

Meantime former blue-collar workers either have a threat point backing their work, like plumbers who are far more independent, fairly highly paid and focus on tax perks. Other workers are replaceable and wage theft, ordered by senior management has risen markedly. Many of these workers have a calling too (caring for patients and serving grocery customers in a kindly way). Australia’s largest grocery chain spent 10 years underpaying possibly 6000 or more workers; one outcome of Australia’s Royal Commission into banking ‘misdemeanours’ is a large, old bank just charged with breaking money-laundering laws 23 million times. In Britain there are cases of franchises being granted to financiers, such as 10 years for Thames Water. Carillon was plundered before it collapsed and was kept alive through government contracts and the privatisation logic. Much more can be said, notably about mobile capital.

It remains the case that most corporations have nothing distinctive about them, because in the financial world, all firms are interchangeable; financiers need no skills to ‘run’ any of these firms or institutions such as hospitals or universities. 'Creative destruction', an old spin, is used to excuse asset busts in what might have been viable firms, to dismiss environmental carnage and the steep rise in inequality. It is ‘best’ if millions suffer a Depression because corporations have ‘creatively’ improved things. Few know the phrase was used by Joseph Schumpeter in 1911. He disliked Veblen’s claims that capitalism was inefficient and entrepreneurs idle profit monitors; or instead, that creativity arose from ‘workmanship’, use of ‘accumulated wisdom’ and social knowledge. But Schumpeter had a corollary of “destruction without function”, with the only aim of destruction being pecuniary gain for the 1% via imposing incompetence.

‘Business’ invests for profit; a claim on earnings. The 2019 US CEO pay, not counting share options, is 221:1 worker on minimum wages. There is no market in corporate salaries, lone shareowners do not control them and rarely is there long-term investment by banks.

Banks need the low paid to *borrow* (NINJA loans e.g.), exemplifying lazy dependencies of the powerful on the weaker. Modest investors are blamed for *lacking wariness* (caveat emptor rules) and middle-income earners are rendered redundant at the flutter of a KPI metric. Restraining logic sets aside wreckers with only spoils to show.

In Australia, any challenges from the Labor Party were dubbed the 'politics of envy' and 'unfunded empathy'. As Veblen said 'preaching' the virtues of thrift and 'prudence' has 'no appreciable effect' and now, like elsewhere, these sermons shout down social democratic policies aiming to curb destruction. Pecuniary power-and-control motives are not empathetic. But effective New Deal investment – and controls *believed* to be useful – show the current state of affairs could be otherwise. This would offer widespread benefits and, given demands for urgent climate policies and wage increases, many prefer the logic of this extended view. I don't doubt hostile resistance from the demagogues of the ascendant authoritarian Right.

Firmly applied taxes and restraints on top business-financiers aim not to increase tax revenue per se (soak the rich) or pretend to soften iron consciences. Controls, however, enforce the law and stiffen laws against white collar crime; also slow down asset inflations, crashes and executive incompetence. J.K. Galbraith remarked of the 1980s – so like the 1890s of Veblen's day – that 'Convenient Reverse Logic' had returned.[19] It starts at 'the preferred remedy' not with diagnoses of despair of low pay, redundancies, malnutrition. Preferred remedies should not 'involve a painful transfer of resources from the affluent'. These attribute poverty to how 'the poor lack motivation' because they are 'already unduly rewarded'. Things are opposite for 'the rich'. They 'have not been working because they have too little' income and 'envy' only worsens conditions for the 'poor'. Workers must be 'mobile, interchangeable, distributable'; also losing the 'trade union spirit' given the US courts reject unions.[20]

The second excuse is the 'One per cent' on unjustifiable wealth cannot possibly bring in 'enough' tax revenue. Perhaps not, but to reiterate, taxes aim to control feckless business-financiers from soul-destroying. No one is stopping their seeking *proper, useful* jobs – engineering; physics; public design – just reducing gambling choices. Pump and dump tactics; shorting treasury bonds; or bull-bear activity are leveraged 'legal' looting. Margin loans are bank advances to stock traders and wealthy gamblers. The danger is that when stocks collapse, banks 'call in' margin loans first, leading, as on Wall St 1929, to speedier downhill spirals as traders sell if they can. When the US Fed raised the 'margins' required *before* loans are made, it reduced fire sales: in the late 1930s to post-war, the Fed took these requirements even up to 100 per cent. Other asset requirements modernise the limits:[21] most countries need legislation. Taxes and shifts in the labour: capital ratio could side-line bullies to a gated playground: indeed, the shortage of 1950s playboys and girls unable to meddle with more than the ski slope could be expanded and amuse us bystanders.

And yet, self-justifying misconceptions and self-deceptions are difficult to turn around. The first is that progressive taxes 'pay' for social justice programmes. *Sovereign* governments can *easily* spend cautious money into existence.

But they cannot manage the despoliation and asset stripping *caused* by Anglo-American governments' craven 'light touch' on financial markets, executive-run corporations, agribusiness, private equity and building industries. Taxes and controls on destructive gambling that plays away so many lives are logical.

Such interventions could restore the skilled, creative and cooperative corporations and institutions and save them from the new robber barons. With greater respect for all who play an honourable role, the hateful proletarianisation of racism and despicable treatment of those not able-bodied adults – children, disabled and frail – could reduce. And passengers, patients, students and clients could be cared for professionally and responsibly.

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Endnotes

[1] Veblen, T. 1904. The Theory of Business Enterprise. New York: Charles Scribner & Sons: on ‘advantageously’ p. 157; on immaterial, p. 176. Veblen’s use of ‘man’ is only marginally outdated. There is no space to list our worthy analyses of corporations and banks, but we’d save time by starting with Veblen.

[2] Veblen *op. cit*. p. 314, on pecuniary; my recent short piece on Australian banks http://johnmenadue.com/jocelyn-pixley-the-coalitions-terms-on-haynes-commission/

[3] Veblen (1904 pp. 23-4; on Britain, see Pollard, S. 1965 The Genesis of Modern Management London: Edward Arnold. Weber also discussed the ‘putting-out’ system. Britain and Australia had long given up small-scale farming (the USA not until the 1930s: Pixley on Britain from enclosures and ‘empire’, Australia to large-scale agribusiness; both countries had substantial service sectors, Australia with greater state-owned development than the USA or UK, in ports, railways, telegraphs, as did much of Europe. See Pixley https://www.cambridge.org/au/academic/subjects/economics/finance/central-banks-democratic-states-and-financial-power?format=PBv

[4] The leading Weberian scholar Sam Whimster singles this out: Whimster, S. 2019 ‘Economics and Society and the Fate of Liberal Capitalism’ in The Oxford Handbook of Max Weber, edited by Edith Hanke, Lawrence Scaff, and Sam Whimster. (OUP Online); Veblen 1904 pp. 31-43, on Captains of Industry.

[5] Veblen *op.cit.* 1904 p. vi, p. 20 and p. 238). Also see Veblen, T. 1899 ‘The Preconceptions of Economic Science: II’ The Quarterly Journal of Economics, 13, (4) July pp. 396-426

[6] Veblen, *op.cit.* 1904 pp. 231-2; but Schumpeter, J. A. 1954 History of Economic Analysis NYC: Oxford University Press, castigated Veblen for implying capitalism is inefficient, even when granting him a top role among economists. Veblen notes firms may not be leveraged but, in either case, low or ‘negative’ interest rates are unlikely to ‘cure’ business-financiers’ lack of confidence. And central bank QE – really only a massive expansion of central bank lending normally done – only redistributes upwards for ‘speculative inflation’ as Veblen calls it.

[7] See Ingham, G.K. 2013 ‘Reflections’ in Pixley, J. F. & Harcourt, G. C. (eds.) Financial crises and the nature of capitalist money. London: Palgrave Macmillan p. 320. Not that Veblen’s voluminous German references stressed Weber whose major economic sociology of the firm only appeared in 1921.

[8] Veblen op. cit. 1904 p. 33 on rivals’ struggles; pp. 234-6 on Marx cf. Veblen on a ‘deplorable’ chronic trend p. 33; and pp. 214 and 257 on Hobson; and on advertisements pp. 55-6

[9] See Pixley op. cit. 2018 Central Banks, on Bretton Woods; on Boeing https://newrepublic.com/article/154944/boeing-737-max-investigation-indonesia-lion-air-ethiopian-airlines-managerial-revolution The Max was no ‘accident’.

[10] Ingham *op. cit.* 2013 p. 310.

[11] Citing Allan Meltzer against Obama, who assumes this is ‘new’ in Pixley (2018 p. 388). See my Chapter 6 (2018) on the ‘inflationist’ allegations, and Friedman’s unproven charges that postwar economists sparked inflation to maintain employment (cf. Phillips rejected his own curve). My evidence shows as much postwar concern about inflations (in plural) as deflation.

[12] On disturbances Veblen *op.cit.* pp. 31-4; on war pp. 251-2; on changes from ‘sufficiency, p. 178 also pp. 256-57

[13] Of note, (Pixley *op.cit.* 2018) it was not until 1913 that the US Administration taxed income. See also on the brave RBA.

[14] https://newrepublic.com/article/154944/boeing-737-max-investigation-indonesia-lion-air-ethiopian-airlines-managerial-revolution

[15] Veblen 1904: 28-30 on disruption. In a further tragedy, Nader’s grandniece was killed with everyone on the Ethiopian Boeing MAX.

[16] Maureen Tkacik 2019 'Crash course: How Boeing’s managerial revolution created the 737 Max disaster' The New Republic, 18 September. She cites how Indonesian Lion Air pilots fought ‘the beast’ 22 times.

[17] Reported in The Guardian 30 October, also, in *NYT* Oct 29, 2019, title above, and also on Boeing *The Atlantic* and *New Yorker*, not cited.

[18] See the FT 29 October 2019; and https://on.ft.com/2PKDxsk ‘Documents show Boeing pushed to limit pilot training for 737 Max’ by Stacey, K and Hollinger, P. FT October 31, 2019.

[19] Galbraith, J. K. 1986 A view from the stands. Boston: Houghton Mifflin Co. JKG also greatly admired Veblen’s wit.

[20] Veblen *op. cit.* 1904 on thrift, p. 325; on workers’ conditions see pp. 326-7

[21] Palley is cited in Pixley op. cit. 2018.

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