

## History's long pendulum swings back to left

by *The St. Louis Post-Dispatch*

In the second volume of Edmund Morris' magnificent (and still in progress) biography of Theodore Roosevelt, we find Elihu Root, Roosevelt's great friend and one-time secretary of state, reminiscing about TR's war with the railroad industry in 1906:

"The central fact for Theodore was that the last decades of the 19th century had been a period of risk for capital — risk demanding great courage from entrepreneurs, and rightly rewarding them with enormous wealth if their new modes of production paid off. When those modes became established modes, however, and risk declined in consequence, there would have to be a surrender by capital ... of its high percentage of profit ...

"He also believed something else with complete sincerity, too: that unless capital consented to some redistribution of profits, piling up beyond reason now that times were stable and competition was often turning to complicity, 'the radical elements' of society would resort to violence."

Some on Wall Street thought Roosevelt was a traitor to his capitalist roots, promoting class warfare and flirting with socialism. How dare he condemn "malefactors of great wealth" and the "wealthy criminal class"? Why regulate industry and create a progressive tax system?

Five score and three years later, history's long pendulum has brought the United States to a similar place: The last three decades, too, have seen a flowering in entrepreneurship. Risk was minimized by political and mathematical finagling. Great fortunes were made and huge rewards flowed to capital and away from labor.

America became a "plutonomy," a word coined in 2005 by Ajay Kapur, then a global strategist at Citigroup, to describe a nation defined by massive income and wealth inequality. Six factors, he said, helped make it so: business-friendly government and tax policies; increasingly complex financial systems; control of the rule of law; globalization; technology changes and patent protection.

Globalization has undercut the power of organized labor. Cheap foreign-made consumer goods allowed the middle class to buy themselves the tokens of prosperity (let them eat iPods!) even as wages stagnated. The real estate bubble — inflated by trade in complex financial derivatives — created new wealth in home equities.

Now it's all come apart at the seams. In attempting to address it, President Barack Obama — though no child of privilege — finds himself, like Theodore Roosevelt, being accused of being a socialist intent on promoting class warfare.

The class warfare argument â€” beloved of the talking heads at CNBC and Fox News and poor Rush Limbaugh, who promises to move his studio from New York City if a "millionaire's tax" goes through â€” ignores the reality that undeclared class war has been going on for three decades or more. Only recently did the poor and middle class realize they've been under attack.

Theodore Roosevelt, who'd assumed office when an anarchist assassinated William McKinley, was alarmed that social unrest in the United States could lead to all-out anarchy. Three decades later, his fifth cousin, Franklin Roosevelt, would share the same fears.

Both Roosevelts acted to save capitalism from its own excesses. Now it's Obama's turn: Propping up banks, but not nationalizing them; running the auto industry, replacing the president of General Motors, underwriting warranties; bailing out the financial class, demanding greater regulation and a greater share of capital go to labor.

To suggest that Barack Obama is a socialist displays a profound misunderstanding of both capitalism and socialism. To suggest that society's "achievers" (Limbaugh's favorite term) would suffer privation if their marginal tax rate were returned to where it was during the Reagan administration is a slander not just on everyone who works for a living, but on achievement itself.

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