

Capitalism in the 19th and 21st Centuries - Socratic Seminar Preparation

Question of Exploration: “To what extent does Muller’s argument hold for both the 19th century imperialist context and the 21st century globalized economy as represented by the cobalt pipeline?”

Muller’s Three Premises of Argument:

1. Capitalism facilitates human progress.
2. Capitalism produces increased inequality and insecurity.
3. Increased equality of opportunity exacerbates both inequality and insecurity because not everyone has the ability to exploit those opportunities.

Muller’s Central Argument: *For capitalism and democracy to coexist, the protections of a social safety-net are necessary.*

Other Questions to Consider:

1. What are parallels between 19th century imperialism and the 21st century cobalt pipeline?
2. How do you see the three premises of Muller’s argument manifesting in each situation?

Muller writes about domestic policy. 19th century imperialism and the 21st century cobalt pipeline are international political and commercial enterprises.

- a. What are the ways in which Muller’s argument could have been/could be realized in each situation?
- b. Which parties were/are/should have been/should be involved? In what ways?

- c. What would justify the expense of government of commercial supports for such changes?
What were/are the costs of failure to make such changes?
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“Capitalism and Inequality - What the Right and Left Get Wrong” **Essential Notes:**

Introduction

- Muller argues that politically-speaking, both the left and right minimize the economic concerns of each other and believe their own policies are best, which is entirely wrong
- “Inequality is an inevitable product of a capitalist activity, and expanding equality of opportunity only increases it -- because some individuals and communities are simply better able than others to exploit the opportunities for development and advancements that capitalism affords” (1).
- Life for both the lower and middle class has become increasingly unequal in recent decades due to advancements in technology, finance, and international trade

Commodification and Cultivation

- “It was the creation of the modern welfare state that finally enabled capitalism and democracy to coexist in relative harmony.”
- “Capitalism is a system of economic and social relations marked by private property, the exchange of goods and services by free individuals, and the use of market mechanism to control the production and distribution of those goods and services” (3).

- The rise of capitalism granted individuals more control and responsibility over their own lives compared to the previous traditional institutions
- “Commodification” is described as the transformation of activities performed for private use into activities performed for sale on the open market
- Capitalism and commodification have grown both humanitarianism and new self-invention

Family Matters

- “Not everyone has been able to take full advantage of the new opportunities for development of human potential.”
 - Today’s inequality is not so much the result of unequal opportunity as it is the unequal ability to take advantage of such opportunity
 - The Industrial Revolution shifted family structure due to a growing separation between work and the household
 - Improvements in family health were the result of women returning to the household and children to education from the labor force

Dynamism and Insecurity

- Capitalism had shifted insecurity from a product of human nature to the result of economies

- Nineteenth-century capitalism gave rise to institutions like labor unions that limited the tremendous insecurity of the population created by the Industrial Revolution
- Western democracies began to embrace the welfare state following the Great Depression and dangerous rise of fascism in Europe

Life in the Postindustrial Economy

- “Inequality and insecurity are perennial features of capitalism.”
 - “In a postindustrial, knowledge-based economy, the production of manufactured goods depended more on the technological inputs than on the skills of the workers who actually built and assembled the products” (9).
 - Life in the postindustrial economy benefited the roles of women with their increasingly important emotional intelligence compared to the manufacturing power of men
 - Couples in the postindustrial era are more likely to be of equal education and economic achievement than before

Inequality on the Rise

- Although the relative pay for women has increased since the Industrial Revolution, working class men have seen their salaries mostly decline

- By the 1980s, wealthier families were more likely to marry and less likely to divorce compared to poorer, less-educated individuals
- Globalization has caused tradable goods and services to be imported from less advanced capitalist societies with inexpensive labor costs to more advanced capitalist countries
- **The Impact of Modern Finance**
- “Globalization has reinforced this pattern of increasingly unequal returns to human capital.”
- Retirement incomes after the 1970s began to depend not so much of the profits of employers but rather on the trust of essential pension funds
- Wall Street executives and investors must be intelligent and diligent to deal with such matters of highly important consequences for which they are understandably paid greatly

The Family and Human Capital

- Parents pass on hereditary advantages more so through genetics and culture compared to money
- Human capital endowments matter more when there is greater equality of institutional opportunity

Differential Group Achievement

- “Because communities act as carriers and incubators of human capital, the patterns of equality persist.”

- Levels of achievement in society often vary not only by class, but also by ethnicity
- In the United States today, Asians, whether in terms of income or test scores, tend to outperform Whites who outperform Hispanics who outperform Blacks
- Difference in achievement can be attributed to differing class and educational backgrounds of immigrants in their native land

Why Education is not a Panacea

- Economic inequality in the United States is often thought to be solved with one simple solution: education
- Remedies to reduce sharp differences in education achievement including providing schools with more money, testing students more frequently, and improving teacher performance, have not been shown to achieve their goal
- As of right now, inequality in advanced capitalist societies is growing with achievement gaps in education and employment increasing even more

What is to be Done?

- “Major government social welfare spending is a proper response to some inherently problematic features of capitalism, not a “beast” that should be “starved.”
- Capitalism provides many benefits and terrific opportunities for individuals and, at the same time, it also is continuing to increase inequality and insecurity

- One solution to this issue would be to redistribute from the top of economy to the bottom, but this is flawed because it creates intense resentment and impedes economic growth
- Another solution would be to use government policy to close achievement gaps by offering preferential treatment such as jobs to those who have been historically disadvantaged, but this too has severe issues
- A more promising solution would be to encourage continued economic innovation that will benefit all people, but such achievements are unlikely to reduce inequality and insecurity
- Muller argues that for capitalism to continue as a legitimate economic system for all, government safety nets like food stamps and unemployment insurance must be maintained and revitalized
- “It is uncaring to cut back the scope of such programs when inequality and insecurity have risen” (20).
- The right must accept that the welfare state is here to stay, for good reasons while the left must understand that aggressive pushes to eliminate inequality and insecurity may be too expensive and futile
- “The challenge for government policy in the advanced capitalist world is thus how to maintain a rate of economic dynamism that will provide increasing benefits for all while still managing to pay for the social welfare programs required to make citizens’ lives bearable under conditions of increasing inequality and insecurity” (21).

- In order for capitalism to exist alongside democracy, safety nets must be implemented to avoid an appeal to totalitarian states, such as in Germany under Hitler's reign
- As the economy grows stronger, inequality and insecurity will only expand as well

"The Cobalt Pipeline: Tracing the Path from Deadly Hand-dug Mines in Congo to Consumers' Phones and Laptops" **Essential Notes:**

- Cobalt is an essential, expensive element for lithium-ion batteries in smartphones, laptops, and electric cars
- It is estimated that 100,000 miners in Congo use hand tools to dig for cobalt
- Children work alongside men in the dangerous mines but the Congolese government is too poor to take on such issues alone
- Despite the human rights abuses, companies are unlikely to drop trade because they need what Congo provides
- The miners earn around \$2-\$3 dollars every day and pay is based solely on what they find
- Many deaths occur within the mines over time but cobalt companies don't seem to care
- It is estimated that around 40,000 children, both boys and girls, work in the mining industry

- According to some, the child labor is perfectly normal in the communities
 - Cobalt is in fierce demand right now and is only expected to grow
 - The United States passed a bill in 2010 to stop money from the cobalt trade flowing into dangerous Congolese militias
 - Cobalt companies prefer to remain ignorant as to the source of their raw materials
 - Cobalt mining has severe health consequences for Congolese residents including lead poisoning, exposure to high-levels of radiation, and birth defects
 - With or without the mining industry, Congo will still face rampant poverty
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Answering the Socratic Seminar Question:

“To what extent does Muller’s argument hold for both the 19th century imperialist context and the 21st century globalized economy as represented by the cobalt pipeline?”

Muller’s argument, which states that, “For capitalism and democracy to coexist, the protections of a social safety-net are necessary,” holds for the 19th century imperialist context in that during that time, the Industrial Revolution hit its peak, which resulted in terrible violations of human rights under capitalist societies. In response, labor unions began to emerge, which sought to combat the tremendous insecurity of working classes with safety-nets and social protections. Similarly, under the 21st century globalized economy represented by the cobalt

pipeline, Muller's argument holds true because alongside the capitalist trade of raw Congolese materials between Asian and American companies, severe humanitarian abuses exist, such as with the prevalence of child labor in the dangerous mines. The story, moreover, calls for greater oversight of Congo's mining industry in an effort to protect the diggers with social safety-nets should they be hurt or encounter serious birth defects in their children. Thus, Miller's argument about capitalism and democracy coexisting remains true for instances during the 1800s all the way to modern-day.

My Insightful Question:

"I wish to pose an insightful question now to help develop this conversation. Jerry Z. Muller, who was actually born in Canada, teaches, not surprisingly, the History of Capitalism -- at the Catholic University of America. My inquiry is based on his argument for this text, which was written by someone else as, "For capitalism and democracy to coexist, the protections of a social safety-net are necessary." You see, Muller believes that politically-speaking, both the left and right minimize the economic concerns of each other and believe their own policies are best, which is entirely wrong. -- And he makes a similar point at the very end of the reading, specifically stating how both those on right and left need to modify their views in accordance with reality. Lastly, in the United States, the federal government offers a number of social safety-nets such as the Negative Income Tax, Housing Assistance, and Child Nutrition to combat our rampant inequality and insecurity. So, what I want to know: Is Muller, aside from disagreeing with either political view, content with the policies in this country right now in which capitalism and democracy exist together? And, if not, what does he propose we do?