Jobs' death shows Americans still love big business

Aaron Chatterji

THE protestors occupying Wall Street provide a visible symbol of recent polling data that indicates Americans are losing confidence in business leaders and increasingly feel corporations have too much influence on our society.

How then do we square these observations with the obsessive media coverage of Steve Jobs' passing, the outpouring of grief across social media platforms and the scores of flowers being left at Apple stores across the nation?

It is safe to say that no other American CEO would garner this amount of adulation if he died today, much less receive uniformly glowing tributes from the president, corporate competitors, media heavyweights and ordinary Americans. So what makes Jobs, the billionaire corporate CEO of a huge multinational company, different than GE's Jeff Immelt, JP Morgan's Jamie Dimon or BP Capital's T. Boone Pickens, besides the fact Jobs was far richer?

First, there is certainly the perception, in spite of Apple's dominant market position, that Jobs remained an iconoclastic entrepreneur and perennial underdog. This narrative has been reinforced by Apple's clever marketing, most memorably in their Mac vs PC ads. Jobs' counterculture roots and trademark black turtlenecks infused Apple's culture and branding so significantly that their consumers still feel their purchases reflect a bold statement of individual identity, no matter how many millions more have the identical model.

Second, there is the notion that Apple and Jobs made tangible products and created tremendous social value for a wide swath of Americans, a direct contrast to the well-worn critique of Wall Street titans.

Of course, the truth is more complicated. Apple products are manufactured by contractors like Foxconn in China while Bank of America argues that it provides access to credit, not iPads, to small businesses who hire on Main Street.

Personality

Finally, it is Jobs' own personal story, given up by his birth parents; failing spectacularly and being forced out of the company he founded before making a spectacular return to save the same company; fighting cancer valiantly until the end that allowed many Americans to identify with him more than any other CEO. This affinity from afar glosses over reports from those who worked with him that he had a difficult personality.

The overwhelming reaction to Jobs' death is a reflection of our nuanced feelings toward big business and wealth creation in America. Those who fulminate against Wall Street compensation are sanguine about Jobs' billions because they believe he earned it by creating innovative and useful products that we could touch rather than insidious and invisible CEOs who brought down the entire economy.

Since Jobs was not born into wealth and was almost always competing against bigger rivals, we never directed the same contempt at Apple for dominating the digital music market as we did toward Goldman Sachs and Microsoft when they threw their weight around.

My conclusion is there is widespread agreement that getting rich in America while creating value for your company and for society is still a great thing, despite worries about resurgent populism and class warfare. Politics, bailouts and budget deficits have not changed this consensus around the nobility of good business.

While we may diverge on the worth we ascribe to certain industries or products and wonder if cozy relationships among the rich and powerful thwart fair competition, Americans do not seem to be questioning that an innovative and entrepreneurial private sector is important.

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Rising inequality threatens legitimacy of growth path

Nouriel Roubini

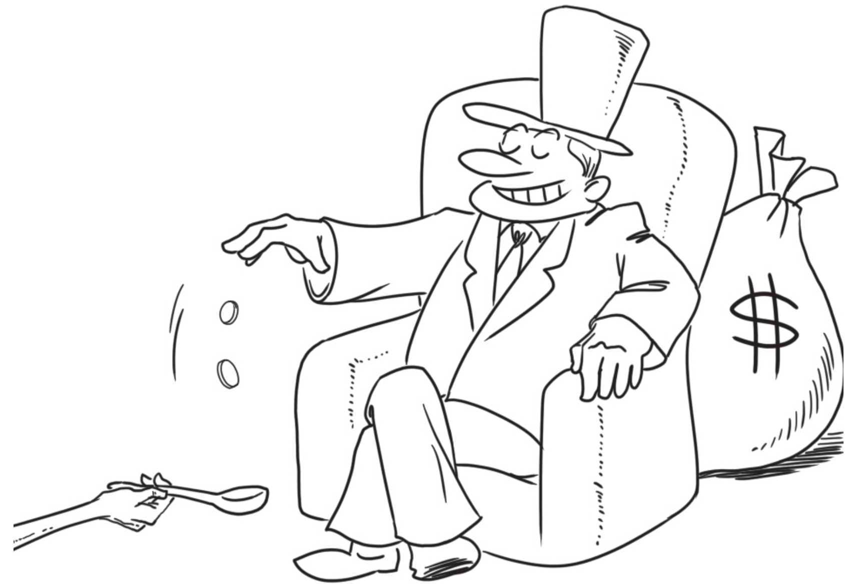

Illustration by Zhou Tao/Shanghai Daily

THIS year has witnessed a global wave of social and political turmoil and instability, with masses of people pouring into the real and virtual streets: the Arab Spring; riots in London; Israel's middle-class protests against high housing prices and an inflationary squeeze on living standards; protesting Chilean students; the destruction in Germany of the expensive cars of fat cats ; India's movement against corruption; and now the Occupy Wall Street movement in New York and across the United States.

While these protests have no unified theme, they express in different ways the serious concerns of the world's working and middle classes about their prospects in the face of the growing concentration of power among economic, financial, and political elites. The causes of their concern are clear enough: high unemployment and underemployment in advanced and emerging economies; inadequate skills and education for young people and workers to compete in a globalized world; resentment against corruption, including legalized forms like lobbying; and a sharp rise in income and wealth inequality in advanced and fast-growing emerging-market economies.

Of course, the malaise that so many people feel cannot be reduced to one factor. For example, the rise in inequality has many causes: the addition of billions of people in emerging economies to the global labor force, which is reducing the jobs and wages of unskilled blue-collar and off-shorable white-collar workers in advanced economies; skill-biased technological change; winner-take-all effects; early emergence of income and wealth disparities in rapidly growing, previously low-income economies; and less progressive taxation.

The increase in private- and public-sector leverage and the related asset and credit bubbles are partly the result of inequality. Mediocre income growth for everyone but the rich in the last few decades opened a gap between incomes and spending aspirations. In Anglo-Saxon countries, the response was to democratize credit — via financial liberalization — thereby fueling a rise in private debt as households borrowed to make up the difference. In Europe, the gap was filled by public services — free education, health care, and so on — that were not fully financed by taxes, fueling public deficits and debt. In both cases, debt levels eventually became unsustainable.

Firms in advanced economies are now cutting jobs, owing to inadequate final demand, which has led to excess capacity, and to uncertainty about future demand. But cutting jobs weakens final demand further, because it reduces labor income and increases inequality. Because a firm's labor costs are someone else's labor income and demand, what is individually rational for one firm is destructive in the aggregate.

The result is that free markets don't generate enough final demand. In the United States, for example, slashing labor costs has sharply reduced the share of labor income in GDP. With credit exhausted, the effects on aggregate demand of decades of redistribution of income and wealth — from labor to capital, from wages to profits, from poor to rich, and from households to corporate firms — have become severe, owing to the lower marginal propensity of firms/capital owners/rich households to spend.

The problem is not new. Karl Marx oversold socialism, but he was right in claiming that globalization, unfettered financial capitalism, and redistribution of income and wealth from labor to capital could lead capitalism to self-destruct. As he argued, unregulated capitalism can lead to regular bouts of over-capacity, under-consumption, and the recurrence of destructive financial crises, fueled by credit bubbles and asset-price booms and busts.

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❛ Any economic model that does not properly address inequality will eventually face a crisis of legitimacy. Unless the relative economic roles of the market and the state are rebalanced, the protests of 2011 will become more severe, with social and political instability eventually harming long-term economic growth and welfare.

Even before the Great Depression, Europe's enlightened "bourgeois" classes recognized that, to avoid revolution, workers' rights needed to be protected, wage and labor conditions improved, and a welfare state created to redistribute wealth and finance public goods — education, health care, and a social safety net.

The push towards a modern welfare state accelerated after the Great Depression, when the state took on the responsibility for macroeconomic stabilization — a role that required the maintenance of a large middle class by widening the provision of public goods through progressive taxation of incomes and wealth and fostering economic opportunity for all.

Elusive alternatives

Thus, the rise of the social-welfare state was a response (often of market-oriented liberal democracies) to the threat of popular revolutions, socialism, and Communism as the frequency and severity of economic and financial crises increased. Three decades of relative social and economic stability then ensued, from the late 1940's until the mid-1970's, a period when inequality fell sharply and median incomes grew rapidly.

Some of the lessons about the need for prudential regulation of the financial system were lost in the Reagan-Thatcher era, when the appetite for massive deregulation was created in part by the flaws in Europe's social-welfare model.

Those flaws were reflected in yawning fiscal deficits, regulatory overkill, and a lack of economic dynamism that led to sclerotic growth then and the eurozone's sovereign-debt crisis now.

But the laissez-faire Anglo-Saxon model has also now failed miserably. To stabilize market-oriented economies requires a return to the right balance between markets and provision of public goods. That means moving away from both the Anglo-Saxon model of unregulated markets and the continental European model of deficit-driven welfare states. Even an alternative Asian growth model — if there really is one — has not prevented a rise in inequality in China, India, and elsewhere.

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