



## Ron Paul: Obama Is Another Corporatist, Not a Socialist

The idea that President Barack Obama is a socialist is popular among many conservatives; all of us have seen automobiles sporting the bumper sticker reading, Don't Blame Me; I Didn't Vote For the Socialist — obviously referring to Obama. Not so fast, says, of all people, Ron Paul (R-Texas).

[Addressing the Southern Republican Leadership Conference during its third day,](#)

Dr. Paul told the audience, “The question has been raised about whether or not our president is a socialist.... I am sure there are some people here who believe it. But in the technical sense, in the economic definition of a what a socialist is, no, he's not a socialist.”



Dr. Paul continued, “He's a corporatist. And unfortunately we have corporatists inside the Republican party and that means you take care of corporations and corporations take over and run the country.”

What he means, and whether or not he is right, depends on what we mean by socialism and what by corporatism. In its classical usages (*classical* here meaning within classical Marxist usage and its derivatives) *socialism* means: an economic system that is abolishing or has abolished the private ownership of the means of production in favor of public (i.e., state) ownership, with all wealth shared.

In this classical sense, Obama is clearly not a socialist. Nothing he has done, not even in the recent healthcare bill, seems aimed at abolishing private ownership of the means of production.

Much of what he has done since taking office, however, has vastly increased *government control* over the means of production — e.g., when he personally demands that a CEO step down (think General Motors). Is this what we mean by *corporatism*? Ron Paul described the healthcare bill as containing many corporatist provisions: “We see [corporatism] in the financial institutions, we see it in the military-industrial complex. And now we see it in the medical-industrial complex.”

Corporatism is often seen as monopolistic capitalism in which business and governmental elites partner with each other. This isn't too far from the mark. Business elites possess what we might call the power of the purse — they have the money. Governmental elites possess what we might call the power of the sword — they write the rules. We might debate which one, if either, is truly dominant since both scratch each other's backs and benefit handsomely from having thwarted both genuine marketplace competition and a truly open political and electoral process.

Corporatism hardly began with the current administration, of course, or its predecessor. In [an article published in 2002](#), which deserves far more attention than it has ever received, commentator Robert Locke outlined the basic ideas behind corporatism and traced some of its history and influence.

According to Locke, corporatism “has the outward form of capitalism in that it preserves private



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ownership and private management, but with a crucial difference: as under socialism, *government guarantees the flow of material goods*, which under true capitalism it does not.” (Emphasis in original.) Corporatism does not really trust the marketplace to provide. It manipulates the marketplace “to deliver goods to political constituencies [which now include] basically everyone from economic elites to ordinary consumers.”

What has made corporatism so tempting is thus not hard to see. Locke explains further:

Big business, whatever its casuists at the *Wall Street Journal* editorial page may pretend, likes big government, except when big government gets greedy and tries to renegotiate the division of spoils. Although big business was an historic adversary of the introduction of the corporatist state, it eventually found common ground with it. The first thing big business has in common with big government is managerialism. The technocratic manager, who deals in impersonal mass aggregates, organizes through bureaucracy, and rules through expertise without assuming personal responsibility, is common to both. The second thing big business likes about big government is that it has a competitive advantage over small business in doing business with it and negotiating favors. Big government, in turn, likes big business because it is manageable; it does what it is told. It is much easier to impose affirmative action or racial sensitivity training on AT&T than on 50,000 corner stores. This is why big business has become a key enforcer of political correctness.

Locke traces the history of corporatism to the idea that the marketplace is not really self-regulating, since the "big boys" will not "play fair"; hence economic activity requires outside management, be it through regulation, subsidy, or control over the monetary system. The first major corporatist enterprise of the 20th century was none other than the Federal Reserve, a private corporation that is embedded within the federal government — as its own literature states, “independent within the government.”

Then, in the 1930s, the (Fed-caused) Great Depression further eroded confidence in the marketplace to deliver material goods without government intervention. That period gave us Social Security and Medicare: the beginnings of the intergeneration redistribution of wealth we have been stuck with ever since. As political constituencies both large and small have grown, the corporatist edifice has grown along with them, often with the full support of the mainstream voting public both liberal and conservative.

The Left likes corporatism for three reasons, says Locke: (1) it satisfies government’s (i.e., politicians’) lust for power; (2) its machinery makes redistribution of wealth to favored constituencies possible; and (3) it enables politicians to accomplish this while remaining personally affluent.

The Right likes corporatism for three different reasons, says Locke: (1) big business can achieve enormous profits, capitalist-style, while unloading some of the cost and risk onto government; (2) the merger of business and government enables those at the helm of big business to influence government in ways favorable to themselves (e.g., thwarting true competition, which big business has seen as a nuisance since John D. Rockefeller, Sr. was heard to pronounce competition a “sin”); and (3) this merger seems able to minimize or dissipate whatever social unrest its policies create in the masses.

Locke provides several examples of corporatist endeavors besides the Federal Reserve. Some are even more obvious in today’s post-bailout climate: Fannie Mae, Freddie Mac, the insurance industry generally (especially evident given Obama/Pelosi-care!), real estate, federal financing of scientific research, agricultural price-supports, and many others; we would probably want to add to our list so-



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called "free trade" agreements (e.g., NAFTA, CAFTA, etc.).

The point to all this is that if we going to criticize the Obama administration's economic policies, we need to be sure we have its economics right — and if we are paying attention, we see far more *continuity* with past administrations than we do *change*. There have been no fundamental changes, despite candidate-Obama's mantra about "change you can believe in." (For this reason, many on the Left have grown as uneasy with this administration as any Tea Partier, even if for different reasons.)

Isn't corporatism just a form of fascism? Yes and no. The most famous quote attributed to Italy's Mussolini (the quote appears to be apocryphal) is that "fascism should more properly be called corporatism because it is the merger of state and corporate power." Under fascism, unlike socialism, government did not assume ownership over corporations but controlled them, allowing nominal ownership. I would submit that if there is a difference, it is that in the English-speaking world more of a partnership between the two has emerged, and over a longer period of time — perhaps born of the quiet realization that many in the upper echelons of the corporate domain are as interested in power as any statist authoritarian has ever been, and that the two can achieve far more working together than they can separately. Working separately will, in fact, ensure that the two will butt heads more often than not.

Corporatism may be thought of as "soft fascism," which is oligarchic but not totalitarian. Part of its genius has been to win acceptance from the voting public through (1) having created a mass and organizing it into groups, or political constituencies; (2) delivering goods to those constituencies; (3) all the while creating a sense of security for them if they play ball; and (4) (although the idea calls for a separate article) corporatism has sponsored "public schools," further encouraging its acceptance through consistent ratcheting down of education not just about our founding principles but absent clear thinking about economics and even personal finance, while ratcheting up the current mixture of pop culture and job skills training (e.g., school-to-work, no-child-left-behind, etc.). The vast majority of teenagers educated this way will not question the system; the few who do can be safely marginalized.

Ron Paul has been the one Republican operating clearly outside the corporatist mindset. This might help explain why he and his supporters have been marginalized within the Republican Party, the mainstream of which serves corporatist interests. There are probably Democrats who are not corporatists. Dennis Kucinich might be an example.

All of which brings us to the question: If corporatism really is the best name for the economic system currently throttling America, can it be fought — and perhaps undermined? Of course, we have to identify it first. Most people have never heard the term. Then we might argue that corporatism is, in the long run, unsustainable: Social Security and Medicare, those two 1930s corporatist standbys, are both technically broke and on the federal equivalent of life support. As Baby Boomers retire, the situation will grow progressively worse! It was not without reason that Keynes said, "In the long run, we are all dead." Corporatism incorporates Keynesian economics and encourages massive spending by both government and consumers as the key to rising prosperity without looking far into the future. When people will not spend, generally because they cannot spend, there is an incentive to get money into their pockets; otherwise the economy falls into crisis. Spending money one does not have creates debt. The temptation is to monetize government debt. The result is the slow erosion of our dollars' purchasing power. The dollar in fact has lost 10 percent of its value in just the past year. Massive and still-growing indebtedness has the potential to be our downfall and the downfall of corporatism.

These considerations are all imminently rational, but the corporatist edifice we now live under has been built up under such a long period of time — several generations, in fact — that dismantling it all at once



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would precipitate chaos. Moreover, the public is now accustomed to it. They fear the loss of their safety nets, and might argue reasonably that they spent their lives paying into Social Security and are now entitled to benefit from it. Healthcare costs are indeed astronomical; moreover, without Medicare (or some type of government aid), they would be priced beyond the reach of many elderly people. These are the main reasons Social Security and Medicare are politically untouchable, and that any politician proposing to abolish them would be rejected immediately by the majority of voters except for libertarians.

This issue is much larger than Obama. One way or another, he'll be gone in a few years. The problems will remain, and would have worsened even if McCain had been elected in 2008. How do we "turn back the clock"? Can we?

Robert Locke offers these troubling thoughts:

With these two different kinds of trust [in the self-regulating nature of the marketplace, and its ability to deliver material goods] gone, corporatism becomes not only worthwhile, but necessary. Crucially, it becomes *psychologically* necessary, independently of whether government can deliver on its promises, because people instinctively turn to government as their protector.

Anyone who is serious about getting rid of corporatism must explain how they are going to restore these two kinds of trust or persuade people to live without them. In particular, it is almost certainly useless, as verified by the fact that government has grown under every postwar Republican administration, to try to nibble away at big government without renegotiating the social contract that underlies it. If we don't have a plan to renegotiate this social contract, we must face the fact that the electorate will demand that it be respected.

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