

Moaning Moguls

By James Surowiecki

The past few years have been very good to Stephen Schwarzman, the chairman and CEO of the Blackstone Group, the giant private-equity firm. His industry, which relies on borrowed money, has benefitted from low interest rates, and the stock-market boom has given his firm great opportunities to cash out investments. Schwarzman is now worth more than ten billion dollars. You wouldn't think he'd have much to complain about. But, to hear him tell it, he's beset by a meddlesome, tax-happy government and a whiny, envious populace. He recently grumbled that the US middle class has taken to "blaming wealthy people" for its problems. Previously, he has said that it might be good to raise income taxes on the poor so they had "skin in the game," and that proposals to repeal the carried-interest tax loophole—from which he personally benefits—were akin to the German invasion of Poland.

Schwarzman isn't alone. In the past year, the venture capitalist Tom Perkins and Kenneth Langone, co-founder of Home Depot, both compared populist attacks on the wealthy to the Nazis' attacks on the Jews. All three eventually apologized, but the basic sentiment is surprisingly common. Although the Obama years have been boom times for America's super-rich—recent work by the economists Emmanuel Saez and Thomas Piketty showed that ninety-five per cent of income gains in the first three years of the recovery went to the top one per cent—a lot of them believe that they're a persecuted minority. As Mark Mizruchi, a sociologist at the University of Michigan and the author of a book called "The Fracturing of the American Corporate Elite," told me, "These guys think, We're the job creators, we keep the markets running, and yet the public doesn't like us. How can that be?" Business leaders were upset at the criticism that followed the financial crisis and, for many of them, it's an article of faith that people succeed or fail because that's what they deserve. Schwarzman recently said that Americans "always like to blame somebody other than themselves for a failure." If you believe that net worth is a reflection of merit, then any attempt to curb inequality looks unfair.

That's not how it's always been. A century ago, industrial magnates played a central role in the Progressive movement, working with unions, supporting workmen's compensation laws and laws against child labor, and often pushing for more government regulation. This wasn't altruism; as a classic analysis by the historian James Weinstein showed, the reforms were intended to co-opt public pressure and avert more radical measures. Still, they materially improved the lives of ordinary workers. And they sprang from a pragmatic belief that the robustness of capitalism as a whole depended on wide distribution of the fruits of the system.

Similar attitudes prevailed in the postwar era, as Mizruchi

has documented. Corporate leaders formed an organization called the Committee for Economic Development, which played a central role in the forging of postwar consensus politics, accepting strong unions, bigger government, and the rise of the welfare state. "At the very top, corporate leaders were much more moderate and pragmatic, and, because that's where national politics were, they were very influential," Mizruchi said. Corporations supported policies that might have been costly in the short term in order to strengthen the system as a whole. The CED called for tax increases to pay for the Korean War and it supported some of LBJ's Great Society. As Mizruchi put it, "They believed that in order to maintain their privileges, they had to insure that ordinary Americans were having their needs met."

That all changed beginning in the seventies, when the business community, wrestling with shrinking profits and tougher foreign competition, lurched to the right. Today, there are no centrist business organizations with any real political clout, and the only business lobbies that matter in Washington are those pushing an agenda of lower taxes and less regulation. Corporate profits and CEO salaries have in recent years reached record levels, but there's no sign of a return to the corporate statesmanship of the past (the occasional outlier like Warren Buffett notwithstanding). And that's one big reason that it's become impossible for Washington to get things done, even on issues of bipartisan interest.

If today's corporate kvetchers are more concerned with the state of their egos than with the state of the nation, it's in part because their own fortunes aren't tied to those of the nation the way they once were. In the postwar years, American companies depended largely on American consumers. Globalization has changed that—foreign sales account for almost half the revenue of the S&P 500—as has the rise of financial services (where the most important clients are the wealthy and other corporations). The well-being of the American middle class just doesn't matter as much to companies' bottom lines. And there's another change. Early in the past century, there was a true socialist movement in the United States, and in the postwar years the Soviet Union seemed to offer the possibility of a meaningful alternative to capitalism. Small wonder that the tycoons of those days were so eager to channel populist agitation into reform. Today, by contrast, corporate chieftains have little to fear, other than mildly higher taxes and the complaints of people who have read Thomas Piketty. Moguls complain about their feelings because that's all anyone can really threaten.