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A Brief, Illustrated History of the Current U.S. Political Economy

One of the many pleasures—and, as I will argue later, opportunities—of popular culture is wondering and speculating about how it is made. How was that song written and produced? How many collaborators were involved? Why did it become a hit, unlike most of the thousands of songs recorded that year? For film and television, we imagine an even grander scale of many hundreds, even thousands of creative workers, perhaps distributed around the globe, working in writers' rooms and behind cameras and computers to craft the stories we invest with so much of our time. The cultural industries feed this interest with "behind-the-scenes" content and countless stories set in the world of entertainment.[1] The "creative world" depicted on screen and in song is typically romanticized, a demanding but rewarding workplace wherein conflicts are overcome with energy, intensity, abundance, transparency, and community.[2] Unfortunately, this romantic image of how media is created has framed our understanding—even our critical understandings—of how media is produced. For an audience. By a team. Working for a company. Usually a big corporation.

This assumed chain of production, distribution, and circulation is a common but limited map of how the cultural industries operate. No matter how detailed the map of culture is drawn along this chain, it will always be limited until we draw a big circle around the chain and label it "capitalism." The media system does not exist in some separate economic universe; it has its own features, and each type of medium and cultural form has its own narrower features, but it is subject to the dynamics of the rest of the political economy under capitalism. Of course, establishing a context as wide as capitalism is an impossible task. In the story of capitalism and media told here, the big corporations that dominate the cultural industries are themselves mere minnows in an ocean with much bigger predators. The sharks are financial firms and the ocean is a capitalism far removed from commonly held conceptions about free markets, competition, and productivity. Understanding how music, film, and television are produced—and, crucially, *which kinds* of music, film, and television are circulated much more widely than others, and whose interests this type of system serves—requires the broader context of capitalism itself, a system with long-term continuities and short-term shifts that often go unacknowledged within our understanding of the structure of the cultural industries.

This chapter provides this capitalist context through a brief, illustrated history that brings together deep-rooted ideas and tendencies within capitalism that blossomed in the post–World War II political economy of the United States, particularly in the (re)emergence of financialization. It compiles a number of charts to demonstrate the broad outlines of a capitalism in decline. (The new forms of financialization and violence that are maturing in this young century are the focus of the next chapter.) The cultural industries are being reshaped by these larger shifts in the political economy—such as profit rates, investment rates, tax policies, wealth disparities, and financial instruments—and understanding their long-term trajectories is essential.

To get a sense of the present situation, we need to trace some continuities from the past, but how far back do we go and what is the basis of our context? Traveling back in time presents many suitable starting points: the birth of internet technologies perhaps, or the end of World War II and the rise of the American empire. The development of celluloid, broadcasting, and the gramophone are natural places to trace a history of popular visual and aural media. But what if we take a much bigger step back? What if our establishing shot is the *longue durée* of history?[3] What if the rhythm we establish is the cyclical drumbeat of capitalism? Let's go back, oh, five thousand years.

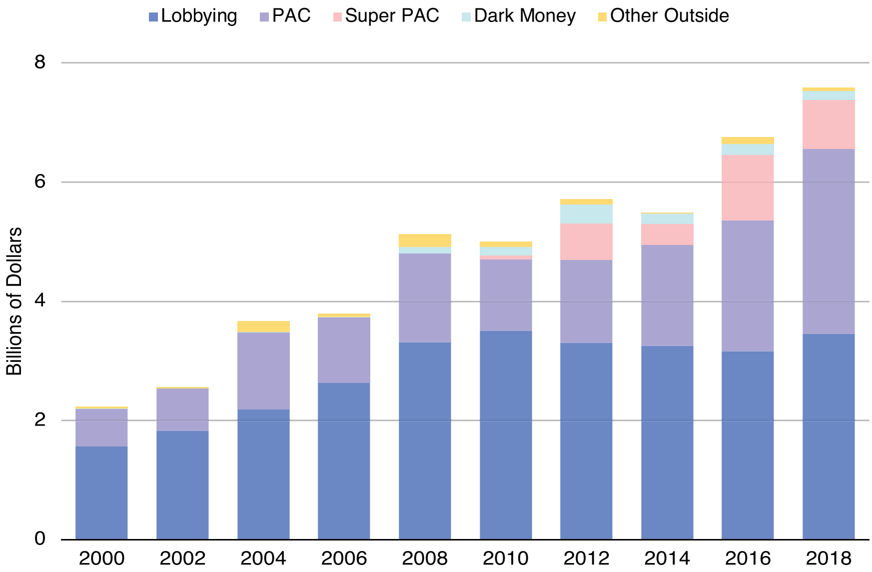
THERE IS NO SUCH THING AS THE (MEDIA) ECONOMY

Humans invented money to improve trade, to move beyond a system of barter. So goes the typical story repeated in many economics textbooks. Popularized by Adam Smith, this belief that exchange and markets are inherent to human nature is a foundational myth of capitalism; money merely makes that exchange more efficient, as does the division of labor, leading to the development of banking, credit, and eventually "civilization." Crucially, in this formulation, the government plays only a minor role—securing property rights and the money supply—and is distinctly separate from something autonomous called "the economy." But as historians have shown, there is no evidence that pure barter economies ever existed, anywhere; instead, the historical record is rich with human societies in which credit came first, deeply intertwined within moral and cultural systems, with money and markets developing only later, via the state.[4] Capitalism benefits from the fiction that free trade is natural and that there are neat divisions between different spheres of behavior, most importantly the marketplace. "The economy" is to be left to its own devices, to be navigated by individuals, to be studied mathematically by economists, to be tinkered with only on the edges by technocrats. In this view, colonialism, imperialism, white supremacy, racism, sexism, homophobia, and other maladies can be neatly bracketed off as personal or social failures, not deeply embedded structural features of our society's organization. "There is no such thing as 'the economy,'" Samuel Chambers claims, in his book of the same name, only "an overlapping, uneven, discontinuous, and non-bounded domain, made up of intersecting threads that are political, cultural, social, economic, and much more."[5] The self-maximizing, free hand of the market is a tempting fairy tale, but much is lost when we acquiesce to the capitalist division between "the political" and "the economic." "Capitalism," according to Cinzia Arruzza, Tithi Bhattacharya, and Nancy Fraser, "is fundamentally antidemocratic"—it declares "vast swaths of social life off limits to democratic control . . . [as well as] how we want to use the social surplus we collectively produce . . . and turn[s] them over to direct corporate domination."[6]

Capitalism is not a dispassionate system of exchange. It is premised on cruel, racialized, long-term asymmetries of power, such as the aggressive, escalating exploitation of the Global South by the Global North.[7] "Drain," or the unequal exchange of resources that is compelled by the Global North via geopolitical pressure and financial engineering, has totaled $62 trillion from 1960 to 2018, or $152 trillion if lost growth is included, an unimaginable scale of deprivation and violence.[8] The climate crisis is largely the Global North's doing, but the Global South bears the brunt of the suffering. Popular understanding of this political economic system is largely deficient, shaped as it is by limited economic discourse on the news and by politicians, typically concerning comparatively negligible, short-term factors such as stock prices, employment rates, and consumer sentiment. Meanwhile, the actual processes of capitalism are unrelenting in their oppression. For Fernand Braudel, the market economy of supply, demand, and prices is merely the middle layer of our hierarchical society, above the material life of the non-economy, but below *the anti-market*, the top layer and the real home of capitalism, where "the great predators roam and the law of the jungle operates."[9] It is our job as citizens to keep our eye on the predators and the political economic structure of violence and oppression, and not get bogged down in econometric or technocratic tweaks to the middle layer of mere markets.

It is necessary to dispel this foundational myth of capitalism immediately in order to dispel a similar foundational myth of the cultural industries: that there is a media economy in which competition is high, cultural products are expensive to produce, audiences decide what is popular, and since most products fail to recoup their expenses, big companies naturally arise to build catalogs, profiting

FIGURE 1.1. Total U.S. lobbying and election spending, 2000–2018. Data: OpenSecrets.org, based on Senate Office of Public Records.



handsomely from hits and thereby covering their losses. This story is repeated ad nauseam in the media management literature, both popular and academic.[10] It has taken on new power in the era of "disruption," in which "network effects" are considered natural.[11] It is all untrue. Just as there is no naturally occuring economy, there is no naturally occurring media economy. There is only political economy, a system of social relations constituted through law and institutional behaviors, one that is currently arranged hierarchically and could just as easily be arranged differently. The one we have is driven by power, not exchange of goods and services. For individuals, media companies, nation-states, and global empires alike, the political economy shapes and constrains its participants accordingly. An easy demonstration of the *politics* in political economy is the rising influence of lobbying, "dark money," and corporate campaign contributions in the U.S., which has risen nearly fourfold in the past twenty years, amplified by the Supreme Court's *Citizens United* decision in 2010. Figure 1.1 demonstrates this rise broadly, while figures 1.2, 1.3, and 1.4 show how dependent the major media, music, and tech companies are on lobbying politicians to receive their desired policy preferences, such as strict intellectual property rights and enforcement, merger and acquisition approvals, and limited regulation.[12]

Corporate lobbying is the tip of the iceberg when it comes to our intertwined political economy, with deeper issues such as central banks, currencies, inflation, financial regulation, and geopolitical struggle all subject to power and politics, yet often submerged from view and walled off from partisan debate. A prominent

FIGURE 1.2. Lobbying spend by big media companies and trade organizations, 2000–2022. Data: OpenSecrets.org, based on Senate Office of Public Records.

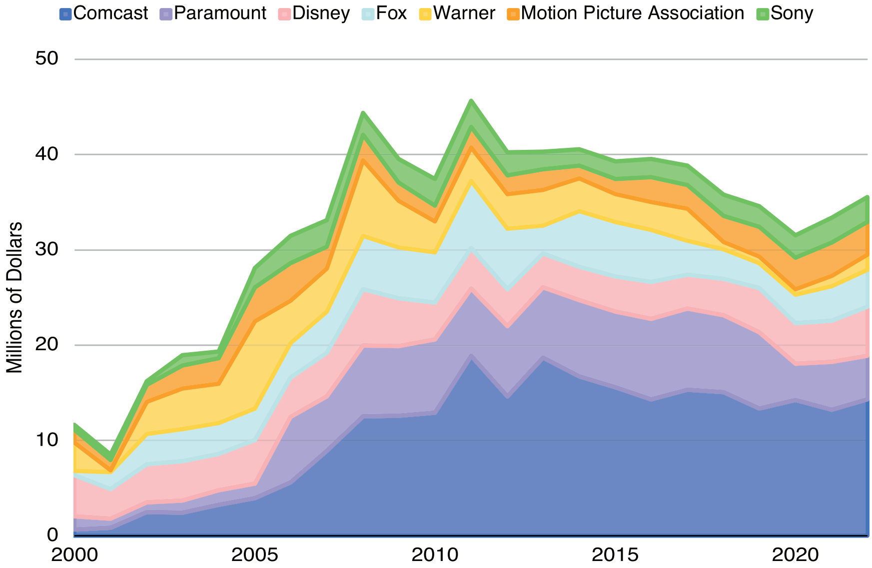


FIGURE 1.3. Lobbying spend by big music companies and trade organizations, 2000–2022. Data: OpenSecrets.org, based on Senate Office of Public Records.

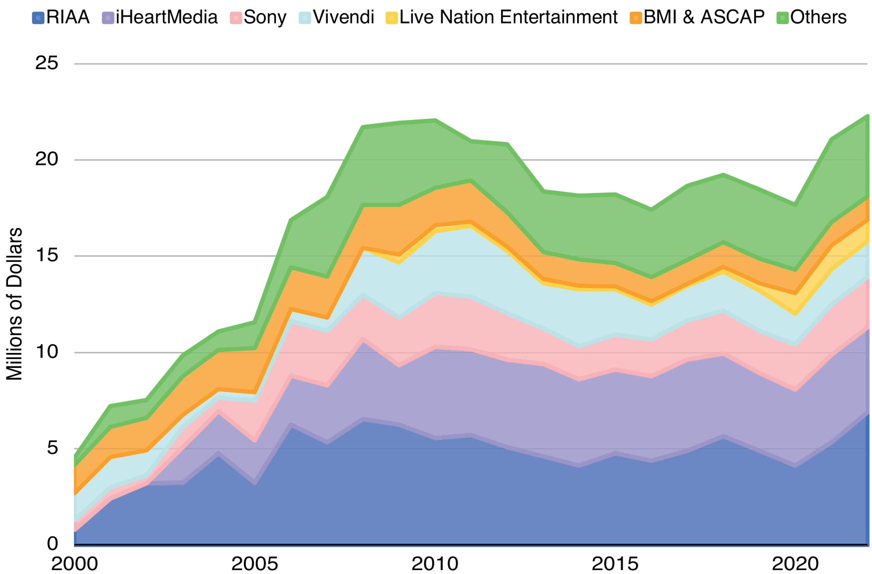
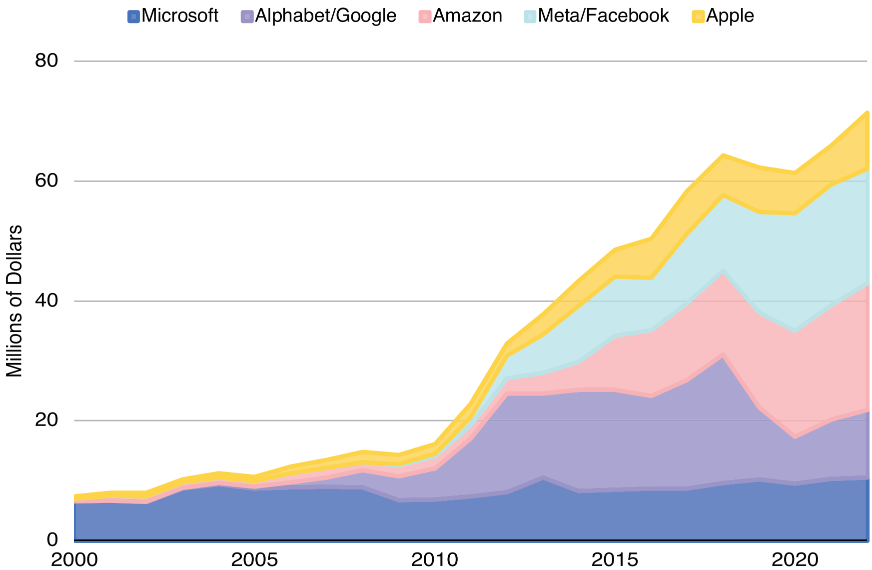


FIGURE 1.4. Lobbying spend by big tech companies, 2000–2022. Data: OpenSecrets.org, based on Senate Office of Public Records.



framework for attempting to untangle this complexity and understand this political economy—its stagnating wages, its widening inequality, its ballooning debt, its shrinking social safety net, its rising violence, its worsening climate—is called *neoliberalism*. "The only general point of agreement," David Harvey proclaims, "is that something significant has changed in the way capitalism has been working since about 1970."[13] Harvey's *A Brief History of Neoliberalism* has become a popular primer for this kind of analysis, though the term has been the subject of many books and has spread into common parlance among many.[14] For Harvey, a key component of neoliberalism is the diminishment of the nation-state coupled with the empowerment of finance capital: an "extraordinary efflorescence and transformation in financial markets"[15] through monetary policy, unmoored exchange rates, capital flight, and new financial instruments, markets, and systems (all of which are discussed below).

However, *neoliberalism* has also become a catchall for a number of related but discrete phenomena: political projects (particularly the tax-cutting and safety-net-slashing governments of Margaret Thatcher and Ronald Reagan), economic thinkers (Friedrich Hayek and the Austrian School, Milton Friedman and the Chicago School), capitalist ideologies (individualism, market fundamentalism, human capital), policy prescriptions (privatization, deregulation, austerity, globalization), negative outcomes (labor precarity, wealth inequality, environmental destruction), and other reconfigurations that have accelerated since the 1970s. As the term has expanded in meaning, *neoliberalism* has provided a necessary clarion call but has lost its precision as an analytical framework.[16] At worst, use of the term *neoliberalism*, rather than *capitalism* or *class struggle*, risks depicting recent shifts as mere aberrations in need of political reform, a fantasy that this "bad capitalism" could be tamed, that the golden era of postwar prosperity can be reestablished if we just pursue the right policies. Not only is that growth not returning, for reasons discussed below, but averting climate collapse will require expansive investment alongside dramatic abandonment of many of our current engines of growth, namely fossil fuels. Resources are limited. "The economy" is allocating them in ways antithetical to our very survival. Neither will "the political" be the realm in which this calamity is fixed. We can't simply vote out a political economic system that is structured to accumulate and—more importantly—structured to break down, violently if necessary, any barriers to that accumulation.

Similarly, the cultural industries will not be "renewed" or "corrected" with the right policy reforms. The era of consolidation and homogenization in film, television, and popular music documented in this book is an outcome of the broader political economy and its current material realities. As Christian Garland and Stephen Harper warn, a focus on neoliberalism could "preclude the structural critique of capitalism and its media institutions."[17] We should be wary of any analysis, solution, or strategy that is merely "economic" or "political." Accordingly, a structural critique will be advanced here, drawing from a longer history than the concept of neoliberalism affords. Because the increasing power of financial capital is so important to the past, present, and future of our political economy, as well as the media system within it, its history is our focus.

THE RECURRENT RISE OF FINANCIAL CAPITAL

To understand the power of financial capital, we need to understand that it isn't easily reducible to a *choice*, or set of choices, per se. Discourse around neoliberalism often faults decisions made by politicians and ideologues—to increase privatization, deregulate an industry, or reduce taxes, for instance. This is not to discount the role of financial agents, who certainly possess a lot of power, but to use a historical materialist perspective that can predict that power's emergence from the material, contextual, and cyclical conditions of capital and state power. "A constant dynamic of history has been the drive by financial elites to centralize control in their own hands and manage the economy in predatory, extractive ways," according to Michael Hudson. "Their ostensible freedom is at the expense of the governing authority and the economy at large."[18] In other words, the power of finance today should not be a surprise, but also, it should not be dismissed as merely a problem that could be solved through reform and persuasion. It is a structural feature of our social system.

The rise of financial capital is a recurring pattern within capitalism, according to Fernand Braudel in *Civilization and Capitalism*, as financial expansion is a symptom of the maturity of a capitalist hegemon.[19] Venice in the thirteenth through fifteenth centuries, the Genoese regime of Italian city states in the fifteenth to early seventeenth centuries, the Dutch regime in the late sixteenth to mid-eighteenth centuries, and the British regime from the latter half of the eighteenth century through the early twentieth century all demonstrate this pattern. Though Braudel was writing in the 1970s, before the American regime had fully reached its zenith, it too fits the pattern. The "rise" of finance capital in a particular capitalist development is merely its "rebirth" within the larger capitalist system. As Braudel summarizes, "every capitalist development of this order seems, by reaching the stage of financial expansion, to have in some sense announced its maturity: it [is] a sign of autumn."[20] This is an essential aspect of the project at hand: What are the conditions shaping the media system and cultural production during the autumn of America's empire? Finance is key to answering that question.

These systemic cycles of transition have been further refined by Giovanni Arrighi in *The Long Twentieth Century*, outlining an evolutionary pattern of capitalist regimes that increase in size and complexity, yet decrease in duration. Like Braudel, Arrighi charts this trajectory through Genoa, Amsterdam, and Britain, but then extends his analysis to an American hegemony that has lasted from the late nineteenth century to its financial expansion, beginning in the 1970s, and into its current crisis and apparent disintegration. The dot-com bubble in 2000 and 2001, military failures since 9/11, and financial meltdown in 2008 are further proof of what he suggests is a case of power "suicide."[21] Though the U.S. retains its military strength, the economic center of the global economy has begun to shift to East Asia, particularly China. It's worth pausing, however, to consider how the United States attained this position.

The American regime, while continuing the pattern of capitalist power transfer, differs from its British precursor in a number of ways. Most notable for our purposes of analyzing the cultural industries is the U.S. regime's ability to foster a new kind of corporation. First, the new corporate model "internalized" transaction costs, risks, and uncertainties through vertical integration: bringing previously separate business units that connected production, distribution, and consumption into a single business that maximized organizational efficiency. Second, these vertically integrated corporations became transnational, often cooperating with each other, and "internalized" world trade by setting up networks of foreign affiliates across the globe, whose speed and scale could outmaneuver domestic firms. The American cultural industries are emblematic of these processes: internalizing, integrating, consolidating, and expanding transnationally to dominate the global market.

Another key factor in understanding the hegemonic role of the United States is the role of the U.S. dollar as the world's reserve currency. The U.S. was the workshop of the Allied war effort in World War II, as well as the European reconstruction afterward, for which it was paid handsomely. "The world was in a shambles but the national wealth and power of the United States had attained unprecedented and unparalleled heights," according to Arrighi, who notes that the U.S. held a near monopoly of world liquidity—its gold reserves were 70 percent of the global total in 1947.[22] Before the war ended, the U.S. negotiated the "Bretton Woods" international monetary system of fixed exchange rates that established the dollar as the world's reserve currency in 1944, replacing the British pound sterling. The U.S. dollar has dominated the global monetary and financial system ever since, as much of the world's trade and transactions occur in U.S. dollars. Reserve currency status brings with it immense power, known as "exorbitant privilege," including the ability to borrow at lower costs, impose monetary sanctions, escape the risks of fluctuating exchange rates, and increase the money supply more freely. "The most distinctive instrument of capitalist power," according to Arrighi, is "control over means of payment."[23]

In the 1970s, U.S. deficit spending combined with global demand for U.S. Treasury securities flooded the market with dollars and the Nixon administration delinked the dollar from gold, establishing the era of floating exchange rates. Liquidity grew rapidly around the world, compelling governments to manipulate exchange rates and interest rates, depending on their domestic circumstances. Compounding the situation, this offshore capital offered new opportunities to expand through trade and speculation of these variable rates. "By the mid-1970s," Arrighi claims, "the volume of purely monetary transactions carried out in offshore money markets already exceeded the value of world trade many times over. From then on the financial expansion became unstoppable."[24] In order to recentralize mobile capital in the United States, the Reagan administration enacted wide-ranging financial deregulation, providing corporations, financial institutions, and the wealthy with nearly unrestricted freedom of enterprise and little tax burden. Though tax rates for the wealthy were already declining from their postwar high, this shift accelerated during the Reagan administration, as seen in figure 1.5. During the same period, U.S. corporations expanded their tax evasion strategies, as firms exploited new opportunities to route profits through nations with even lower tax rates, as seen in figure 1.6, from less than 10% of foreign profits of U.S. firms in the 1970s, to over 50% in 2018.

The bipartisan procession of deregulation included domestic legislation such as the Depository Institutions Deregulation and Monetary Control Act of 1980, the Garn–St. Germain Depository Institutions Act of 1982, the Futures Trading Practices Act of 1992 (which deregulated the speculative derivatives markets and opened them up to a much wider group of investors), the Telecommunications Act of 1996, and the repeal of the Glass-Steagall Act in 1999, which had separated investment banking from commercial banking since 1933. International treaties such as the North American Free Trade Agreement (NAFTA) of 1994 and

FIGURE 1.5. Decline of tax rates for the wealthy, 1950–2019. Data: Saez and Zucman, 2019.

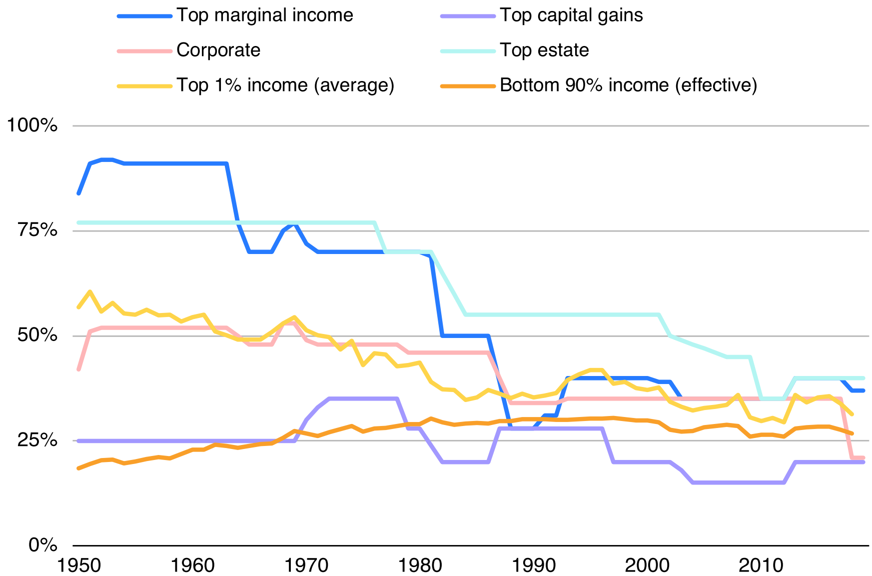
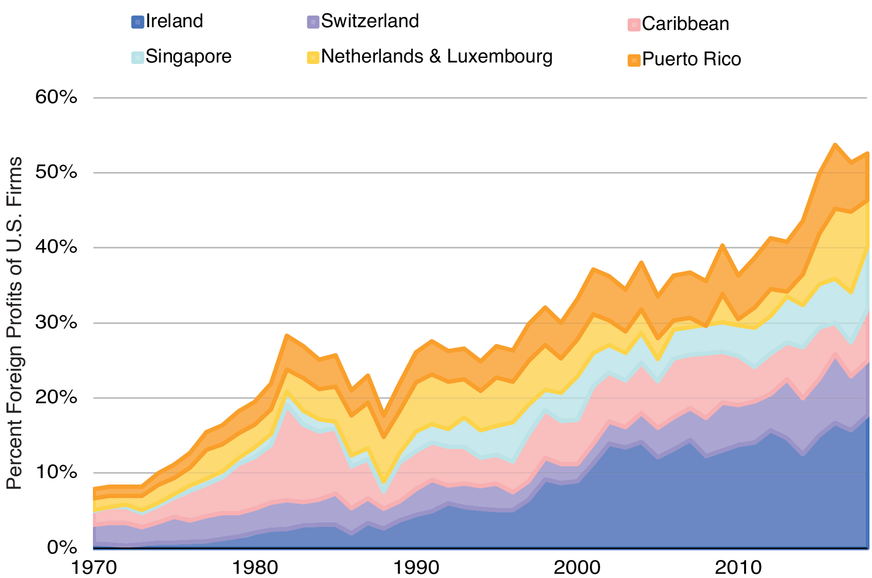


FIGURE 1.6. Rise in tax haven use by U.S. firms, 1970–2018. Data: IRS; Wright and Zucman, 2018.



the Agreement on Trade-Related Aspects of Intellectual Property (TRIPS) of 1995 bound less powerful countries to this free-market logic. The result of this constant deregulation is what Gérard Duménil and Dominique Lévy call the "return to financial hegemony."[25] As with previous cycles of hegemonic transfer, financial expansion successfully reorganized the economic balance of the system: by the

1990s, finance, insurance, and real estate accounted for more U.S. corporate profits than the manufacturing sector. Just as important, nonfinancial firms increased their own investment in financial assets during this time as well, as we'll see below with the rise of corporate venture capital and derivatives trading within media companies. In this financial hegemony, the upper fraction of the capitalist class had a nearly unbridled ability to shape the economy and society with impunity. The protection of lenders, the opening of trade frontiers, the privatization of social protection and pensions, the curbing of inflationary pressures through monetary policies, and the dramatic rise of government and household debt, in conjunction with enormous incomes in the financial sector, were the key outcomes of financial deregulation. These trends continue unabated today.

THE LONG DOWNTURN AND THE CRISIS OF FINANCIAL CAPITAL

Many popular, shortsighted accounts of the financial crash in 2007–8 portray the collapse as merely the combination of improper mortgage sales and overleveraged investment banks. Historian Robert Brenner traces the root causes deeper, to the "huge, unresolved problems in the real economy that have been literally papered over by debt for decades."[26] What may have appeared as broad-based prosperity for many during the 1990s and 2000s was actually an ever-greater buildup of debt, as the engine of growth continued to slow. This is what Brenner calls "the long downturn—the extraordinarily extended phase of reduced economic dynamism and *declining* economic performance, persisting through the end of the millennium and into the new."[27] Brenner's explanation is that industrial overcapacity has stalled the manufacturing growth engine, and none of the attempted alternatives (service economy, digital economy, knowledge economy, finance economy) have provided enough growth to make up for that decline. Weakening capital accumulation is visible in many metrics, such as the steady decline of global GDP growth in figure 1.7, the decline of global profit rates in figure 1.8, and the decline of U.S. private investment and savings in figure 1.9.[28] Many more downward trends are discernible in the data, as Brenner presents in *The Economics of Global Turbulence*: "between 1973 and the present, economic performance in the United States, Western Europe, and Japan has, by every standard macroeconomic indicator, deteriorated, business cycle by business cycle, decade by decade."[29] Belatedly, mainstream economists have recognized the validity of this long-term decline, as when Larry Summers repopularized the term *secular stagnation* in 2013.

Many efforts have been made to offset this decline. In the 1990s, the government facilitated "titanic bouts of borrowing and deficit spending,"[30] but rather than government debt, as in the past, this was debt incurred by corporations and households, fueled by cheap credit funneled into the stock market. This was a new model of growth: not Keynesianism, in which direct government investment in employment and infrastructure can stimulate the economy, but what Brenner calls "asset-based Keynesianism," indirect government-facilitated investment in assets and equities

FIGURE 1.7. Decline of global GDP growth, 1965–2022 (OECD = Organisation for Economic Co-operation and Development member countries). Data: World Bank.

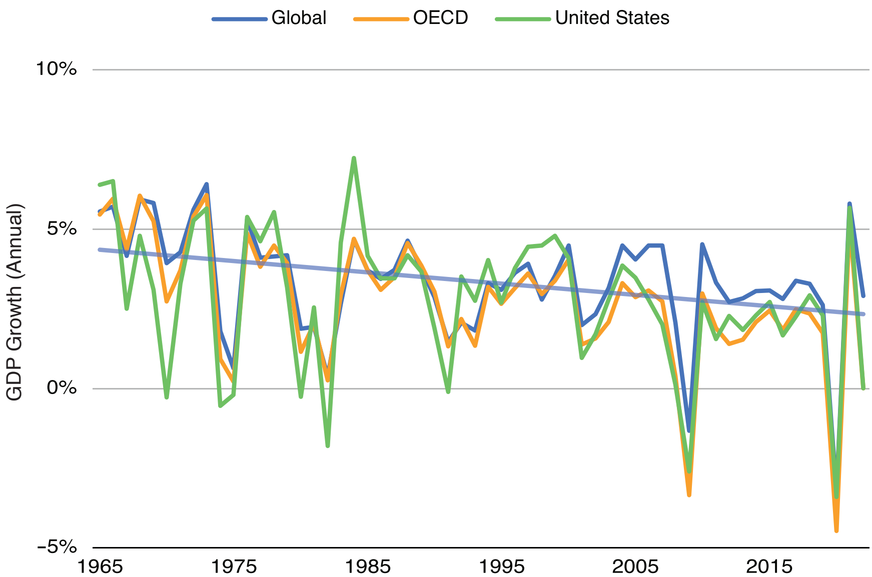


FIGURE 1.8. Decline in the rate of profit, 1960–2019 (OECD = Organisation for Economic Co-operation and Development member countries). Data: Heston et al., 2011; Basu et al., 2022.

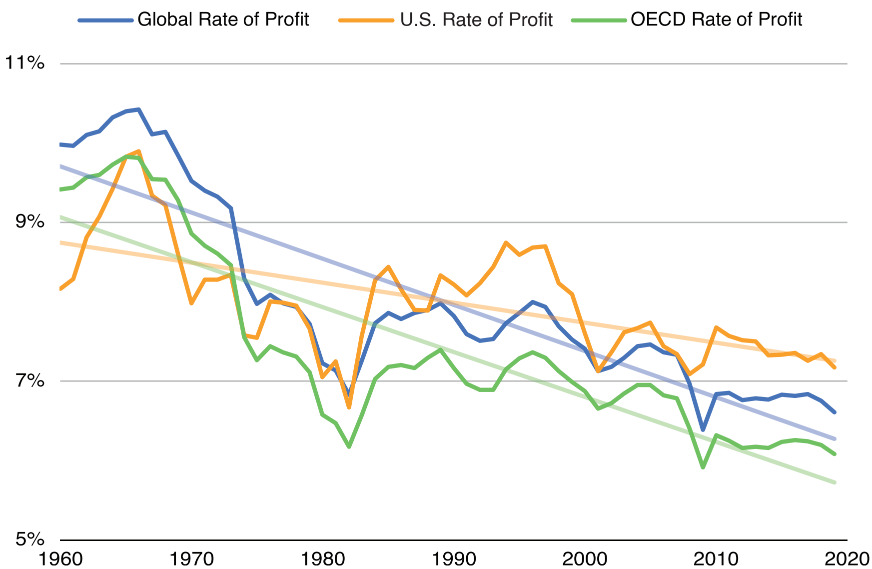
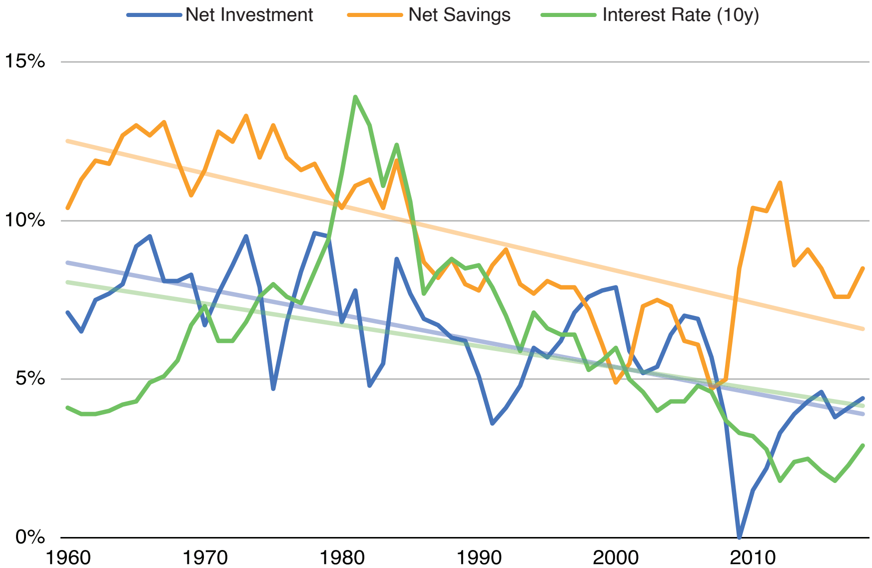


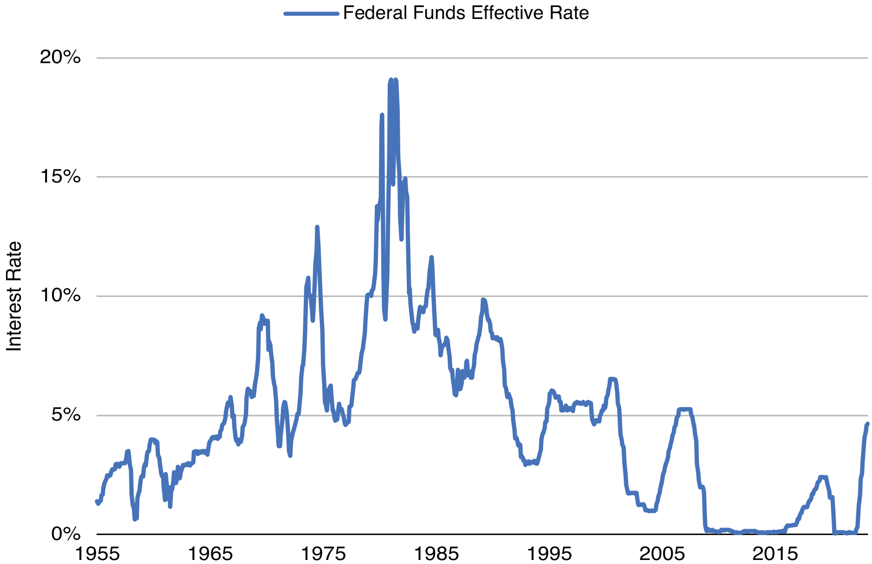
FIGURE 1.9. Decline of U.S. private investment and savings, 1960–2018. Data: Bureau of Economic Analysis, National Income and Product Accounts; Federal Reserve Economic Data; Aguilera, 2020.



in an attempt to kickstart the economy. One result was the dot-com boom and bust from 1995 to 2000, as venture capital and financial speculation fueled the growth of fifty thousand companies looking to capitalize on the popularization of the internet. When overvalued companies could not produce the profit that was promised, investors fled the sector and the bubble popped in 2001. However, the cheap credit continued, fostering conditions for a new bubble to inflate, this time in the housing sector. By 2007, unmatched waves of speculation, sanctioned by policymakers and regulators, led to a final phase of subprime lending (offering mortgages to borrowers with a low credit score and a high risk of default) and highly leveraged lending, which finally tipped the scale, resulting in a prolonged crisis. The housing bubble popped, the contagion spread to financial securities backed by mortgage debt, and banks began to collapse. Massive bailouts were awarded to Wall Street, while Main Street was largely abandoned, with unemployment, eviction, homelessness, and suicide spiking in the long recession that followed.

The long-term response to the financial crisis of 2007–8 allowed the root causes of the long downturn to fester. The $700 billion bailout of U.S. banks received the most press (and ire), but a number of actions were taken by central banks and policymakers around the world to stabilize the financial system: liquidity assistance, currency swaps, deposit insurance, tax cuts, automatic stabilizers, and massive public debt. The Federal Reserve facilitated $7.7 trillion in liquidity for banks, but

FIGURE 1.10. Ease of credit access measured by federal funds rate, 1955–2022. Data: Federal Reserve Bank of St. Louis.



nothing for homeowners. Most importantly, according to Nick Srnicek's account, is that key interest rates suddenly dropped around the world.[31] This "easy money" era is visible in figure 1.10, which illustrates the long-term interest rate environment in the U.S. When interest rates at zero weren't enough, central banks engaged in "quantitative easing," in which central banks buy government debt and bonds, increasing the demand for other financial assets, easing credit, and raising asset prices, thereby stimulating the wider economy. "While quantitative easing (QE) may have stabilised the financial system," according to Ann Pettifor, "it inflated the value of assets like property—owned on the whole, by the more affluent. As such, QE contributed to rising inequality and to the political and social instability associated with it."[32]

For over a decade, this low-interest-rate environment persisted, in which cheap credit was available for ever more financial speculation, which turned to riskier instruments and unproven investments in a climate of limited returns. Meanwhile, public coffers were saddled with debt and austerity measures. Figure 1.11 demonstrates this rise in debt across all categories: private, household, corporate, government, and central government. Figure 1.12 shows the increase in debt at the biggest media companies, particularly during the zero-interest period. As Srnicek argues, it is this climate—loose monetary policy creating a glut of cash—that sets the stage for the rise of exploitative platform technology. The media sector was also subject to a flood of investment during this period, which brought with it the worst tendencies of Silicon Valley, most notably technologies of convenience powered by venture capital, anti-competitive behavior, and labor

FIGURE 1.11. Rise of different forms of debt in the United States, 1960–2020. Data: Global Debt Database (IMF).

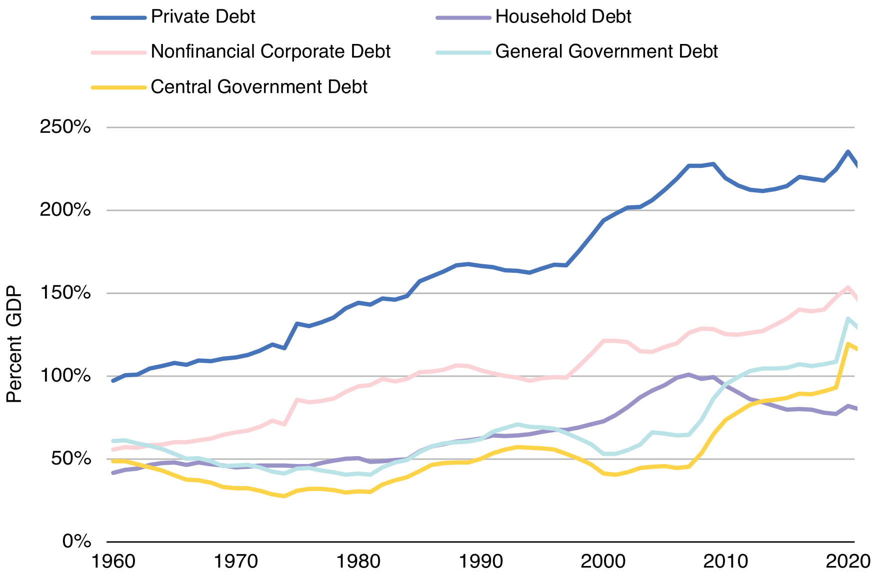
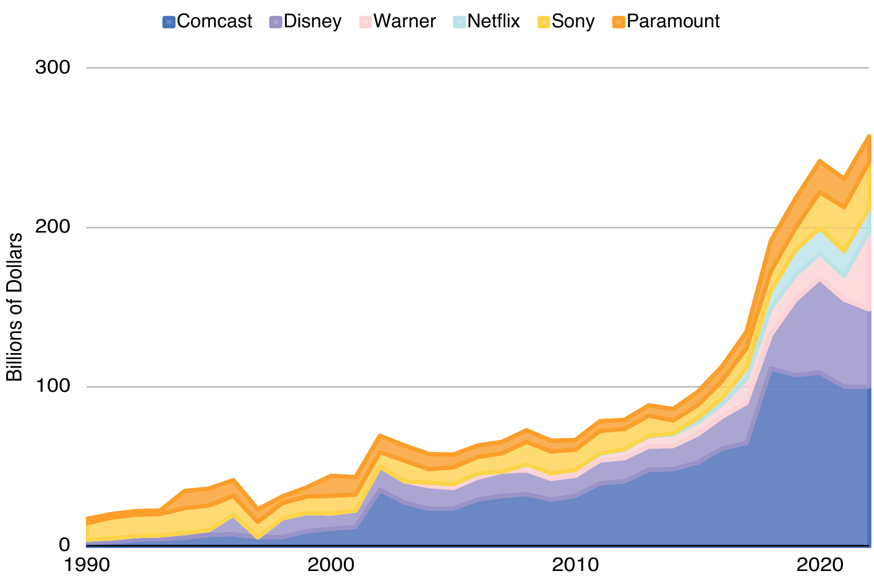
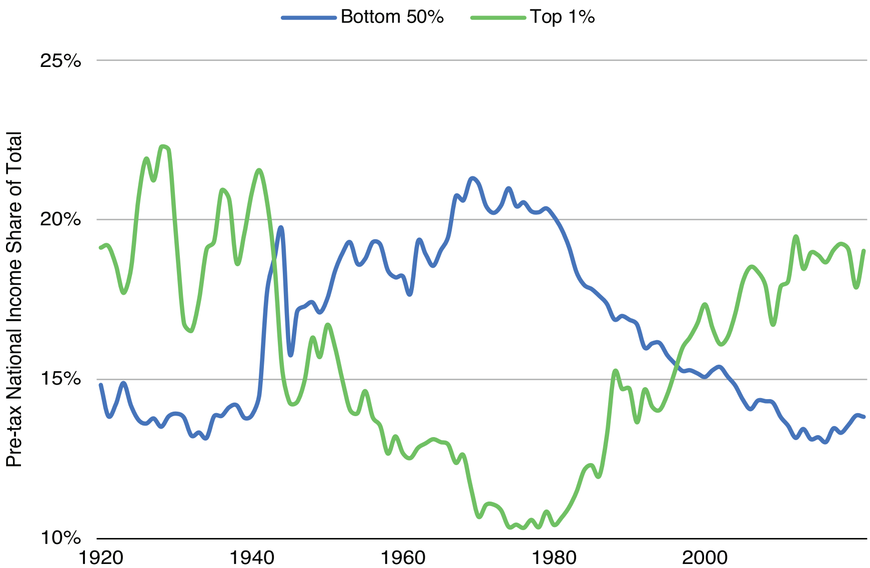


FIGURE 1.12. Rise in debt held by media companies, 1990–2022. Data: Refinitiv.



suppression. It didn't have to be this way. A Keynesian approach could have used the cheap credit and available workforce to build much-needed infrastructure, public housing, and renewable energy. Instead, asset-based Keynesianism gave us a housing market unaffordable for most, ad tech surveillance, the gig economy, and a thousand forgettable shows on Netflix.

FIGURE 1.13. Income inequality in the United States, 1920–2021. Data: World Inequality Database.



In 2020, the longest bull market in U.S. history came to a sudden halt due to COVID-19. The Federal Reserve once again stepped in, this time providing loans to nonfinancial corporations for the first time since the 1930s, stabilizing the corporate bond market, which was at risk of collapsing. Corporations piled on debt, and executives enriched themselves through stock buybacks, as discussed below. Meanwhile, in Congress, over $4 trillion of the $6.2 trillion CARES Act, the vast majority, went to the country's biggest, wealthiest companies. "The equivalent of two and a half times U.S. annual corporate profits, or about 20 percent of U.S. annual GDP," Brenner notes, "was authorized to be dispensed without undue surveillance and with no strings attached."[33] Meanwhile, the four hundred richest Americans increased their wealth by 40 percent, adding $4.5 trillion to their coffers.[34] The similarity of those two $4 trillion numbers is surely happenstance. Various measures of income inequality and wealth inequality, such as figures 1.13 and 1.14, paint a stark picture. As seen in the labor share of income documented in figure 1.15, workers are allocated less and less, despite steady levels of productivity. Figure 1.16 compares the rates of productivity and compensation, which rose in tandem during the postwar prosperity but were decoupled when the Reagan administration deregulated finance and weakened union power. Since 1980, worker compensation has been stagnant, while union membership rates continue to decline. "What we have had for a long epoch," Brenner concludes, "is worsening economic decline met by intensifying political predation."[35]

There are many other measurements of broad-based decline. Perhaps the bluntest assessment of human flourishing is life expectancy: while increasing elsewhere, it is decreasing in the U.S., due to a fraying social safety net, a privatized health

FIGURE 1.14. Wealth inequality in the United States, 1920–2016. Data: Saez and Zucman, 2019.

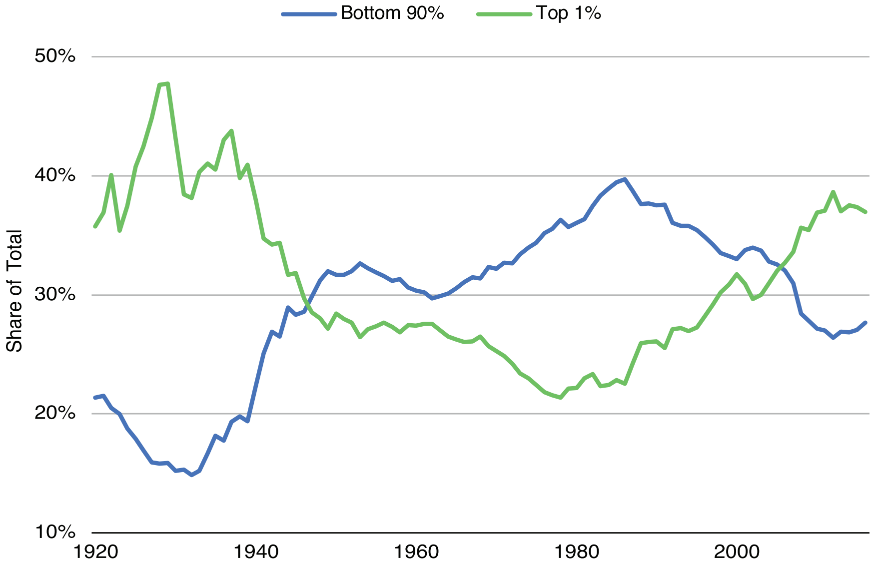
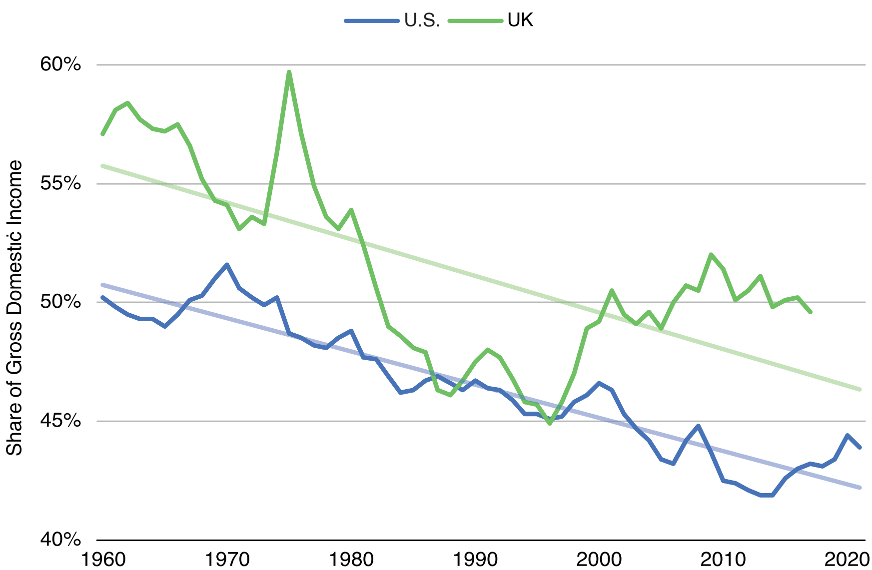
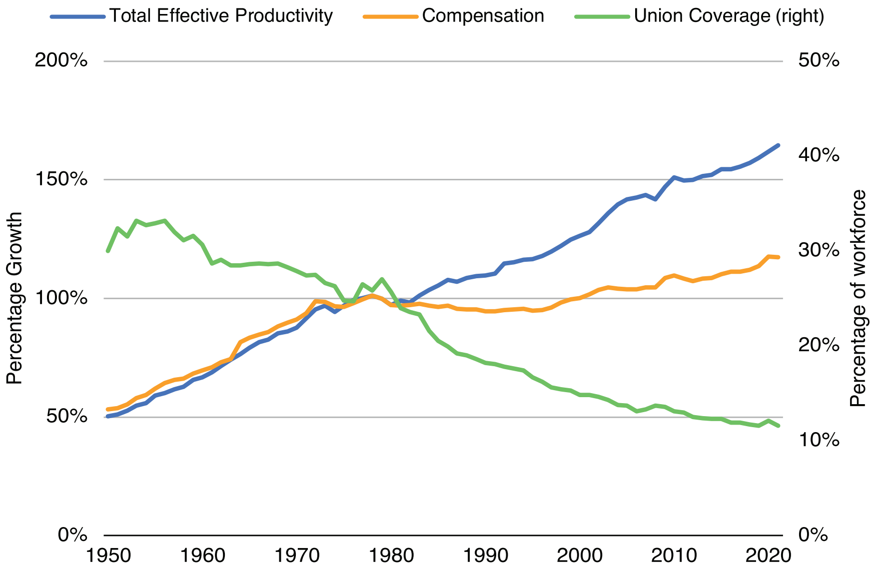


FIGURE 1.15. Labor share of income in the United States and United Kingdom, 1960–2021. Data: Federal Reserve Bank of St. Louis; European Commission AMECO database.



care system leaving many uninsured and indebted, a deluge of guns, and "deaths of despair" (suicide, drugs, alcohol). The pandemic revealed these disparities in vivid clarity. But capitalism is nothing if not inventive. Decline in one sector means opportunity in another. Desperation and precarity means the rise of many "morbid symptoms," such as debt, incarceration, carbon emissions, and financial

FIGURE 1.16. Compensation, unions, and productivity, 1950–2021. Data: Bureau of Labor Statistics, Bureau of Economic Anlaysis, Economic Policy Institute.



capital. Amid rising financial speculation is the widespread "innovation" of financial instruments such as collateralized debt obligations (a pool of loans that are repackaged into separate classes of risk), credit default swaps (a contract that transfers credit exposure in the case of default), and other forms of derivatives. These instruments are a crucial part of what has come to be known as financialization, to which we now turn. Power has been concentrated within financial institutions and is expressed using financial instruments and financial engineering strategies. It is obscured behind byzantine shell corporations, complex mathematics, and an army of mostly men in expensive suits.[36] It's a convoluted story, but it can be told simply: the money pools in one location.