

THE STATESMAN

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Announcements:

The Core and Love of Learning Seminar held recently is now available in a 5 hour audio CD set. [Click Here](#)

Just a quick reminder that the GWC Extension Courses (Utah) are starting soon. Sign up now by emailing registration@gwc.edu or call and talk to Cindy. To take a peek at the classes we are offering [click here](#).

Any veteran or their dependants, who qualifies for the G.I. Bill, may now apply their veteran's benefits toward tuition at GWC.

The George Wythe College Alumni Association now officially organized, is hosting The First Annual Alumni and Friends Gala in conjunction with Commencement Exercises October 14th and 15th in Cedar City, Utah. [Click Here](#)

Need a Financial Mentor? Don't miss the new GWC seminar by proven financial mentors at GWC quality. [Click Here](#)

Seminars:

September 1 [School Starts On-Campus](#)

Nov 22-23 [Money... It's Not Just for Rich People!](#)

For a Face to Face with Greatness seminar in your area, [click here](#).

For a Statesmanship Seminar in your area [click here](#).

Corporate Welfare?

Schumpeter's prediction that capitalism's successes rather than its failures would lead to socialism may not be too far fetched.

by Jason D. Arnold

“Another corporate CEO has been indicted today, and another major corporation has announced thousands of layoffs. The news is just ahead.” How many times have we heard this type of headline in the last two years?

Considering today's corporate turbulence, America may well see one of the most shocking predictions of economist Joseph A. Schumpeter come to pass:

...[capitalism's] very success undermines the social institutions which protect it, and "inevitably" creates conditions in which it will not be able to live and which strongly point to socialism as the heir apparent.¹

The idea of socialism that Schumpeter referred to derives predominately from Karl Marx, the authoritative voice of socialism/communism.² Marx asserted that capitalism exploits the working class and creates a society of "haves and have-nots." Because the means of production are concentrated in the hands of a few, many live a substandard economic life. He believed that the failure of capitalism to equally

distribute the means of production (i.e., property) would lead to the uprising of the working class against the propertied ruling class. Once the working class had successfully wrestled private property from the ruling class, the working class would collectively own all property and equally share the fruits of production. Thus, the failure of capitalism to enrich the lives of all would eventually lead to its destruction and the implementation of socialism. Today, Marxism is increasingly discredited.

Schumpeter, however, believed that capitalism's *successes* rather than its failures would lead to its end and socialism's birth. To many Americans, this assertion seems unlikely given the great improvements corporate growth has created in society. For instance Bill Gates of Microsoft has made millionaires of many of those he has employed and revolutionized the way we live. Computers have increased the speed of our communication, how we produce food, and even how nations defend themselves, among myriad other changes. Wal-Mart has nearly one million employees and makes numerous products affordable for the average consumer. Success is also evident in corporate migration internationally. Workers in many developing nations now experience incomes that would have been unheard of in the past. Their standard of living is rising and opportunities for education abound.³ All of these positive effects only contribute toward increasing the world-wide general standard of living and the corporation's bottom line: profits. The list of extremely successful U.S. corporations and their beneficial contributions goes on and on. So with these successful things happening, how could we actually end up turning America and other capitalist countries away from capitalism toward socialism?

The primary characteristic of socialism is the redistribution of wealth. Essentially, the government taxes the rich to provide for the poor. The public welfare system in the U.S. is a socialistic program. Its implementation came under sharp criticism in the mid-20th century in part because conservatives feared it would stifle the motivation of recipients to produce and create a population dependent upon state funds. Without responsible, motivated entrepreneurs and laborers, how would the country continue to prosper economically and maintain its national defense? Despite years of conservative resistance to socialism,

the champions of capitalism, corporations, may have been steadily spreading socialistic beliefs in millions of American workers.

During the 20th century, the commonly accepted path of economic success led first to gaining a college education and then to obtaining a secure corporate or professional job. The corporation promised job security and benefits such as health and life insurance and retirement pensions. All employees had to do was faithfully work for the corporation for 30 or more years and the corporation would take care of them for the rest of their lives. They worked hard to qualify for the safety net of benefits, salary increases, promotions, and the bright day of retirement.

In the 21st Century corporate life is changing. No longer do guarantees exist that any corporation will remain in the United States for the duration of an employee's life. Not only are corporations leaving the U.S. but some are disintegrating, merging, outsourcing, downsizing, etc. Like the Enron scandal a couple of years ago, some of the seemingly most powerful corporations today could be in bankruptcy tomorrow.

Even if an employee was able to stay with a corporation for life, the amount of their retirement funding is now uncertain. Corporations are shifting the burden of providing retirement benefits from the corporation to the employee. Instead of defining how much funding the employee will receive upon retirement, many corporations are now defining only what the institution will contribute during employment years. And, since the market goes up *and* down, no guarantee exists that any fund will exist at retirement.⁴ We also can't forget that with automation and outsourcing, some employees will find their skills and jobs becoming obsolete over night.

As workers continue to lose their once secure corporate benefits, they may come to realize their dependency upon the corporation. A keen awareness may arise in them that they put all of their eggs into one basket, and the basket has been dropped. With the loss of their jobs and benefits, desperate employees may turn to the largest corporation of all, the government, and demand their expected "benefits." This has already happened in the major corporate crises. Their demand naturally stimulates the calls for government to meet the needs

of displaced workers. Many workers see no danger in this—after all, given their hard work for decades, “it’s only fair.”

Even if government doesn’t become the primary provider of benefits, just the regulations requiring business to give benefits is a slow and steady move to socialism. And, as Schumpeter predicted:

...the modern corporation, although the product of the capitalist process, socializes the bourgeois mind; it relentlessly narrows the scope of capitalist motivation; not only that, it will eventually kill its roots.

NOTES

(Endnotes)

¹ Joseph A. Schumpeter, Capitalism, Socialism, and Democracy, Third Edition (1942) (As cited in ST201 Readings Packet, George Wythe College)

² Karl Marx, Friedrich Engels, The Communist Manifesto (New York: Bantam Books, 1992)

³ Manjeet Kripalani , “For India’s Tech Grads, There’s No Place Like Home,” BusinessWeek Online 3 February 2003, <http://www.businessweek.com/@@*aQp9oQQZ5v@TBcA/magazine/content/03_05/b3818012.htm>

⁴ Robert T. Kiyosaki, The Prophecy (New York: Warner Books, 2002)

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