



## The History of Democratic Capitalism

Our country has backed away from its commitment to Democratic Capitalism, and the two major parties, the Republicans and the Democrats, are the primary cause.

Democratic Capitalism is the free market moderated by democracy. A century ago, there was a global battle between the ideas of socialism, the complete government control of the economy, and unregulated, survival of the fittest capitalism. Our country took a middle path, a compromise between the two extremes. We stayed with capitalism, with the private ownership of the economy, but we used democracy to make capitalism work for everyone, to ensure every person benefitted, had a chance to participate and played by the same set of rules. We certainly didn't achieve this for all of our citizens, but it was the beacon that guided our government. It was a fulfillment of the most basic purpose of our government, ensuring all Americans have equality of opportunity.

Democratic Capitalism had broad support throughout society, including by both of the major parties. While they certainly saw the mix differently, Republicans and Democrats agreed that the government should both nurture the free market and make sure it served the whole of our country. And Democratic Capitalism worked well for the United States. Ensuring everyone could participate helped our economy tap into the immense talents of every part of our population. Making everyone compete under the same set of financial rules kept the competition focused on providing economic value instead of winning government favors. Ensuring everyone benefitted financially put money in people's pockets, becoming the engine of our massive consumer economy. Democratic Capitalism helped our economy grow to be the largest in the world.

Over the last several decades, ever since the collapse of the Soviet Union and socialism, our country has slipped away from Democratic Capitalism. We've stepped back from our commitment to ensuring everyone has the education and skills necessary to participate in our economy. We've stepped back from our commitment to one set of financial rules and a level playing field. We've stepped back from our commitment to ensuring everyone shares in the benefits; over the last thirty years, almost all of the gain in our economy has gone only to a very small part of our population.

Partly this was because of the ebb and flow of history. When the Soviet Union collapsed it was a hopeful time - our model had won. We no longer had to worry about the competition with socialism. Many of the rules governing our economy had become dated. It was easy to think that maybe our massive, mature economy had reached a point where it needed less government oversight. It was easy to think that we should protect new computer and digital technologies from burdensome regulations until they had figured out their businesses. It was easy to think that at this stage in our history maybe we didn't have to pay as much attention.

However, the primary reason our country stepped back from Democratic Capitalism was because of the changing Republican and the Democratic parties. The growing influence of each party's extreme wing, the far right and the far left, has caused both parties to reject compromise, and with it Democratic Capitalism. Both parties, for ideological reasons, gave up on the economic approach of a moderated free market that grew our economy to be the largest in the world.



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When the success of Democratic Capitalism caused the collapse of the Soviet Union it seemed the big questions about the proper role of government had been answered once and for all – the free market moderated by democracy produced by far the most wealth and personal freedom. But Democratic Capitalism's success didn't cause the true believers of socialism or unregulated capitalism to stop believing, or to go away. Instead, they found homes and allies in the Republican and Democratic parties.

People that believed socialism was the only morally acceptable form of government channeled their efforts through the Democratic Party. From the far left of the party they continued to advocate for an ever-expanding role for government to address the problems facing our country and take responsibility away from the private sector. They dismissed compromises, viewing them as partial solutions that wouldn't meet the needs of our country. And for the truest of believers, compromise would delay the inevitable, longed for collapse of our greedy, immoral system of capitalism. For the far left of the Democratic Party, the free market wasn't the problem, not the answer, so no point in trying to make it work better.

The economic far left found a ready ally in Democratic cultural left. Socialism is based on a way of viewing society through the prism of economic relationships and the associated power relationships. Capitalism forced people into classes and hierarchy, with the classes that controlled the means of production being privileged and the vast majority of people forced into a subservient, oppressed classes. The cultural far left didn't view U.S. history as a glorious experiment in democracy with an ever-expanding circle of freedom. Instead, the gilded freedom of the ruling class was only achieved on the backs of marginalized communities that were denied the benefits of society. The economic system of capitalism was the root cause for this inequality and the violence that supported it – only by moving beyond capitalism could we hope to right the wrongs in our society.

People that believed in unregulated, survival of the fittest capitalism, channeled their efforts through the Republican Party. From the far right of the party, they argued that any regulation of our economy was a slippery slope that would eventually steal away our economic and personal freedoms. They continually advocated for less government and worked to undermine our faith in government, casting it as perpetually incompetent and not to be trusted even with the responsibilities it already had. For the far right of the Republican party, the answer wasn't for society to better figure out how to moderate capitalism – it was to recognize that any effort at moderation was a step towards socialism, total government takeover of our economy, and to fight against it.

The economic far right found a ready ally in Republican cultural right. Beginning with the civil rights and woman's movements and eventually gay rights and transgender rights, our country rightly began to expand the circle of freedom to include more Americans. For many traditional Americans it seemed the inclusion movement had gone beyond accepting different to pushing it, to actively working to tear down traditional gender roles and society. The economic and cultural right saw themselves as facing common adversaries – the federal government and activist judges intent on increasing the power of the federal government. They found common cause in pushing back against the federal government and working to appoint conservative judges that were skeptical of the power of government.



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### Changing the Parties from Within

Socialists weren't the majority in the Democratic Party, and unregulated survival of the fittest capitalists weren't the majority in the Republican Party. But over time, working with their cultural allies, each became more powerful. The true believers were passionate about their ideas and willing to put in the work to advance their cause. As the center paid less attention, the energy of true believers became ever more important to winning elections, and true believers became more deeply ingrained in the leadership of each party. Slowly, usually quietly but sometimes noisily, both parties came to be defined by their extremes, by the parts of each that rejected compromise. With the rest of the country paying less attention, the far left and the far right began working to undo the compromise of Democratic Capitalism, including even the willingness to compromise.

In a democracy all men and women have an equal right to decide the course of our government. Because I have a right to my opinion on the direction of government, you have a right to yours. Democracy forces us to acknowledge the humanity of all Americans, and to acknowledge that other people love their country as much as we do and their thoughts on the direction of our country have just as much validity as ours. It forces us to compromise, to acknowledge and address the concerns of the people we don't agree with to reach a solution that will be acceptable to all. It forces us to accept shades of gray.

But both the left and right and their allies saw a much starker world. Each was convinced that their answer was the only answer for our country, and anything less would inevitably take us down a path that would eventually destroy us. Any regulation of the economy was a path to complete government takeover of the economy and the loss of our personal freedom. Any moderation of capitalism would perpetuate its violence and inequality and keep us from addressing the harm in our world. The other side wasn't partially right, and any compromise would only take us further away from the one true answer.

For the truest of believers in both parties it moved beyond policy to become almost a religion, with a battle between right and wrong for the soul of our country. It was easy to convince themselves that those that disagreed didn't just have different opinions, they were actually trying to harm our country. From there it was a short step to viewing people who disagreed as evil, an enemy intent on destroying the way of life you are trying to preserve.

Within both parties, the true believers turned their righteous anger against the members of their own party that were willing to compromise or agree to a partial answer. Those in the middle were either naive about the dangers of compromise or secretly complicit in the efforts to undermine and harm our country. Both parties became increasingly defined and limited by the purity tests demanded by the far left and far right.

In a battle between good and evil compromise isn't really possible – the other side isn't just wrong, it is dangerous. Agreeing to anything with the other side, even if you actually agreed with it, undermined the cause. It gave the other side a victory and legitimacy, which would only help it in its efforts to



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undermine our country. We reached a strange point of consensus between the far right and far left – it was usually better to not let anything happen.

Both right and left wanted essentially the same thing – for government to fail. The left wanted government to fail to prove that the incremental approach wasn't enough to accomplish what needed to be done, to prove that the answer could only be more government. The right wanted government to fail to prove that government couldn't be trusted even with its current responsibilities, let alone more responsibilities. Both sides were re-fighting the ideological battle between the extremes of socialism and unregulated, survival of the fittest capitalism.

Democratic Capitalism isn't a destination, it's a process. Our world continues to change and evolve, and government has to change and evolve with it. While grand programs like Social Security attract the attention, good governance is usually achieved through the accumulated impact of thousands of small laws, administrative rules and programs. And all of these laws, rules and programs require constant attention and have to be maintained and updated.

As the left and right wing gained influence within the parties, government ground to a halt. Our economy is constantly changing, and sometimes technology jumps on leaps and bounds. The world doesn't stand still, what we need and no longer need from our government doesn't stand still either. The conflict between left and right kept us from evolving our government to keep up with our evolving economy. In ways large and small, left and right did their best to undermine the compromise of Democratic Capitalism.

As a result, in ways large and small, our country has slipped away from Democratic Capitalism. We backed away from our commitment to one set of financial rules. We have rolled back regulatory protections and as importantly consciously not extended regulation as Wall Street has created new financial instruments and systems. We've allowed an ever-growing list of obscure tax advantages for those in the know. For all practical purposes we have inserted a second set of rules that benefit a narrow part of our population. In many different ways, we've allowed the playing field to become even more unlevel.

The battle between left and right infected education, causing us to step back from our commitment to giving every person the skills they need to succeed in our economy. We've let the roads and bridges fall into disrepair. The government has backed away from its responsibility as guarantor of claims, in just one example allowing pharmaceutical companies to fraudulently market addictive opioids as non-addictive. In ways large and small, our government has stopped working to make sure everyone gets in the game and benefits from our economy. Our country has fallen short of its obligation to extend equality of opportunity to all Americans.



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### **Why a New Party Is Needed**

We are at a unique point in time. It's not just that the Republicans and Democrats have started ignoring the needs of voters and our country; both are increasingly dysfunctional. Arguably both political parties have abandoned their roots and are spinning even further from the middle. They have turned their backs on their principles and are being torn apart by their internal conflicts. Now, more than most times in history, the dysfunction of the major parties is keeping them from adjusting to come back to the center. Each is moving further towards their fringe, and away from the compromise of Democratic Capitalism.

Only a new party, committed to the compromise and process of Democratic Capitalism, can again get our country back on track. A new party based on the belief that all Americans care about our country, and all have a right to their opinion. Democratic Capitalism is still the best answer for our country. We don't need to re-make or re-imagine government. We just need to fix what we have. We need to return to the compromise. We need to again make sure that every citizen has the ability and the opportunity to participate in our economic system. We need to again make sure that there is one set of financial, investing and insurance rules. We must again return to ensuring that every American gets in the game, and every American plays by the same set of rules. We must again consciously extend equality of opportunity to all of our citizens.