

Capitalist Markets and Crime

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(Class discussion document)

There are many different economic systems operating in the world today: capitalism, feudalism, socialism, communism, etc. Virtually none of those systems are pure ideal types. Additionally there are variations in each type. For example, Vietnam practices market socialism, while Cuba relies more heavily on the state in its version of socialism. So too are there wide variations in capitalist societies. Clearly, the United States is a capitalist society, but so are other countries in which capitalism has a distinctly different face. For purposes of comparison and critical discourse we will compare two different versions of capitalism. I would love to also make a comparison between the U.S. and socialist states. But the kind of data we need, which is sparse enough as it is, is produced by U.S. government agencies. They simply do not include socialist states in their data. Because I want to avoid any charge of bias I will use only U.S. state-produced numbers so that any bias will favor the U.S.

Basic Definitions:

Corporate monopoly capitalism is a free market model characterized by the dominance of hierarchical, bureaucratic corporations, which are legally required to pursue profit. In corporate monopoly capitalism the state is used to benefit, protect from competition and promote the interests of dominant or established corporations.

The United States is the prime example of a corporate, monopoly capitalist economy. It is argued that corporate monopoly capitalist economies are the most productive form of economic organization and provide the highest standard of living for workers. Corporate monopoly capitalism maintains low tax rates for corporation, businesses, and those with high incomes on the assumption that low tax rates will stimulate private investment and increase productivity.

A **social market economy** is a nominally free-market system where government intervention in price formation is kept to a minimum except in instances where the state acts to protect consumers from price-gouging and excessive profit-taking. The

state provides extensive social security systems, unemployment benefits and recognition of labor rights. In addition, the state provides extensive investment in educational systems, health care, low-cost housing, and poverty abatement. These social costs are assumed to be costs resulting from the capitalist mode of production and they are therefore paid for by taxes on corporations and those with high income levels. The social market is based on private ownership of businesses, but the state, through a system of taxation requires that capitalist enterprises “pay” for the social harm they cause. So, chemical companies may be assessed taxes based on the costs of cleaning up the pollution they cause, or pharmaceutical companies may be assessed additional taxes to pay for illness, injury and death caused by their products. Most social market economies also have a value-added luxury tax. For example, a basic automobile which is serviceable and safe may cost \$30,000. Such a vehicle would incur no additional tax liability for its purchaser. But if one wished to pay \$150,000 for a Lamborghini, a significant tax would be assessed on the \$90,000 difference in purchase price. Finland, Norway and Sweden are relatively good examples of social market economies. Germany and France are also examples, but not quite as complete systems.

Hypothesis: Violent crime victimization rates will be substantially higher in a corporate, monopoly capitalist economic system.

Our concern, of course, is with the issue of crime. The hypothesis which we will explore is simply this: corporate monopoly capitalist economic systems produce considerably higher rates violent victimization than social market economies. For purposes of comparison we will look at the United States, Norway and Sweden. We will hypothesize that there are six ways in which a corporate monopoly capitalist system produce violent crime. Unfortunately, not all of them are empirically testable given the limited amount of comparative data available. But based on what we know presently some preliminary conclusions can be drawn.

Table 1: Victimization rates

	United States	Norway	Sweden
Type of economic system	Corporate, monopoly capitalist	Social market capitalist	Social market capitalist
Assaults per 100,000 people	760	135	102
Rapes per 100,00 people	30	12	5

Homicides per 100,000 people	44	11	9
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Clearly, violent crime victimization is much higher in the United States than in countries with strong market controls.

Proposition # 1: A corporate, monopoly capitalist economic structure encourages violent crime by destroying the value of labor and creating alienating working conditions.

In a corporate, monopoly capitalist market society, labor is always a cost to be reduced, rather than a social institution valued in its own right. Benefits and wages are cut, and the number of working poor is high. A lack of stable or rewarding work breeds alienation and undercuts the idea of having a stake in society.

Table 2: Indicators of the quality of work, workers' compensation, and economic productivity

	United States	Norway	Sweden
Type of economic system	Corporate, monopoly capitalist	Social market capitalist	Social market capitalist
Average annual hours worked	1,804	1,407	1,583
Average annual labor force compensation (U.S. = 100)	100	172	133
Statutory minimum paid vacation (weeks)	0	5	5
Productivity index (U.S. = 100)	100	135	102

In the United States workers work more hours annually and are paid less than workers in countries with strong market controls. Defenders of a highly competitive, Darwinian market system would argue that while it produces some social problems it also results in (1) much higher levels of productivity and (2) much higher standards of living. As is obvious from the data the U.S. has the

lowest level of productivity and the lowest level of labor force compensation. Therefore, those arguments fail.

Proposition #2: A corporate, monopoly capitalist economic structure has an inherent tendency toward extremes of inequality and material deprivation.

Income inequality is more dramatic in corporate, monopoly economic systems than in other economic systems. Real income and wealth are concentrated in very few hands. On the other hand poverty is pronounced and common. Children living in poverty (especially extreme poverty) are more likely to be physically abused and neglected and less likely to develop intellectually.

Table 3: Indicators of social inequality

	United States	Norway	Sweden
Type of economic system	Corporate, monopoly capitalist	Social market capitalist	Social market capitalist
Poverty rate	17.0%	6.4%	6.5%
Child poverty rate	21.9%	3.4%	4.2%
Infant mortality rate	6.9	3.1	2.4
Gini coefficient of inequality	.37	.28	.23

The United States has far more people living in poverty. Poor children are dramatically more prevalent in the United States and they are poorer than in other industrialized countries. Measures of inequality demonstrate drastically higher rates of inequality in the United States.

Table 4: The Concentration of Wealth in the United States (2000-2008)

	Top 1%	Next 9%	Bottom 90%
Distribution of net financial assets*	43%	38.7%	19.1%
Distribution of investment assets	47.8%	37.7%	14.5%
Real income growth	+3.8	+ 1.6%	-5.8%

* Distribution of net financial assets is real household income and net worth combined.

It is clear that wealth, income and financial assets are concentrated in a very few hands in the United States, while the vast majority of population possesses no substantial economic resources. In addition, that massive inequality is becoming more and more pronounced.

Proposition # 3: A corporate, monopoly capitalist economic system weakens systems of social support.

A market society is opposed to the provision of public support that may inhibit violent crime. For example, while other countries provide nearly universal child care to working parents, the United States “allows” parents to take unpaid leave without getting fired for certain family emergencies.

Table 5: Indicators of public (state) investment in social support systems

	United States	Norway	Sweden
Type of economic system	Corporate, monopoly capitalist	Social market capitalist	Social market capitalist
Public expenditure on child care support in U.S. \$	\$1,803	\$6,805	\$5,530
Public education expenditure (% of GNI)	4.79%	7.03%	8.40%
Percent of the adult population unable to get required medical treatment	40%	0%	0%

The United States also invests considerably less public funds in child care, education and health care than nations with social market economies.

Proposition # 4: A corporate, monopoly capitalist economic system erodes informal social support systems.

Employers’ desire for a flexible workforce means that workers continuously move locations, uprooting them from their communities and families. This interferes with social organization and removes a source of social support.

(No directly related data, but here’s a fun fact you can interpret as you wish. Do religiosity and “traditional family values” reduce the incidence of violent crime?)

Table 6: Religiosity (Source: NationMaster.com)

	United States	Norway	Sweden
Church attendance	44%	5%	5%
Church attendees self-identified as “fundamentalists”	46%	Less than 1%	Less than 1%

Proposition # 5: A corporate, monopoly capitalist economic system promotes a culture of brutal individual competition and wasteful consumption.

A culture of materialism (or “hypermateralism”) emphasizes money, rather than other values, such as a job well done. In such a culture, throwing people out of a job is not considered bad, but rather good business practice.

(No directly related data. Just watch an hour of television.)

Proposition # 5: A corporate, market capitalist society destroys alternative political values and institutions.

The prevailing ideology (or myth) is that inequality and deprivation are simply the nature of things. Labor unions or political parties that address the needs of the poor or disenfranchised are weak or nonexistent.

(No directly related data, but once again some fun facts to play with.)

Table 7: Oppositional Economic and Political Institutions (Source: NationMaster.com)

	United States	Norway	Sweden
Major Political Parties	Democrats (neo-liberal/conservative)	Norwegian labour party (socialist) 64	Swedish social democratic party

	Republicans (neo-conservative; very, very, very conservative, see Germany, 1932)	mps Progress party (liberal) 41 mps Conservative party (conservative) 30 mps Socialist left party (socialist) 11 mps Centre party (agrarianism) 11 mps Christian democratic party (centrists) 10 mps Liberal party (liberal) 2 mps	(socialist) 112 mps Moderate party (liberal) 107 mps Green Party (environmental, socialist) 25 mps Liberal party (liberal) 24 mps Centre party (liberal) 23 mps Sweden democrats (conservative) 20 mps Christian democrats (conservative) 19 mps Left party (socialist feminist) 19 mps
Trade union membership	13%	76%	82%
Women in national legislatures	15%	38%	47%

Data Source: Economic Policy Institute. 2010. *The State of Working America, 2008/2009*. Ithaca, NY: Cornell University.