Chapter 4
The Structural Foundations
of
American Government and Politics

Who Are We?

- Nativists have promoted notion that America has always been white and Protestant.
- Do we count just the 13 original colonies?
- Do we count the territory which will ultimately be the United States?
- How many of the prejudices of the era do we adopt?

- The text defines *nativist* as “Anti-foreign: applied to political movements active in the nineteenth century.” (found in the glossary and in the text’s margins on p. 88).
- This is an example of a textbook, written by a committee fearful of offending a region of the country or some political perspective, “whitewashing” history.
- The nativists were almost exclusively anti-Catholic, and only subsequently anti-immigrant, who emerged throughout America in response to the large number of Catholics from Ireland who emigrated to the United States during what was erroneously called “The Irish Potato Famine.”
- The Potato Famine-- Though there was a blight which killed the potato in Ireland and throughout Europe from 1844-1848, the so-called famine was mostly cause by the fact that the English had created an underclass of landless peasants through the confiscation of Irish land.
- These landless peasants tilled the mountainous and rock strewn land that no one else wanted, where the only thing edible that would grow there was the potato.
- Throughout the so-called famine, which Irish historians call *An Gorta More* (the Great Hunger), English-owned farms in Ireland, taking up 95% of the Irish land, and from that Irish land exported wheat, oat, sheep and cattle to England. This means there was a surplus in food, hence, not a famine.
- Nativist spawned violence against Irish immigrants, and the other immigrant groups who lived in predominantly Irish neighborhoods, is the subject of Martin Scorsese’s film *Gangs of New York* (2002).
• This subtle change or omission in history regarding the nativists, successfully removes from American historiography the fact that there has long been an anti-Catholic movement in America.
• This movement was first evident in the nativist, later in the reformulation of the Ku Klux Klan in the 1920s, the presidential candidacy of Irish Catholic New York Governor Al Smith, and the presidential candidacy of Senator John F. Kennedy.
• Historiography—definition— the body of literature dealing with historical matters; histories collectively. (Random House Dictionary of the English Language, 1987)

Our Tact for this Analysis of Diversity
• We will count America as land occupied by people.
• Not 13 colonies spreading into a vacuum.
• Why? As the U.S. government gains control of more territory the occupants were mostly absorbed.
  • What is America? The land or the people? Probably a mixture of both.
• An interaction of people whose conduct was influenced by large tracts of free tillable land.
• The land was free only because the Native Americans were not being reimbursed for their land because they did not believe that the land could be owned by an individual. For them it was like owning the air.
  • Remember: prior to the existence of film, audio and other inexpensive means of recording through a visual medium or through inexpensive print technologies, most history was written by the elite, that is, those rich enough or fortunate enough to have access to a printing press.
• The only non-elite to find their version of history or their perspective on political issues were those who were printers or had the cooperation of printers.
• The elite wrote the history from their perspective; a perspective which in all likelihood was not balanced or uninfluenced by class prejudices.

Diversity
• How American society has changed and why it matters who was present at the nation’s creation.
• At the creation of the nation only 80% of the American people in the former 13 colonies were of European descent
• About the same as the 1990 census.
• This does not include the Native American population
• The survival of the prejudices of the Revolutionary War era in the historical record and their imprint on the nation’s cultural consciousness has fueled the myth that this was an exclusively European (i.e. white) and Protestant nation from its inception.
• This contributes to the misperception that recent patterns in demographics constitute some form of change at which best, from the perspective of the bigot or the uninformed, a degradation.
• America’s Hispanic population is increasing. Is that a change? Or merely a re-emergence of a pre-existing historical and demographic pattern.
• The bigots rarely get history right.
• Some with bigoted views of history are not themselves bigots, rather they have accepted as fact certain views of historical events that foster unjust and inaccurate assumptions about people or groups.

Myths About Heritage
• Using definitions to support inaccurate history
• Native Americans were not citizens
• African-Americans were property
• Though they are counted as 60% in census
• Diversity was only grudgingly acknowledged.
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Why is diversity important?

• Diversity develops additional dimensions in modern America
• Knowing that at the creation of the United States we were diverse, at least when one thinks of geography, gives new meaning to the concept.
• Is diversity new or has it been part of the American experience from the beginning?
• Geographically and demographically the land which would ultimately comprise America has been a diverse from before the time of the American Revolution.
• Another myth– The presence of Hispanic people in America is a recent development.
• The presence of a large Hispanic population in what will eventually be America pre-dates the American Revolution.

Hispanic Americans

• New Spain a thriving colony at the same time as Plymouth and Jamestown
• Saint Augustine is the oldest European settlement in North America
• New Spain’s part of what will be the United States is greater than the 13 colonies
• The war with Mexico which resulted in annexation of vast territory was based on a sham.
• The names Los Angeles, San Diego, San Francisco, San Antonio, Florida, Arizona, New Mexico, California, Nevada, Colorado are just a few examples of the extent of the Hispanic presence in the land which would become America.
• La Ciudad de Los Angeles (the City of the Angels) was a thriving metropolis at the time of the American Revolution.

The Native American

• Estimates that in North America there are about 3 million people when Columbus arrives
• A very unscientific estimate
• In 1789 about 3.7 million citizens
• Probably 100,000-200,000 uncounted Native Americans in east
• All estimates of Native American population prior to formal census taking are little more educated guesses.
• In one region of North Carolina there was an extensive counting of the Native America population.
• If those numbers were to hold true for the other colonies, for this sample could be either high or low as an example, there was probably between 300,000 and 500,000 Native Americans living in the regions east of the Mississippi.
• **Remember:** Native Americans were in constant movement looking for food, that is, following the food sources if they were depleted or driven off tracts by settlers who claimed “no trespassing” on the settlers’ newly-claimed land.
• The border between the colonies and those areas the English claimed were not part of the colonies was arbitrary.
• In other words, many Native Americans lived along the western border of the colonies (and later states), having been forced there by European settlers, their encampments moved in and out of the colonial boundaries depending on the weather and the availability of food sources.

### A territorial view of colonial America

• At the creation of the United States the territory which will later comprise the nation is divers; estimates are:
  • 50 % English Speaking
  • 20 % Spanish Speaking
  • 15% African Descent
  • 15% Native American
• What is it that makes America unique?
• Is it our sense freedom, learned from the English, Scottish, and French.
• Is it our political institutions which were the product of the English political system.
• Is it our love of democracy, learned from ancient Greece.
• Is it our music, jazz, blues and rock & roll, which came largely from Africa.
• Is it our country & western music, which came from Ireland and Scotland.
• Is it our entrepreneurial and inventive spirit which came from energetic people from throughout the world who came here to pursue their dreams.
• Is it the boundless, “free” land which offered opportunity.
• Why is America the most powerful nation in the world?
• Some uninformed people would suggest it was our lack of diversity. That is, we were free Englishmen who adhered to the enlightened tenets of English Protestantism.
America’s Religious Diversity

- English-speaking colonists 95% Protestant
- Maryland is created as a refuge for Roman Catholics
- Spanish-speaking are virtually all Roman Catholics
- Native Americans had religions
- African-slaves not yet Christians
- There were large number of Irish immigrants in other colonies but few clergy to attend to them.

No religious presence.
- Some Native American tribes were monotheistic like the major religions of Christianity, Judaism, and Islam.
- Despite the perspectives of colonists and people of frontier, Native American theology was complex and fostered certain values.

Statistics of Religious Diversity

- English Speaking: 98% of 50% = 49 % Protestants
- English Speaking: 2% of 50% = 1% Catholic
- Spanish Speaking 100% of 20% = 20% Catholic
- Africans:100% of 15% = 15 % Non-Christian Spiritual
- Native Americans: 100% of 15% = 15%

These are rough estimates.

Protestant America?

- At the creation of the America’s (territorial) religious profile is:
  - 49 % Protestant
  - 21 % Roman Catholic
  - 30% Non Judeo-Christian Spiritual traditions

- These figures are also educated guesses, the actual figures may be higher or lower in any category.
- It is intended to demonstrate that in the absence of exact scientific data one can extrapolate that the land that would ultimately become America was diverse at the nation’s creation.
The First Guest Workers

- Diversity suppressed by immigration laws
- 1840: 300,000 Chinese laborers denied permission to stay
- Build the transcontinental railroad
- 1880: Asians once used solely as laborers arrive to stay.
- The Asian presence in America is not new.
- There is evidence that Chinese sailors visited America’s west coast before Columbus landed on the Caribbean island he called San Salvador.
- Asians’ official numbers were suppressed by immigration laws which prohibited them from becoming citizens.
- Some Asians stayed others returned to Asia, but those who stayed did so by being “underground,” that is, not part of the official census.
- San Francisco’s “Chinatown” was there during the 19th century.

Our English Heritage

- British notions of class not transferred to America
- No royal titles will transfer
- Aristocracy will be defined by land ownership and education
- Any white male can aspire to these goals.
- There was never a “Duke of New Jersey.”
- Many of the religious dissenters who first came to America were not from the privileged classes of England.
- If they were, like the Quaker William Penn, they soon lost their status by becoming dissenters.
- In South America the Spanish did export notions of royalty and nobility.
- Part of the serious economic problems that currently exist in Central and South America are the result of the Spaniards exporting notions of royalty, and subsequently class, and the associated inequitable land distribution throughout their empire in the Americas.

What Did Come Over from England?

- What did transfer from England was Calvinism’s notion of salvation & belief in the decadence of man.
- Belief that property was a gift from God.
• In the 19th Century Social Darwinism will enforce these beliefs- Darwin would not have approved.
  • Whether the Founders were actual Calvinist, that is, Presbyterians or other denominations that openly adhered to the teachings of French lawyer turned theologian, John Calvin (1509-1564), or not was not important.
  • Regardless of their respective Protestant denominations, most of the colonists, and subsequently most of the Founders, believed in the Calvinist view of humanity.

Social Darwinism
• Survival of the Fittest
• Rationalization for great disparities in wealth
• Darwin would have never applied his theories to humans
• A secular version of Calvinism’s notion of predestination
  • Social Darwinism is a secular rationale which allows a society allegedly base on a Christian value system to overlook the terrible injustice caused by poverty.
• What Christians call the New Testament has numerous references to the obligation to help the poor.
• Some modern political conservatives claim the scriptural directive to help the poor does not apply to governments, this is impossible to surmise because there were no democratic governments (i.e. reflecting the collective will of the people) at the time of the writing of what Christians call The New Testament.
• Early Christians had a communal society where wealth and help were shared by all members of the community.

America’s Royalty
• Americans steal the plans of British industrialists.
• Mechanization when coupled with unlimited resources and a vast labor pool results in success.
• 19th Century industrialists think of themselves as American royalty.
  • Though legal notion of royalty would not be introduced into the colonies, the industrialists will think of themselves as “anointed by God” in the same way as European royalty did.
  • They even said outright they were “America’s royalty.”
• Industrialists traveled to Europe to purchase materials once owned by the royals of that continent.
Industrialization

• Foundations for Industrialization.
• Unprecedented Growth of Businesses and Industry.
• Industrial Revolution begins in England.
• New Inventions spur growth

Industrialization Changes Work
• Factories would employ tens of thousands of workers.
• This tremendous economic and sociological event will be largely unanticipated by the Founders.
• Jefferson believed America would be a nation exclusively of small farms and centrally placed trading centers no larger than the largest American city of the colonial period.

Civil War results in dramatic growth of North
• Manufacturing materials for warfare.
• Factories built to furnish supplies for war
• Existing factories grow to meet demand
• Abundant natural resources.
• Skilled work force.
• War always stimulates economies.
• The North had almost all of America’s factories.
• The geography of the North was better for factories than was the South. Water was the primary source of energy prior to the Civil War.
• New England had many small rivers with declines (drops in elevation) which enabled factories to use the water as a source of power.
• The South had few such rivers with such declines, at least in the coastal region where most of the population was located.
• In the South the rivers were broad and flat.
• The easy enticement of slave labor, that is, having other humans work very hard to make you wealthy so you don’t have to, did not lend itself to promoting industry that required hard work, inventiveness and risk on the part of the owner.
• Slave labor did not survive in the North because it was not practical to have to support the slaves who could not work in the North’s harsh winters.
Dramatic Change in the Nature of Work

- Many workers had been artisans on farms.
- Some had worked for family enterprise.
- Farm work involves 30-100 different tasks
- Long days, difficult work, adverse conditions
- Differing tasks -- diversity -- not dominated by one routine.
- The largest employer at the time the Constitution had 60 workers.
- Most farmers and farm workers had to master 60-100 different skills.
- Factory workers would perform no more than 5 tasks and many only performed one or two specific tasks.
- Factory workers could not control any part of their working environment.
- Assembly line workers could only go to the bathroom once in the morning, usually around 10:00 AM, regardless of individual need.
- If someone was injured there was no such thing as sick leave.
- If you lost your arm on the job you lost your job without any form of compensation or ongoing support.

Work Was Changed Forever

- The structure and nature of employment would be dramatically changed by industrialization

Growth of railroads

- Value of bulk transportation seen
- Civil War troop movements show value and efficiency of railroads
- Economic giants get help from government
- Standard gauge track adopted
- Five transcontinental lines completed
- The federal government was a primary factor in the growth of the railroads.
- The federal government took land it owned in the Midwest and western states and gave it to the railroads to enable them to build the railroads.
- The federal government gave the railroads right-of-ways several miles wide from which they could sell the land to raise money to build the tracks and other infrastructure.
The Railroads as Industries

- The railroads received federal support in starting their businesses.

In America the railroads set the standard for big business

- Myth that the government involvement is always bad
- Government gives land to RR cheaply or free.
- Wide right of ways allow railroads to sell valuable land
- Land made valuable by presence of railroad
- Now that government seeks to set some boundaries on the conduct of large businesses, the perspective that the government has no role to play in regulation is promoted by the business community so that they may increase their profits.

The Myth that the Marketplace Rules

- The first multi-millionaires were helped by federal government
- Railroads seek to suppress competition
- Price wars had hurt profits
- Collusion in setting prices increases profits
- Allegiance to “Free Enterprise” an illusion
- Federal government steps in to end corruption and price fixing
- The marketplace does play a role, but not as portrayed by businesses which want a regulation-free environment in which to exist free of any social or political responsibility.
- Rockefeller, one of America’s richest industrialists, drove out competitors in the oil industry in western New York by bribing railroad officials so that the railroads would not carry the oil of Rockefellers competitors.
- In the 21st century, Microsoft has been accused of using its Windows system to drive out competitors who seek to offer programs which run on Windows.
- Bill Gates has used this tactic despite the fact that both Apple Computers and Digital Research, the company which created the precursor to MSDOS, CP/M, the two systems Microsoft copied in MSDOS, freely shared their knowledge with Gates and the other Microsoft founders.
Myths about the Federal Government

• Politicians and even some historians make statements about present-day politics which are based on misconceptions or outright falsehoods
• Not based in history, that is, not historical fact.
• They count on the fact that most Americans do not know their history--They’re right!
• Corporations and large privately-owned businesses have paid staff whose sole responsibility is to promote the views of the businesses.
• In the past 20 years “think tanks” like the Cato Institute, American Enterprise Institute, Heritage Foundation and Hoover Institute, just to name a few, were formed specifically to promote the interests of corporations and other large businesses by promoting the reduction of federal authority.
• They promote themselves as merely antidotes for the liberals in academia, but unlike academics, these institutions have the goal of financially benefiting their creators and funding sources.
• Academics do not financially benefit from the application of their views. They would contend they benefit only in that society benefits.

Myth # 1
• The federal government has no right to intrude on the rights of states
• Normally a complaint of western and southern states
• Reality #1: The South revolted and was rebuilt with federal help
• Reality #2: Horrible treatment of former slaves made federal involvement necessary
• The Constitution is the supreme law of the land.
• The federal government is the primary arbiter for the Constitution.
• With changes in technology and a greater understanding of the complexity of such issues such as the environment, the role of the federal government has increased.
• Solutions to problems cannot often be regionalized to fit the arbitrary boundaries of individual states.
• In most instances, problems which exist exclusively in one state and impact no other state clearly should be the responsibility of that state.
• This principle does not apply to the treatment of American citizens or any individual whose rights are covered by the federal Constitution.
Myth # 2

- The federal government has no authority to intrude on the rights of western states
- Reality #1: With the exception of Texas all western states were created by the federal government.
- Federal dollars bought the Louisiana Territory
- Reality #2: It was the eastern 13 colonies which created the federal government.
- The relationship of the federal government with the western states is historically different than the relationship with the eastern states.
- Western states were created by the federal government.
- In many of the western states the federal government is the largest land owner.
- The federal government owns the following percentages of the land of these western states:
  - Nevada 79.8%
  - Utah 65.8%
  - Idaho 62.3%
  - Oregon 51.6%
  - Wyoming 49.5%
  - Alaska 47.0%
  - California 44.7%
  - Arizona 43.1%

The “Robber Barons”

- Name for the first generation of industrialists
- The nation’s first multi-millionaires
- They believe themselves to be American royalty
- They believed that God had anointed them as special
- Chicago is the center of railroad industry.
- Also known as “The Captains of Industry.”
- Men who were hardworking, innovative, ruthless and uncaring about the rights of workers, who believed that employees had absolutely no right to interfere with what was their personal property.
- Played off different ethnic groups against one another.
• Irish immigrants replaced poor Midwestern farmers.
• When the Irish had been there long enough to know that they only way they would have any workers’ rights was to organize in unions, they were replaced by a new wave of immigrants who would work for less money and be ignorant of the importance of organizing.
• This pattern would continue from ethnic group to ethnic group until in the early 20th century the industrialists recruited poor African Americans from the South to replace workers of European descent who were trying to organize a union.
• This would acerbate racial tensions in places where there had been few racial conflicts.

**Andrew Carnegie**

• Born in Scotland.
• Makes fortune in steel industry.
• Built empire on vertical integration.
• Owned all the businesses he dealt with.
• Employees had no rights.
• Left fortune to philanthropy.
  • Bequeaths created Carnegie-Mellon University in Pittsburgh.
  • Built thousands of public libraries throughout the United States and the United Kingdom.

**Andrew Carnegie**

• Born in Scotland and treated employees ruthlessly, he donated much of his money to public projects.

**John D. Rockefeller**

• Bases fortune around oil.
• Oil first found in southwestern New York & northwestern Pennsylvania
• Drives competitor out by bribing railroads.
• RR get kickback from Standard Oil.
• Competitors can’t use R.R.
• Competitors must sell to Standard Oil.
• The belief that most of the most wealthy industrialists made their money honestly is a myth.
• Some did make their money in total honesty, while others like the Rockefellers had corruption as an essential element to the success of their enterprises.
• Others succeeded by having a total disregard for the well-being of their employees.
• Bribing of public officials was commonplace.

John D. Rockefeller
• Though he made his first fortune through unfair competition his descendants became known for public service

J.P. Morgan
• An investment banker who used his power to take over businesses.
• Invents a new concept in ownership-- the holding company
• Companies that buy other companies as a short-term investment
• No integration of services, no tie with other businesses; no interest in employees.
• Simply an investment
• Morgan took disinterest in the worker to a new level.
• Some industrialists would view the working conditions as impacting on productivity and make some tacit concessions to their employees.
• Morgan viewed companies as exclusively economic entities devoid of a human component.
• To maximize the value of a purchase, Morgan would take any step necessary to maximize his profits regardless of which those actions did to employees’ lives.
• Businesses employing tens of thousands of people were little more than chips in a poker game for Morgan.

Industrialist J.P. Morgan
• Probably the wealthiest man in America during the last part of the Nineteenth Century
The Industrial Worker

- The emergence of the industrial employer changed the nature of work.
- No longer know your employer personally
- Repetitive, low-skill work
- Your position could always be filled by other unskilled workers
- Low wages
- 10-12 hours per day, 6 days per week
- Repeated layoffs
  - Alcoholism increased with industrialization.
  - Long working hours, unsafe conditions and impersonal supervision would have a negative impact on workers accustomed to knowing their employer and working on a variety of tasks.
  - Families would be separated from the extended family where there had once been a source of support.
  - Children once watched by elderly or childless relatives were now left alone because both parents were required to work to enable the family to survive.
  - There was no longer any free land in the west to go to and become self-sufficient.

Industrialization made the Cities

- People moved from the rural areas to where the work was, in the cities.

Unsafe conditions

- Brown lung
- Fires without proper exits
- Unsafe Machinery
- loss of limbs
- Injuries without compensation
- No unemployment for job loss due to injury
- Fatalities without compensation
  - It would be governments who force unethical and uncaring businesses and corporations to take the health of the worker into account.
• The present out-sourcing of jobs seeks to send American jobs to marketplaces where there is little regard for the worker.
• By outsourcing jobs to third world economies, multi-national corporations are effectively turning back the clock to a time when employers took few if any steps to insure the well-being of their workers.
• Making jobs safe costs money. Leaving the workplace unsafe increases profitability.

**Jobs that killed**

• Being injured on the job or being killed was a risk assumed by the worker with no risk to the employer.

**Importation of cheaper workers**

• Efficiency Experts
• Immigrants from Europe
• African-Americans from South
• European-American marginal farmers from South
• Farmers from rural areas
• Child labor

• The way that American companies have been exporting jobs in recent years to countries where they can pay only a fraction of the salaries they’d have to pay in America is not a new development.
• Large corporations have never cared about the well-being of their workers nor the conditions of the region or the economy in which they functioned.
• Throughout the first hundred years of industrialization large corporations (and large privately-held companies) constantly undermined their workers to improve profits; profits which were already extremely large.
• Large corporations were in constant search for the cheapest employees regardless of the impact on the lives and families of existing employees.

**Employers looked for Cheap Labor**

• Immigrants, women, children, and African Americans were brought in to compete with White males and keep wages down.
Farms Suffer from Unfair Practices

• Cost of shipping drives some farmers off farm.
• Farmers form cooperatives-- similar to unions
• Farmers faced with both weather variables and market variables, and unfair practices
  • Cooperatives for farmers were very much like unions were for workers.
  • It was the only way farmers could unite to counter the power of large businesses, such as railroads, that were unethically controlling the prices of the so-called “free marketplace.”

Farmers on their own

• The life is difficult but you are your own boss
• A cornerstone of America’s prosperity who is treated poorly
• Though farmers are idealized as icons of what it means to be an American they are neglected and exploited.
  • Farmers have to deal with the ravages of the weather over which they have no control.
  • They faced railroads which fixed prices with competitors and forced farmers to pay prices for transportation which left them little or no profits.
  • Banks foreclosed on farmers’ properties even when the only reason the farmers were in default was caused by the weather or problems with the larger economy.
  • No concern for what the farmer endures despite claiming to value the importance of the American farmer.

Workers form unions

• Skilled workers are first to form unions
• The only way to deal with the power of the giant industries is to organize unions.
• Industrialists consider their businesses their own private property free from outside pressure
• Those outside industries see unions as un-American
• The worker would be exploited without collective action
• All of the work-related reforms are the product of union agitation not the product of the marketplace or the benevolence of the industrialists.

**Long-term impact of industrialization**

• Founders had never envisioned such vast and powerful businesses
• Businesses become stronger than many local governments
• People congregate where work is-- that is, the cities
• Disparities in wealth
• The rich get richer, the poor got poorer
• Industrialization is anti-democratic.
• Industrialization places more and more power in the hands of fewer and fewer people.
• The belief that corporate boards are democratic is false. Though some corporations are very democratic, most are not. They are plutocracies.
• Plutocracy-- definition-- n : a political system governed by the wealthy people

**How did the Federal Government become so large?**

• The two primary reasons
• The Civil War
• Growth of Industry
• Two groups that complain most about federal intervention
• Industry
• The South
  • The government has grown in response to great problems.
• The Great Depression was the failure of business to regulate itself.
• The belief that the Great Depression was caused exclusively by a the stock market crash, an economic fluke (aberration), is a myth.
• There were many systemic problems which converged to create a crisis of unimagined proportions
• The seriousness of the conditions of the Great Depression have been largely downplayed in the past 25 years.
• Conservatives seek to downplay the seriousness of the conditions of the Great Depression because it strengthens the case for a *laissez-faire* economic system.
What Causes Big Government?

- **Big Problems:**
  - The Civil War
  - The Great Depression
  - Slavery and the Struggle for Civil Rights
  - World War I and World War II

- **Extremely Powerful Organizations**
  - Big Businesses
  - The Oil Cartels (illegal price fixing)

- One of the ironies of modern government is that the greatest complaints regarding big government have largely come from those entities which have produced big government.
- Big government was a response to big problems.
- There is nothing remotely approach a free market price for oil products. The primary nations that produce oil have strictly regulated oil exports which impacts directly on price.
- The constant mergers of companies into fewer and fewer mega-corporations or multi-national corporations reduces competition.
- Mega-corporations like Walmart enter a regional marketplace with greatly reduced prices and when all of the local competition is forced out of business Walmart will then raise its prices.

Feudal Capitalism

- Feudalism is based on the belief that God has pre-ordained leaders— the chosen.
- It believes that there are at least two classes of human beings— protectors & protected
- The gross distortions in distribution of wealth are part of residual feudalism
- Capitalism doesn’t have to have these inequities
- The economic system which we have in place still has vestiges of feudal system which governed western civilization for more than 600 years.
- The feudal component is that which believes that the existence of a superior class with different rights and privileges (either *de facto* or *de jure*) is natural and essential to the functioning of the system.
- *De facto* is a Latin expression that means "in fact" or "in practice". It is commonly used as opposed to *de jure* (meaning "by law") when referring to matters of law or governance or technique (such as
standards), that are found in the common experience as created or developed without or against a regulation.

• Capitalism has the potential of being distributive, that is, democratic.
• Unrestricted capitalism, that is free of any regulations, has the potential to exaggerate the distribution of wealth. To concentrate wealth and subsequently power in the hands of the few.
• Most large corporations seek to restrict competition not enhance it.
• Microsoft sought to drive out all competitors through the dominance of its Windows system*, despite the fact the company had been one of the most profitable corporations in American history.
• * by using the Windows system to deny access to producers of computer programs that compete with other Microsoft programs.

Capitalism was initially democratic

• Capitalism has been present always.
• Corporations begin as democratic alliances of investors who had votes
• A business democracy
• Some alliances were among trade members.
• Those who promote absolutely no government involvement or regulation of the marketplace quote the classic 18th century Scottish economist Adam Smith, author of Wealth of Nations (1776).
• The entire text of Wealth of Nations can be found at this web site:
  http://www.bibliomania.com/2/1/65/112/frameset.html
• When Smith wrote this classic economies were controlled by governments which were in turn controlled almost exclusively by monarchs.
• The monarchs often interfered with the marketplace to benefit themselves personally or to help their friends and allies.
• Mercantilism—definition—(mûrˈkəntəlizəm) economic system of the major trading nations during the 16th, 17th, and 18th cent., based on the premise that national wealth and power were best served by increasing exports and collecting precious metals in return. (The Columbia Encyclopedia, Sixth Edition. 2001.)
• The gold collected was kept in centralized repositories in exclusive control of the government which was in turn controlled by the monarch.