

The Bain Capital debate

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Barely a week after presidential candidate Mitt Romney's role as former head of the private equity firm Bain Capital erupted as an issue in the Republican primary campaign, there is a concerted effort by the media to bring an end to the discussion. The Republican front-runner made an estimated \$250 million during his years as the head of Bain from 1984 to 1999.

Romney's rivals, Newt Gingrich, the former House speaker, and Texas Governor Rick Perry appear to have pulled back from denouncing Romney as a "vulture capitalist," and testimonials defending both Romney and the leveraged buyout industry have proliferated.

The major financial interests do not want a broader debate over charges, leveled by Gingrich and Perry in an attempt to revive their campaigns, that investment firms such as Bain make money by destroying jobs and robbing workers of their wages, pensions and health benefits. Wall Street rightly fears that such a discussion will only deepen the growing popular hostility toward the capitalist system itself.

The *Wall Street Journal* sprang to Romney's defense last week in an editorial which admitted in passing that 22 percent of the companies held by Bain declared bankruptcy or closed down after eight years.

The *New York Times* in a thoroughly cynical editorial on Sunday posed as an opponent of social inequality and blamed the Republicans for policies that have increased the gap between the rich and everyone else, ignoring the fact that the Democratic Party and Obama have pursued essentially the same policies. At the same time, the newspaper took pains to defend capitalism, writing: "Anyone who criticizes Mr. Romney's business practices now faces the absurd charge of putting free-market capitalism on trial. No one is trying to end capitalism..."

According to the *Times*, linking the practices of firms such as Bain Capital to the capitalist system as a whole

is "absurd." Really?

The phenomenal growth of the private equity and hedge fund industries over the past three decades is an expression of the descent of the operations of American capitalism into parasitism and outright criminality.

The 1980s saw a wave of mergers and acquisitions and the emergence of the "leveraged buyout." Firms such as Bain, the Carlyle Group and Blackstone specialized in using borrowed money to buy companies—often firms that did not want to be bought. They used the assets of the targeted firms as collateral and loaded the books of the newly purchased companies with debt. They typically charged the bought-out firms huge fees that went straight into the pockets of the private equity fund's managers.

They then downsized the companies and either resold them for a profit or allowed them to fail. Either way, Bain and its counterparts generally made a substantial profit and their clients—insurance companies, pension funds, trusts, banks—got a handsome return on their investment.

This was a mechanism for increasing the wealth of the American ruling class not through the expansion of the productive forces, but through their destruction. The activities of firms such as Bain Capital epitomized the shift from production to the most parasitic forms of financial speculation as the main basis for the ruling class' self-enrichment.

These activities are not socially neutral. Phrases such as "creating shareholder value" and rewarding "efficiency" and "competitiveness" are euphemisms used to obscure and justify the socially destructive character of such financial transactions.

As David North wrote in *The Economic Crisis & the Return of History*, "The merger and acquisitions wave of the 1980s required and could not have succeeded without a massive assault on the social position of the working class in the United States... Paying down the

huge debts incurred in the leveraged buyouts of the 1980s required intensified exploitation of workers, realized in the form of union-busting, wage cuts, reduction of benefits, more onerous work rules, and the outright elimination of hundreds of thousands of jobs."

The policies that facilitated the plundering of the national wealth—deregulation, tax cuts for corporations and the rich—were expanded under the Democratic Clinton administration, which repealed the remaining banking reforms dating from the Great Depression. In the new century this process has been expanded, first under Bush and now under Obama.

The Wall Street crash of 2008 has been utilized to funnel trillions in public funds to the banks and intensify the attack on the social conditions and living standards of the working class. The financial parasites whose reckless speculation triggered the crisis have been allowed to exploit the disaster to further enrich themselves. Last week, in the midst of the Bain Capital controversy, the Carlyle Group revealed that it awarded its three founders a combined compensation of over \$400 million last year.

The separation of the process of wealth creation for the elite from the process of production and the creation of real value has altered the social characteristics of the ruling class itself. It has grown even more brutal, violent and rapacious. This is not simply an American, but has become a global development.

The only answer to the relentless assault on the living standards of the working class spearheaded by Wall Street is the development of an independent movement of the working class directed against the entire capitalist order and fighting on the basis of a revolutionary socialist program.

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