

Greed, Virtues, and Capitalism

The word capitalism has become so tinged with the idea of optimism and prosperity that it is accredited for any type of success a country may experience. This ignorant assumption most people possess most likely has developed because the United States has been dominant economic force while operating under a capitalist economic system. Consequently, many economic and social problems that are prevalent in the United States and the world today are blamed on other things other than capitalism. However, with further speculation, one is able to see that many of these problems are in fact associated with capitalism. Unfortunately, because neoclassical economics has been so engraved in the minds of society, people are completely unaware that alternative approaches to economics exist. By exploring contemporary and historical literature and certain films associated with political economy, one is able to familiarize themselves with many problems that are generated by living in a capitalist country. The film *Boiler Room* does an excellent portraying some of the negative aspects of capitalism that are often disclosed in political economy today as they take one inside the operations of a chop-shop brokerage firm. More specifically, this film reveals that capitalism can cause greed to overshadow many fundamental virtues frequently leading to problems in multiple areas of society.

The film goes inside the mind of Seth Davis, a recent college dropout who lived his life by running an underground casino business in his apartment. Life for him seemed too good to be true as he was making lots of money while putting in minimal work. This

devious business led to the dismay of his parents causing Seth to feel obligated to search for a new job. Therefore, when he was approached about the opportunities at JT Marlin, a chop-shop brokerage firm, it was difficult for him to turn to turn away. Initially, Seth was unaware of the illegality of their operations as he was distracted by the great financial possibilities that were promised to him in the future. As Seth becomes more involved with the company, he begins to realize that JT Marlin must be participating in some sort of illegal business as the commissions senior brokers are receiving are above SEC regulations. With further investigation, Seth finds out that by creating an artificial demand and selling stock of defunct companies to investors, JT Marlin is able to pump up the price of the stock allowing their senior brokers to receive extremely generous commissions on their sales. Then, when the investors go to sell their stock in the open market, the price of the stock plummets and they are left penniless. While this may be unrealistic business operation as wealthy investors would rarely put their money with brokerage firms that have little or no credibility, it is representative of the avaricious behavior capitalism can sometimes cause.

Rarely are virtues brought up when speaking about economics. Instead, people generally focus on either the theory or mathematics behind the production and distribution of goods and services. However, in the book *The Bourgeois Virtues*, Deirdre McCloskey argues that virtuous behavior is highly prevalent in capitalist markets and that these markets improve ethical behavior. Furthermore, she writes that markets and corporations encourage friendships wider and deeper than the atomism of a full-blown socialist regime or the claustrophobic, murderous atmosphere of a “traditional” village (138). Even though

virtues and friendships may be encouraged by capitalism, she ignores other malice, selfish behaviors that are produced by being part of a capitalist society. The manner in how JT Marlin operates their businesses provides a sufficient argument supporting this claim. First of all, entry-level brokers at JT Marlin cold call investors providing them with faulty information regarding the history of their investments and about the financial prospects of the companies they are investing in. However, even though the entry-level brokers are unaware of these delinquencies, they are also participating in unethical behavior. They persistently lie to clients that they are credible senior brokers that have longstanding relationships with the company when in reality; they are new employees with little or no experience in this area. Because people may expect to have honest business relationships, firms like JT Marlin find that manipulating their clients is a relatively simple process. However, JT Marlin's clients unfortunately believe are putting their money within a principled company that plans on helping them achieve their financial aspirations. In reality, though, the firm is simply taking advantage of them for their own benefit. In one case, Seth was able to take all of the savings of a man who had planned on using it for a down-payment on his house. This dishonest, persuasive nature Seth developed by working at JT Marlin allowed him to take advantage of the ignorance of many people.

In addition to the deceitful relationships between JT Marlin and its clients, relationships within the company are also quite corrupt. The entry-level brokers are completely naïve about the financial effects they are having on people. By distracting the new employees about their supposed bright financial futures, senior brokers are hoping to avoid any confrontation in regards to the operations of their business. This again reveals

the extent of the influence greed has on people as senior brokers have absolutely no concern for the clients or their fellow employees.

Although McCloskey believes that greed is not necessary for a capitalist economy to prosper, it is remarkably evident that it is a contributor to the actions of people. A person's avaricious behavior can only be explained by their desire to obtain more money. In order to achieve this, some people are willing to do anything, even if they believe it is unethical. This is easily depicted in the film as the senior brokers understand they are manipulating people for their own personal financial profit. Hence, not only is greed a characteristic that is present in capitalist society, but its existence has the ability to undermine virtuous behavior.

One is also able to draw many similarities between *Boiler Room* and the book *Wealth and Democracy* by Kevin Phillips. In this novel, Phillips illustrates that the Gilded Age, the Roaring Twenties, and the Dot-com era are often regarded as extremely prosperous times for American citizens, especially those of the upper class. Phillips also points out each economic boom was often at the expense of an increased divide between the rich and the poor followed by an eventual economic downturn. Subsequently, the success of both the upper-class and the overall economy in each of these particular times overshadowed resulting negative consequences. As Phillips explains, one of the reasons for economic success was the tremendous amount of hours that Americans were willing to put into work. In the film, JT Marlin stresses the importance of working long, strenuous hours. This may lead some people to a delusional state of mind causing them to believe drug use is the only way to make it through the work day. While Phillips never writes that

drug usage is a consequence of working long hours, it is frequently used in the film. By not living a balanced lifestyle, people may resort to drugs to escape the high demands of work. Phillips also mentions the deceptive nature of capitalism. When times are good, people seem to believe that economic prosperity will last forever, regardless of history. This was the exact economic philosophy that JT Marlin maintained. They expected each month to be bigger and more profitable than the previous, an unrealistic way of thinking. By invoking this philosophy on investors, JT Marlin was able to rake in even more money. As Phillips quotes Kenneth Galbraith, “The oldest rule in economics, for which I take credit, is that when someone says we have entered a new era of permanent prosperity, you should take cover (353).” This is exactly what JT Marlin should have done. Just when reality actually became the dreams of brokers, their business operation fell through and they now had to live the remainder of their life with an indescribable amount of remorse.

When Richard Wolfe analyzed our current economic situation, he realized there were problems in multiple areas concerning the economy. However, he believes one of the root causes that led to our financial situation was the abundance of credit available to people. In the past, wages and productivity were moving along at strikingly similar rates. Eventually, though, wages weren’t able to keep pace with increasing productivity rates, allowing credit to be readily available. Therefore, over the past couple of decades, not only were corporations using debt as a means to finance their operations, but people were using an excessive amount of debt to fund their consumption. Consequently, increased levels of debt allowed people to provide themselves with the lifestyle they desired. In the film, senior brokers received their commissions at the end of each month which were

generally over \$100,000. Given their current rate of income, they believed they would be making millions of dollars for years to come allowing them to purchase millions of dollars worth of cars and houses, all with credit. One broker who mentioned the financial status of a fellow colleague was quoted as saying, "His credit is so bad; he has a Porsche, but can't put money in the gas tank." All of these brokers were essentially a negative rich as they were buying goods on the basis that they would receive their commissions in the future. This may not have been a problem at the present time as they actually were able to receive their illegitimate commissions allowing them to pay off their debt. Yet, once JT Marlin fell through, brokers weren't able to pay off the extraordinary amount of debt they had incurred. Now, if a lot of people maintain this optimistic attitude about their finances, this can most certainly cause problems for all of society as seen in the current credit crisis. Again, the root cause of these negligent actions was greed.

In *The Great Transformation*, Karl Polanyi argues that it is essential that the economy be embedded in society. By having the economy and society as two separate entities, he believes this would ensure the destruction of both the economy and society. His reasoning behind this stems from the idea that money, along with people and land, are fictitious commodities, meaning they do not have the same characteristics of natural commodities. In a pure market economy, regulation of any of these items would be absent causing multiple problems for society. One of the main problems Polanyi believes that occurs from deregulating money is inflation. However, as *Boiler Room* illustrates, even greater financial problems than inflation can arise by having these entities separated. If SEC regulations did not exist, then JT Marlin would have continued to operate their

illegitimate business resulting in financial turmoil for many people. Consequently, this provides evidence to Veblen's claim that it is essential that the economy be embedded into society.

There is also a striking resemblance between JT Marlin and the artificial fast-food chain depicted in the film *Fast Food Nation*. It is apparent that Mickey's, the fast-food chain, main concern is increasing revenues instead of treating their employees with respect or selling an honest good. By providing an unethical labor environment for their immigrant employees and allowing fecal matter to be contained in their burgers, it appears the competitive nature of capitalism has made Mickey's disregard ethics and only focus on revenues. Even when a marketing executive becomes aware of both of these situations, he feels it is in his best interest and the firm's best interest to remain quiet; completely ignoring any concern for other people. An unethical labor environment is also prevalent at JT Marlin as cussing and fights between coworkers occur frequently throughout the workday. Additionally, since they are investing other people's money in stocks that offer no return, it is obvious they aren't concerned with providing their customers with honest business. In both cases, people have the right to know that they are eating fecal matter and they have the right to know that their money is being invested in defunct stocks.

Lastly, throughout the film, brokers are relentlessly participating in conspicuous consumption, a term developed by Thorstein Veblen in his novel *The Theory of the Leisure Class*. In this novel, Veblen highly criticizes the leisure class, as they do little to contribute to the development of their community. Instead, they only focus their attention on educating themselves to live a sophisticated, ritzy lifestyle. This is highly evident in the

film as employees at JT Marlin seem to only be interested in buying the latest new cars and wearing highly priced suits as a means to display a higher status. Additionally, brokers at JT Marlin influence society in extremely unfavorable ways. Not only are they leading fellow members of society into a state of financial turmoil, but they show absolutely no respect for other people. Bar fights are frequent occurrences among these brokers because they feel it is necessary to show their supposed elevated social status. Hence, this group is the ideal characterization of Veblen's leisure class as they are simply a drag on the rest of society.

While not all aspects of capitalism are disadvantageous, people need to become more aware of some of the dire consequences. The competitive nature that capitalism provides society with may improve the economic wealth of a country, but this often comes at many expenses. Its innate ability to instill greed inside people can actually demoralize a person causing them to negatively impact society in more ways than one. The mindset that people develop while being an integral part of corporate America can make them forget about ethics and even the rest of society. I believe it is necessary that people take a step back from capitalism and for once disregard the ignorant mindset of trying to maximize profits. There are much more prevalent issues that need to be resolved around the world other than improving ones personal wealth. Changing from a capitalist system most likely wouldn't be a solution to solving world dilemmas, however, ethics and morals need to play more of a role. Only then maybe will people and corporations start holding themselves accountable for their actions.

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