

Capitalism 'will collapse on itself' without more empathy and love: Scott Galloway

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The coronavirus pandemic accelerated drastic economic changes that were already underway. And one expert warns that it's threatening the future of the free market system.

"We are barreling towards a nation with three million lords being served by 350 million serfs," NYU Stern School of Business professor Scott Galloway told Yahoo Finance Live.

Galloway, the outspoken New York Times best selling author, addresses these themes in his latest book, *Post Corona: From Crisis to Opportunity*. Specifically, he explores who the winners and losers will be following the COVID-19 pandemic and suggests ways people can prevent a future that threatens to leave millions behind economically.

"We don't like to say this out loud, but I feel as if this pandemic has largely been invented for taking the top 10% into the top 1%, and taking the rest of the 90% downward," Galloway said.

Wealth by the numbers

A recent UBS PwC study of the world's 2000 billionaires found "Total billionaire wealth reached \$10.2 trillion at the end of July 2020, touching a new high after the year's V-shaped rebound in asset prices." It broke the previous record, \$8.9 trillion, set at the end of 2019 despite the pandemic's negative impact on the global economy.

In the United States, a report from the Federal Reserve shows the top 1%, which includes millionaires and billionaires have a combined net worth of \$34.9 trillion while the bottom 50% has a combined net worth of \$7 trillion.

"Capitalism is meant to be full body contact violence and competition to unleash incredible prosperity," according to Galloway.

But he points out that while the two largest asset classes in America — real estate and the stock market — are at all time highs, "80% of those assets by value are owned by the top 10%" of the population.

Galloway agrees that government efforts to save businesses and financial markets worked during the pandemic. But there has been little, he says, to help people at the bottom of the economic ladder.

"We haven't figured out a way to keep schools open," an example Galloway cites.

Saving capitalism with empathy and love

A Washington Post analysis of Census Bureau data found one in six Americans didn't have enough food to eat in the last week toward the end of November.

"A third of Americans are worried they can't pay their rent," Galloway noted. "This is the best of times and the worst of times,"

"We've decided to protect corporations, not people. Capitalism is literally collapsing on itself unless it rebuilds that pillar of empathy," which Galloway says in turn supports capitalism.

Congress did pass a \$2 trillion stimulus package last March that included a one time \$1,200 check for millions of Americans who earn less than \$75,000 a year. Those benefits have expired without action on new stimulus to help people who have lost their jobs during the pandemic.

“We've decided that capitalism means being loving and empathetic to corporations, and darwinistic and harsh towards individuals,” Galloway said.

Galloway proposes creative destruction that lets failing business fail while protecting people who lose jobs.

“We let people get fired so that Apple can emerge and put Sun Microsystems out of business, and then we take that incredible prosperity and we're more empathetic with people. We fund Social Security so we can take 38% of seniors who are in poverty down to 11%,” he said.

Despite his criticism, Galloway says American capitalism, “the greatest system of its kind, the greatest upward lubricant of the middle class” can be saved if voters elect politicians who enforce the rules.

“We don't seem to want to hold these companies accountable or to the same standards we've held companies in the past.” Galloway says.

“Capitalism fails unless it rests on a foundation of empathy and love,” which Galloway says requires being harsh at times on corporations and more empathetic and generous with U.S. citizens.

Adam Shapiro is co-anchor of Yahoo Finance Live 3pm to 5pm.