

Crisis in Courage = Crisis in Capitalism

“Courage is never to be expected, but always to be hoped for.” -- Preet Bharara

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Many ordinary Americans are bewildered by the behavior of corporate America. They can't understand why so many companies are cooperating with the Trump Administration's drift toward authoritarianism. Every first-year economics student knows that roughly 75% of the U.S. economy depends on consumer spending. A consumer economy thrives only when there is a confident and prosperous middle class. Authoritarian regimes crush that vitality.

Trump's authoritarian policies are dismantling what was a vibrant economy just a year ago, pushing us toward an increasingly certain recession. The parallels to the Great Crash and the Great Depression—outlined in Andrew Ross Sorkin's new book *1929*—suggest another stock market collapse followed by global depression may soon arrive. Why then does Apple, one of the largest companies in the world, bow to Trump instead of defending both its customers' rights and its own long-term interests?

What did Apple do? At the Trump Administration's request, it removed a popular app from its store that allowed users to identify the presence of ICE agents in their communities. The app helped citizens confirm sightings and avoid confrontations with unmarked agents. Its goal was simple: protect legitimate residents from being wrongfully detained by anonymous, masked, armed officials.

Apart from oligarchs, ordinary businesses do not prosper under authoritarian rule. As Vice President Kamala Harris noted after her presidential campaign, “Democracy supports capitalism.” Why is this true? Vibrant democracies always create a strong and expanding middle class—the essential engine of any consumer economy.

The middle class spends what it earns, driving growth. The top 2-3% doesn't usually spend 1¢ more when it receives a government cash benefit like lower healthcare premiums or receives a \$1 Trillion tax deduction, but the middle

class (40+% of whom live paycheck to paycheck) *spends all of it* as a way to improve their meager standard of living. In fact, the time-honored economic concept of “*The Multiplier Effect*” says that for every dollar that is injected into the economy, 5 additional new dollars of activity are created. But that effect only works if the middle-class benefits, because they spend that extra dollar. Today, the top 1% owns more private wealth than the entire middle class (defined as earners between the 20th and 80th percentile) combined, according to a recent Federal Reserve report.

The results are visible everywhere. Despite historic tax cuts for the wealthy, the U.S. manufacturing sector has contracted for seven straight months through September, per the Institute for Supply Management. Tariffs have made virtually all goods more expensive as a form of national sales tax (not authorized by Congress as required by the Constitution), raising prices for consumers. These increased costs won't stop Jeff Bezos from buying another yacht or Elon Musk from building another rocket—but they do erode the purchasing power of millions of middle-class Americans, whose dollars now buy less after an 11% drop in the US dollar against other currencies. Parenthetically, both Bezos and Musk pay a dramatically smaller percentage of their income than you do and neither care about the drop in the dollar!

Combine these declining economic statistics, that are worsening every month, with the change in the last 6 months, to lower levels of employment and the “squeeze” the middle class is going through becomes palpable. As inflation rises and employment declines, the middle-class squeeze is worsening. According to ADP, September suffered a *net job loss* of 32,000 jobs in the private sector (public sector numbers are not included due to the shutdown) from a much less dramatic *job loss of 3,000* in August. ADP's Chief Economist, Nela Richardson, observed that “In fact, the numbers changed, while the story and the narrative and the trend remain the same: Hiring momentum has slowed from the beginning of the year through September.”

How, then, can the middle class buy iPhones, toys, or the comforts of modern life? It can't. That's what happens when the wealth, disposable income and savings of the middle class deteriorates in favor of an ever-widening wealth gap between “the haves and the have nots.” The “haves” will hoard, while the “have-nots” must tighten their belts.

The subprime auto loan market offers another warning sign. Historically, it foreshadows broader economic distress. This marketplace is often seen as a leading indicator of what is to come in the broader marketplace a short time later. Delinquencies have surged since the pandemic, reaching 9.3% hovering near the 10 per cent mark that has been surpassed only three times since the 2008 financial crisis, according to Fitch Ratings. And, in September, the Federal Reserve and Goldman Sachs reported that “subprime auto loan delinquencies have rocketed past 5%, a stark milestone that surpasses the worst days of the 2008 financial crisis.” All of which explains the large Tricolor bankruptcy that specialized in the Hispanic subprime car loan market which hit the balance sheets of two major US banks very hard.

Moody’s chief economist, Mark Zandi, reports that in the second quarter, 49.2 per cent of spending came from the top 10% of Americans by income, the highest proportion since the data was first collected in 1989. Yes, we are becoming a “top-down economy” when every prudent investor knows that “trickle-down economics” does not work.¹ Decades of evidence proves that “trickle-down” never works.

We can’t leave this litany of woes for the great middle class without touching on the farm crisis of 2025. Overseas sales of the US’s top farm export have collapsed as China shuns American soyabeans in a “devastating” blow to US farmers. The new export season for soyabeans has opened with no sales or shipments to China, government data shows — a sharp break from a year ago, when it had already booked 6.5 *million* tons. For decades, a third to one half of all US soybeans went to China, the world’s biggest buyer. But this year, as trade talks between Washington and Beijing stall, not a single American soybean has headed east, leaving farmers struggling to stay afloat as bins fill and prices sag while China turns to record supplies from Brazil and Argentina. Roughly 40% of the U.S. crop remains unsold just as farmers are deciding how much more to grow this year when the silos are already full. On top of that disaster (and historical records show that once overseas markets are lost they aren’t regained for decades, if at all). And, since

¹ Saving the US economy with “trickle-up” economics, Rinaldo S. Brutoco, Common cents, 2008, <https://worldbusiness.org/wp-content/uploads/2013/07/cc-100808-updated-020909.pdf>

farmers are generally part of the middle class they have all the additional financial burdens associated with the Administration's new national sales tax "tariffs." Those tariffs produced \$50 billion in revenue during the 2nd quarter of this year, which is money ultimately paid by American consumers, especially farmers.

To make matters worse for America's struggling farmers, the Administration has also dismantled the US Agency for International Development (USAID), which used to purchase a lot of surplus agricultural commodities for distribution around the world and gutted the food stamp program (SNAP), another key buyer of farm goods.

Finally, the most troubling aspect of the Administration's handling of the economy, however, is the politicization of once-independent agencies. We are familiar how the most popular late-night comedian, Stephen Colbert, was fired by CBS as a way to "sooth" the Chairman of the Federal Communications Commission (FCC), Brendan Carr's (a principal author of Project 2025), hostility toward Colbert as a price for letting the multi-billion dollar merger between Paramount and Larry Ellison's Skydance Media. That merger was thereafter approved by the FCC in just a few days. Another proof that oligarchs, and only oligarchs, do well in authoritarian political systems.

In a similarly vein, Brendan Carr went after Jimmy Kimmel and wanted him fired as a condition of approval for the ABC/Capital Cities merger. He was fired, and the merger was shortly thereafter approved. Another merger was pending for Nexstar to acquire Tegna for \$6.2 billion that would also require FCC approval. Perhaps that is why Nexstar came out swinging so hard against Kimmel as well. Fortunately, a massive public backlash erupted, and Kimmel was rehired 5 days later. That's a lesson ABC learned in how to protect your customers rather than the oligarchs playing up to the authoritarian Administration. As I write, Colbert has not yet been rehired and likely will not be. One can only wonder where he'll end up, and whether he becomes an even bigger "thorn" in the Administration's side when he lands there!

It hasn't all been bad news, as the re-hiring of Kimmel makes clear. We also should note the courage of Netflix founder Reed Hastings in contributing \$2 million to the "Yes on 50" campaign in California which is designed to limit

the authoritarian efforts of Trump to rig the 2026 elections with even more gerrymandering. COSTCO has exhibited a similar “backbone” in refusing to be dictated to by the Administration upon who to hire and how. In a similar vein, Perkins Coie, the law firm which initially showed courage when it was specifically targeted by Trump in his executive Order 14230. That order was titled “Addressing Risks from Perkins Coie, LLP” and specifically suspended security clearances for the firms’ employees, restricted their access to federal buildings, and directed all agencies to review and potentially terminate contracts with the firm. Perkins stood up to the pressure, sued the Trump Administration and won, even as major firms like Paul Weiss caved along with many others caved and ultimately lost business. Firms that stood firm—guided by courage and principle—are thriving. Those that caved are losing credibility and clients. Preet Bharara would be pleased that the courage reflected in this paragraph has been rewarded. Courage, it turns out, is *good* for business.

In addition to courage, there is one more “through line” in this story we should all stop and reflect upon. All of the negative and positive thoughts in this piece point lead to one clear conclusion: there is a crisis in capitalism developing right before our eyes. What is that crisis? For decades, Milton Friedman’s doctrine of “shareholder supremacy” has shaped corporate behavior—the belief that a company’s *only* legitimate duty is to maximize profit for its shareholders. That narrow philosophy, was introduced by Friedman in a 1970 essay for the NY Times entitled “A Friedman Doctrine: The Social Responsibility of Business is to Increase Its Profits.” I thought that was crazy at the time and continued to say so all these years. Business entities generally can *not* divorce themselves from the societies from which they emerged or which they then service. Hence, trouble for the US means trouble for every sector of the consumer economy, which is the case for the vast majority of US businesses. Today, Friedman’s theory is collapsing under its own weight. Businesses cannot detach themselves from the societies that sustain them. A sick democracy will always yield a sick economy.

Thinking that the business community’s only responsibility is to earn money for its shareholders is short sighted and in the long run will produce less profit for shareholders than a better-balanced enterprise. This “better balance” comes from understanding that businesses serve all their stakeholders:

employees, customers, shareowners, vendors, and both the local and global communities within which they operate. This concept is known as “Stakeholder Capitalism” as contrasted with Friedman’s theory of Shareholder Supremacy.

Why is it critical at this very point in history that we acknowledge the wisdom of Stakeholder Capitalism? Because Stakeholder Capitalism creates management awareness and incentives to look at all the costs associated with running a business—especially “externalities.” When businesses view their obligations holistically, they are more resilient, innovative, and moral. They resist authoritarian pressure because they understand that free societies foster prosperity.

When the business community sees its obligations to enhance the societies they operate in, as many are beginning to do today, they will care whether it is a democratic or authoritarian society. When Apple is told to “bend a knee” to the “sovereign,” they would say no for two reasons: 1) that is the surest way to assist authoritarian to take over; and 2) it will lead to a weaker economy that will be very bad for business. Instead of fawning over the “sovereign,” Google, Facebook, and the other IT titans would see it was bad for society and bad for their respective businesses.

When major national law firms are told who they can defend, and what “tribute” they have to pay to the king, what clients they have to defend, and what their hiring practices ought to be, weakens them to accede. It will ultimately cost them a prestigious client base by casting doubt as to who the firm represents—the client’s interests only or the king’s interest.

It is destructive to the finest university system in the world when major universities capitulate to the “sovereign” on what they can teach, who their students ought to be, and what their hiring and promotion practices should be.

Universities, law firms, and corporations alike must rediscover courage. When they bow to “sovereigns,” they weaken themselves, their scholarship, their clients, and their country.

The founders of our Republic understood this. Paul Revere wasn’t worried about his livelihood as a silversmith, when deciding to undertake his famous

ride from Boston to Concord. Ben Franklin wasn't overly concerned about his printing business, when he became a traitor by joining the Revolution. John Adams wasn't concerned about his financial affairs in NY, should he coordinate the resistance to Britain in America's largest city, which instantly made him a target of the Crown. And George Washington wasn't concerned that his primary customer for his tobacco crop was the United Kingdom, when he agreed to lead the Revolution! All those men had courage in common. They all risked livelihoods, reputations, and fortunes to defend liberty. Their courage birthed democracy—and, in time, the greatest economic engine in history.

Now it's our turn. To preserve our economy, we need to solve the crisis in capitalism we are currently experiencing by subordinating ourselves to the Trump Administration. When we recover our independence, by abandoning our fear of what the "sovereign" will do to us, we will become free again. Let's hope for that type of courage as an antidote to the developing crisis in politics and capitalism which, as you read this, is sliding ever more quickly into deep recession. Better yet let's let the business community know that *we do expect it* and will "vote" with our consumer dollars.

Courage, it turns out, is the antidote to authoritarianism *and the only path to a sustainable, moral economy.*