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Wealth and Want in the United States

Michael Parenti

(excerpted from the book, <u>Democracy For The Few</u>)

Most scholars and journalists who write about the American political system never mention capitalism. But the capitalist economy creates imperatives that bear urgently upon political life. In this chapter we will consider how wealth is distributed and used in the United States.

WEALTH AND CLASS

One should distinguish between those who own the wealth of the society, specifically the very rich families and individuals whom we might call "the owning class," and those who are dependent on that class for their employment, "the working class." The latter includes not only blue-collar workers but just about everyone else who is not independently wealthy. The distinction between owners and employees is blurred somewhat by the range of affluence within the owning and working classes. "Owners" include both the wealthy stockholders of giant corporations and the proprietors of small stores. But the latter control a relatively small portion of the wealth and hardly qualify as part of the *corporate* owning class. While glorified as the purveyors of the entrepreneurial spirit, small businesses are really just so many squirrels dancing among the elephants. Small owners often are stamped out when markets decline or bigger competitors move in. By the 1980s, over 600 small and medium-sized businesses were going bankrupt every week in the United States.[1]

1. *Washington Post*, March 5, 1984; S. N. Nadel, *Contemporary Capitalism and the Middle Classes* (New York: International Publishers, 1983).

In sum, the story of the United States' great "affluence" has a darker side involving want, misery, and social pathology in what is becoming an increasingly exploitative and inequitable system. The free market is very good for winners, offering all the rewards that money can command. But it is exceedingly harsh on those who lack the financial means, family connections, and opportunity to share in the affluence. It is not enough to denounce the inequities that exist between the wealthy and the majority of the population; it is also necessary to understand the connection between them. By its very nature, the capitalist system squanders our natural resources, exploits and underpays our labor, creates privation and social needs and then neglects these social needs in service to an accumulation process that serves the few at great cost to the many.

If we love our country, then we should also care for the people who inhabit it and not want to see them victimized. The data presented in this chapter are not an attack on the United States but on the untrammeled market system that victimizes our people.

highest rates being in the poorest neighborhoods.[67] Over the last two decades serious crimes almost doubled and the prison population has tripled. With more than 1.2 million people in prison, or one out of every 180 persons over the age of sixteen, the United States has the highest incarceration rate in the world. Over 40 percent of inmates have an alcohol or drug abuse problem. In an average year, almost ten million are admitted to local jails, with some people entering and getting released several times in one year. More and more prisons are being built to ease overcrowding; in the midst of recession, prison construction remains a boom industry.[68]

With economic adversity there has come a skyrocketing increase in family violence and abuse. Millions of U.S. women are battered by men; almost five million sustain serious injury each year.[69] Over two million children—predominantly but not exclusively from lower income families—are battered, abused, or abandoned each year. Over 30,000 children annually are left permanently physically handicapped from abuse and neglect. Child abuse kills more children than leukemia, automobile accidents, and infectious diseases combined. Every year 150,000 children are reported missing, of whom some 50,000 are never found. Ten to thirteen youngsters are stabbed, raped, beaten, or burned to death by parents or surrogates every day.[70] One in four women and almost one in six men report having been sexually abused as children by adults.[71] An estimated 1.5 million elderly are subjected to serious abuse, such as forced confinement and beatings. Like child abuse, the mistreatment of elderly parents increases dramatically when economic conditions worsen.[72]

67. There are approximately 34,000 gunshot deaths in the U.S. each year: *New York Times*, May 26, 1993. In 1990, according to the FBI, there were 1,810,000 violent crimes, including murder, rape, and aggravated assaults, along with 12,532,000 burglaries and larceny thefts—and these were only the offenses reported to authorities: see estimates in *Los Angeles Times*, April 29, 1991; on suicides, see *New York Times*, September 11, 1986; on child killings: NBC-TV evening news report, March 16, 1993, and *Seattle Times*, March 23, 1993.

68. House Judiciary Subcommittee on Criminal Justice: The Sentencing Project, 1990 report, Washington, D.C.; General Accounting Office report on prison overcrowding, reported in *Washington Post*, December 4, 1989; Franklin Zimring, "The Great American Lockup," *Washington Post*, February 28, 1991.

69. *Violence Against Women*, Congressional Caucus for Women's Issues, Washington, D.C., July 1992; Maya Pines, "Recession Is Linked to Far-Reaching Psychological Harm," *New York Times*, April 6, 1982.

70. See report by the Children's Defense Fund: *New York Times*, August 18, 1992; report by U.S. Advisory Board on Child Abuse and Neglect: *Washington Post*, June 27, 1990; *Z Magazine*, February 1993, p. 50; and recent reports by the National Committee for Prevention of Child Abuse, Chicago, Ill.

71. John Crewdson, *By Silence Betrayed: Sexual Abuse of Children in America* (Boston: Little, Brown, 1988): Jane Ashley, "When Incest Haunts Love," *Washington Post*, August 27, 1990.

72. *New York Times*, May 1, 1990.

Among the employee class are professionals and middle-level executives who in income, education, and life-style tend to be identified as "middle class." Then there are some entertainment and sports figures, lawyers, doctors, and top executives who earn such lavish incomes that they become in part, or eventually in whole, members of the owning class by investing their surplus wealth and living mostly off the profits of their investments.

You are a member of the owning class when your income is very large and comes mostly from the labor of other people—that is, when others work for you, either in a company you own, or by creating the wealth that allows your money and realty investments to increase in value. Hard work seldom makes anyone rich. The secret to wealth is to have others work hard for you. This explains why workers who spend their lives toiling in factories or offices retire with little or no wealth to speak of, while the owners of these businesses, who do not work in them at all, can amass riches from such enterprises.

Wealth is created by the labor power of workers. As Adam Smith noted, "Labor . . . is alone the ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared. It is their real price; money is their nominal price only."[2] What transforms a tree into a profitable commodity such as paper or furniture is the labor that goes into harvesting the timber, cutting the lumber, and manufacturing, shipping, advertising, and selling the commodity (along with the labor that goes into making the tools, trucks, and whatever else is needed in the production process). For their efforts, workers are paid wages that represent only a portion of the wealth created by their labor. The unpaid portion is expropriated by the owners for personal consumption and further investment.

Workers endure an exploitation of their labor as certainly as do slaves and serfs. Under slavery, it is obvious that the chattel works for the enrichment of the master and receives only a bare subsistence. Under feudalism, when serfs work numerous days for the lord without compensation, again the exploitation is readily apparent. So with sharecroppers who must give a third or half their crop to the landowner. Under capitalism, however, the portion taken from the worker is not visible. All one sees is five days' pay for five days' work. If wages did represent the total value created by labor, there would be no surplus wealth, no profits for the owner, no great fortunes for those who do not labor.

But don't managers and executives make a contribution to production for which they should be compensated? Yes, if they are performing productive and useful labor for the enterprise, and usually they are paid very well indeed. But income from ownership is apart from salary and apart

2. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (New York: Modern Library, 1937, originally published 1776), p. 33.

from labor; it is money you are paid *when not working.* The author of a book, for instance, does not make "profits" on his book; he *earns* an income from the labor of writing it, proportionately much less than the sum going to those who own the publishing house and who do none of the writing, editing, printing, and marketing of books. The sum going to the owners is profits; it is *unearned* income. Profits are what you make when not working.

While corporations are often called "producers," the truth is they produce nothing. They are organizational devices for the expropriation of labor and for the accumulation of capital. The real producers are those who apply their brawn, brains, and talents to the creation of goods and services. The primacy of labor was noted years ago by a Republican president. In a message to Congress, Abraham Lincoln stated: "Labor is prior to and independent of capital. Capital is only the fruit of labor and could not have existed had not labor first existed. Labor is the superior of capital and deserves much the higher consideration." Lincoln's words went largely unheeded. The dominance of capital over labor remains the essence of the American economic system, bringing ever greater concentrations of wealth and power into the hands of a small moneyed class.

WHO OWNS AMERICA?

Contrary to a widely propagated myth, this country's wealth does not belong to a broad middle class. The top 10 percent of American households own 98 percent of the tax-exempt state and local bonds, 94 percent of business assets, 95 percent of the value of all trusts. The richest 1 percent own 60 percent of all corporate stock, and fully 60 percent of all business assets; while 90 percent of American families have little or no net assets. The greatest source of individual wealth is inheritance. If you are not rich, it is probably because you lacked the initiative to pick the right parents at birth.[3]

The trend is toward greater economic inequality. In the last fifteen years, income from investments and property (interest, dividends, rents, land and mineral royalties) has been growing two to three times faster than

3. *Internal Revenue Service, Statistics of Income Bulletin,* Spring 1990; Stephen Rose, *The American Profile Poster: Who Owns What* (New York: Pantheon, 1986), p. 31; *Colorado Labor Advocate* (AFL-CIO), February 20, 1987, p. 4. Of IRS returns listing over $1 million in adjusted gross income (i.e., income after tax deductions are taken), only 16 percent of earnings was derived from wages and salaries; the rest was from ownership of capital: Benjamin Page, *Who Gets What from Government* (Berkeley: University of California Press, 1983), p. 15. Recent studies show that "rags-to-riches" is a rare exception. Be they rich or poor, virtually everyone dies in the class to which they were born: *New York Times,* May 18, 1992.

apartments or perish in fires caused by unsafe gas stoves (used to compensate for heat cutoffs). Not more than 3 percent of senior citizens have coverage for nursing homes or long-term care. Despite Medicare assistance, the elderly face the highest out-of-pocket health-care costs. Millions are finding that Social Security, pensions, and savings are insufficient. Almost half of all seniors have returned to work or are looking for work.[61]

It is difficult for those who have never known serious economic want to imagine the misery and social pathology it can cause. Studies indicate that even small rises in unemployment bring noticeable increases in illness, mental problems, substance addictions, suicide, and crime.[62] Tuberculosis, a disease much associated with poverty, has risen to a rate unseen in over half a century in the United States.[63]

This country is beset by the greatest illegal drug epidemic in its history, with annual consumption estimated at nearly $150 *billion.* With only 6 percent of the world's population, the U.S. consumes 70 percent of the world's illicit drugs. Some 6.5 million U.S. citizens use heroin, crack, cocaine, or some other narcotic.[64] Millions more are addicted to legal drugs such as amphetamines and barbiturates. The pushers are the doctors; the suppliers are the drug industry; the profits are stupendous. About 32 percent of Americans have experienced some form of mental "disorder" such as serious depression.[65] One out of every four families is affected by alcohol-related problems, a 100 percent increase since 1974. An estimated four in ten Americans suffer some direct or indirect effect of alcohol abuse.[66]

Suicide has become the third leading cause of death among U.S. youth. Each year, some 25,000 to 27,000 Americans take their own lives. Another 23,000 to 24,000 are murdered. An estimated 135,000 children take guns to school, with more than two dozen a day being killed. About 30 percent of American households experience a crime of violence or theft each year, the

61. *Washington Post,* January 22, and August 31, September 19, 1989; *New York Times,* October 10, 1992.

62. M. Harvey Brenner, *Economy, Society and Health* (Washington, D.C.: Economic Policy Institute, 1992); Mary Merva and Richard Fowles, *Effect of Diminished Opportunities on Social Stress* (Washington, D.C.: Economic Policy Institute, 1992).

63. *New York Times,* October 14, 1992; *Washington Post,* September 23, 1990. The increase in drug abuse and poverty has also brought an increasing incidence of syphilis, along with a continuing acceleration of AIDS among low-income people: *Washington Post,* September 19, 1990.

64. Clarence Lusane and Dennis Desmond, "Bush Drug Plan Not What It's Cracked up to Be," *Guardian,* September 27, 1989, p. 12.

65. Report by National Institute of Mental Health, November 3, 1988; Marc Miringoff, *The Index of Social Health* (Tarrytown, N.Y.: Fordham Institute for Innovation in Social Policy, 1992).

66. Charlotte Schoenborn, *Exposure to Alcoholism in the Family* (Washington, D.C.: National Center for Health Statistics, 1991); *New York Times,* April 26, 1987.

cient nutrition. Such children are preoccupied with desires for food and medical care for their illnesses. They show signs of lethargy, "stunting," "wasting," and Third World diseases such as kwashiorkor and marasmus.[56]

One of every five American adults is functionally illiterate.[57] One of four individuals lives in substandard housing without adequate plumbing, heat, or other facilities. Housing is the largest single expenditure for most families. Due to realty speculations, gentrification, condominium conversions, and unemployment, people of modest means have been squeezed out of the housing market in greater numbers than ever. Affordable housing has become so scarce that more and more working-class families have been forced to double- and triple-up, imposing hardships and severe strains on family relations.[58]

Current estimates of homelessness vary from 250,000 to three million, almost a third of whom are families with children. Half the homeless in major cities are single men. Homelessness is something more than being without shelter. It is the most desperate condition of poverty, offering a life of hunger, filth, destitution, mental depression, unattended illness, and violent victimization. Even among the housed there are millions who are doubled up with family and friends or who are only a paycheck away from the streets.[59] One study found that 20 percent to 82 percent of persons who stayed in homeless shelters held jobs (employment varying according to particular shelters). Most worked full time but with rents so high and pay so low, they could not afford a place to live.[60]

Despite all the talk about the affluent elderly, almost half of the Americans who live below the poverty line are aged. More than three million senior citizens experienced chronic hunger in 1990. Every winter hundreds of people, mostly the very old and very young, freeze to death in unheated

56. Judy Rakowsky, "Tufts Study Finds 12 Million Children in U.S. Go Hungry," *Boston Globe,* June 16, 1993, Waxman and Reyes, *Status Report on Hunger and Homelessness in America's Cities; San Francisco Chronicle,* March 27, 1991.

57. Jonathan Kozol, *Illiterate America* (New York: Anchor Press, 1985).

58. *New York Times,* September 25, 1990.

59. Joel Blau, *The Visible Poor, Homelessness in the United States* (New York: Oxford University Press, 1992); Michael Lang, *Homelessness amid Affluence* (New York: Praeger, 1989); David Schwartz and John Glascock, *Combating Homelessness* (Rutgers, N.J.: American Affordable Housing Institute, 1989). Peter Rossi, *Down and Out in America, The Origins of Homelessness* (Chicago: University of Chicago Press, 1989); *Children and Youth,* General Accounting Office report on Homeless Youth, Washington, D.C., June 15, 1989. One study found that 62 percent of teenagers living on the street and 39 percent living in shelters have attempted suicide; more than half have been physically abused: *Washington Post,* November 19, 1991. One study found that over 13.5 million Americans have been on the streets or in homeless shelters at some point in their lives: Dr. Bruce Link, Columbia University, reported in *Food for Thought,* 13, January–February 1994, p. 2.

60. Study by Virginia Coalition for the Homeless, reported in *Washington Post,* August 19, 1988.

income from work (wages, salaries). By 1988, there were 65,000 millionaires in the United States with combined incomes of $173 billion. The top 800,000 people have more money and wealth than the other 184,000,000 combined (over age sixteen). The top 1 percent saw their average incomes soar by 85.4 percent after taxes in the decade up to 1990, while the incomes of the bottom fifth declined by 10 percent. Income and wealth disparities are greater today than at any time since such information was first collected in 1947.[4] As one economist put it: "If we made an income pyramid out of a child's blocks, with each layer portraying $1,000 of income, the peak would be far higher than the Eiffel Tower, but almost all of us would be within a yard of the ground."[5]

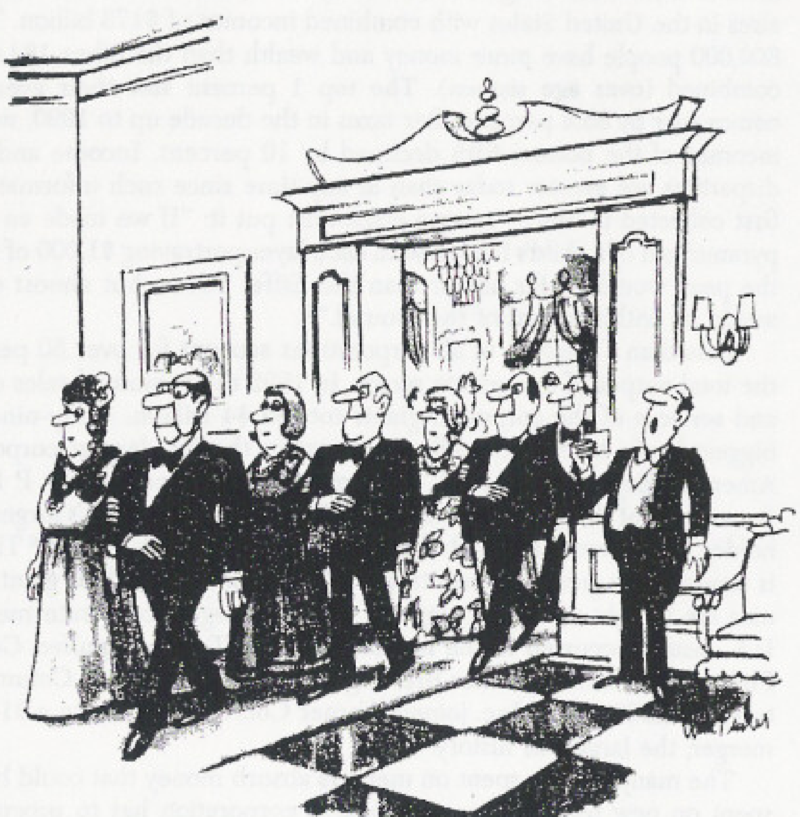
Less than 1 percent of all corporations account for over 80 percent of the total output of the private sector. In 1992 the combined sales of goods and services of the corporate giants totaled $4 trillion. Forty-nine of the biggest banks hold a controlling interest in the 500 largest corporations. American Express, ITT, IBM, Citicorp, and others can claim J. P. Morgan, Inc. as one of their top investors. J. P. Morgan is the nation's largest stockholder, with more than $15 billion invested in the stock market.[6] The trend is toward ever greater concentrations of corporate wealth as giant companies are bought up by supergiants. The ten largest corporate mergers in U.S. history occurred in the last dozen years. Texaco engulfed Getty Oil; Philip Morris inhaled Miller Brewing; Coca-Cola swallowed Columbia Pictures. In 1989, Time, Inc. joined Warner Communications in a $14 billion merger, the largest in history.

The many billions spent on mergers absorb money that could be better spent on new technologies and jobs. A corporation has to procure large sums to buy a dominant share of its own stock if it wishes to ward off a hostile takeover by corporate raiders. Or if acquiring another company, it usually needs money to buy up that firm's stock. In either case, cash reserves are seldom sufficient and the company must borrow huge sums from

4. *The Chairman's Report,* Joint Economic Committee of the Congress, Washington, D.C., December 28, 1989, pp. 12–15; *Background Material and Data on Programs within the Jurisdiction of the Committee of Ways and Means* (Washington, D.C.: Government Printing Office, 1989). *New York Times,* July 20, 1992; Lawrence Mishel and Jacqueline Simon, *The State of Working America* (Washington, D.C.: Economic Policy Institute, 1988); Ramon McLeod, "Gulf Widening between Rich and Poor in U.S.," *San Francisco Chronicle,* July 29, 1991; Isaac Shapiro, *Selective Prosperity,* report by the Center of Budget and Policy Priorities: Washington, D.C., July 1991.

5. Paul Samuelson quoted in Sam Pizzigati, *The Maximum Wage* (New York: Apex Press, 1992).

6. Labor Research Associates, *Economic Notes,* May/June 1991, p. 11 and February 1991, p. 15; *Forbes* various issues through 1992; Lester Thurow, "The Leverage of Our Wealthiest 400," *New York Times,* October 11, 1984.



"The Duke and Duchess of A.T. & T., the Count and Countess of Citicorp, the Earl of Exxon, and the Marchioness of Avco. The Duke of Warnaco . . ."

banks. Then, to meet its debt obligations, it must lay off workers, enforce speedups, break labor unions, reduce wages and benefits, sell off productive plants for quick cash, move to cheaper labor markets abroad, and take other such measures that fail to create new assets and diminish existing ones for quick paper profits. The owner-managers borrow enormous sums not to build factories or invest in research but to merge, raid, and buy one another, issuing new stock and walking away with enormous profits for themselves, leaving the company and the community of employees in worse shape than ever. Because of leveraged buyouts and other such factors, U.S. businesses increased their borrowing 50 percent in the last decade, emerging with debts of $3.5 *trillion*. Currently, U.S. corporations expend about half their earnings just on interest payments—all of which are tax deduct-

By the mid-1990s, one out of every five children in the USA lived in poverty.[52] Official investigations found a dramatic increase in child lab violations, with millions of minors illegally working long hours that interfe with their education or toiling at hazardous jobs in sweatshops, mills, fa food restaurants, and on farms. Employers often seek out child workers b cause they can pay them less and take advantage of them. The America Academy of Pediatrics estimates that 100,000 minors are injured on the jc each year. At least several hundred are killed yearly; many more sufferin burns, deep cuts, and amputations. The federal government had relativel few inspectors to check workplaces for child-labor violations. The averag fine in cases involving death or permanent injury was $750—a measure c the value placed on the life of low-income children.[53]

As of 1992, about thirty million Americans were not getting enough t eat—up from twenty million in 1985—as hunger spread from the inne cities to the heartland. The number of families lining up for emergenc food assistance has increased sharply over the last two decades. Many o those experiencing hunger were regularly employed in the free market The poorest households spent 60 percent of their incomes on housing, cutting deeply into food budgets. Among those below the poverty line, average outlay per individual meal was only sixty-eight cents. In major cities and small towns, there were people who picked their food out of garbage cans and dumps.[54] As one columnist noted, "If the president on his visit to China had witnessed Chinese peasants eating from garbage cans, he almost certainly would have cited it as proof that communism doesn't work. What does it prove when it happens in the capitalist success called America?"[55]

A team of doctors investigating rural poverty found children plagued with diseases of the heart, lungs, and kidneys, and other serious ailments that would normally warrant immediate hospitalization. One in eight children in the nation suffered from hunger, with millions more facing insuffi-

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52. U.S. Census Bureau data reported in *New York Times*, May 29, 1992; *Kids Count Data Book*, annual profile by Center for the Study of Social Policy, Washington, D.C., March 1993; *Opening Doors for America's Children*, interim report by National Commission on Children, Washington, D.C.: Government Printing Office, April 1990. In recent years there has been a rapid increase in impoverishment among Caucasian and Latino children: Isaac Shapiro, *White Poverty in America* (Washington, D.C.: Center on Budget and Policy Priorities, 1992); *New York Times*, August 18, 1992.

53. *New York Times*, June 21, 1992; *Link, Health and Development Report*, Fall 1992, pp. 5–7; *Washington Post*, March 6, 1991 and April 20, 1992; *Sweatshops in the U.S.*, report by General Accounting Office (Washington, D.C.: Government Printing Office, 1988).

54. *Oakland Tribune*, September 10, 1992; *Washington Post*, March 27, 1991; Laura Waxman and Lilia Reyes, *Status Report on Hunger and Homelessness in America's Cities*, U.S. Conference of Mayors, Washington, D.C., January 1989; Dale Maharidge, "And the Rural Poor Get Poorer," *Nation*, January 6/13, 1992, pp. 10–12.

55. William Rasberry, "Garbage Eaters," *Washington Post*, May 2, 1984.

addition, poverty is more widespread, severe, and long-lasting than in most other developed nations.[48] Low-income communities are a source of great profit for price-gouging merchants and rent-gouging slumlords. The poor pay more for most commodities, including food.[49] When able to find work, they often perform the toughest, grimiest, lowest-paying jobs, serving as a reserve army of underemployed labor that helps deflate wages and keeps profits up.

Especially hard hit have been people of color. In the early 1990s, African Americans had a declining life expectancy, an infant mortality rate twice as high as Whites, a school drop-out rate of more than 50 percent in some cities, a poverty rate that was 300 percent higher than Caucasians, and an unemployment rate 176 percent higher (compared to 86 percent in 1970). African Americans who were employed took home an overall income that was only 56 percent of White income. Black people continued to suffer racial discrimination in employment and other areas of life.[50]

Women also number among the superexploited. Of the more than 53 million women who work, a disproportionately high number are concentrated in low-paying secretarial and clerking jobs. Although 20 million mothers are working, 44 percent of single mothers remain below the poverty level. Women with college degrees earn about the same as men with one to three years of high school. Two out of three adults in poverty are women.[51]

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48. U.S. Congress, House of Representatives, Report of the Select Committee on Children, Youth, and Families, *Childrens' Well-Being: An International Comparison* (Washington, D.C.: Government Printing Office, 1990); Dana Hughes et al., *Health of America's Children* (Washington, D.C.: Children's Defense Fund, 1989); (report on poverty by Joint Center for Political and Economic Studies in *San Francisco Chronicle*, September 19, 1991.

49. House Select Committee on Hunger, *Obtaining Food: Shopping Constraints on the Poor* (Washington, D.C.: Government Printing Office, January 1988; Herbert Gans, *More Equality* (New York: Pantheon, 1973).

50. William O'Hare et al., *African Americans in the 1990s*, report by Population Reference Bureau, Washington, D.C., August 1991; National Resource Council, *A Common Destiny: Blacks and American Society* (Washington, D.C.: National Academy Press, 1989); *San Francisco Chronicle*, April 9, 1991. One experiment showed that when Whites and African Americans, who were deliberately matched in qualifications, applied for the same jobs, the Whites were three times more likely to be hired; African Americans were more likely to encounter discouragements and slighting treatment: Michael Fix, Raymond Struyk, Marjorie Turner, *Opportunities Denied, Opportunities Diminished* (Washington, D.C.: Urban Institute, 1991). On racial discrimination in mortgage lending, see *Washington Post*, October 22, 1991. One study shows that infant mortality for African Americans, Latinos and other minorities has been greatly underestimated: Robert Hahn, "The State of Federal Health Statistics on Racial and Ethnic Groups," *Journal of the American Medical Association*, 267, January 8, 1992, pp. 268–271.

51. Bureau of the Census, *Statistical Abstract of the United States 1992* (112th edition), Washington, D.C.; Barbara Gelpi et al. (eds.), *Women and Poverty* (Chicago: University of Chicago Press, 1986); study by National Association of Working Women reported in *People's Weekly World*, April 22, 1987.

ible. "Never before has so much money changed hands so quickly and produced so little."[7]

We are taught that the economy consists of a wide array of independent producers. We refer to "farmers" as an interest group apart from business, at a time when Bank of America has a multimillion dollar stake in California farmlands; Beatrice Foods has absorbed more than four hundred companies; and R. J. Reynolds, with vast holdings in cigarettes, transportation, and petroleum, owns Del Monte—itself a multinational agribusiness. A handful of agribusiness firms control most of our farmland. Just 1 percent of all food corporations control 80 percent of the industry's assets and close to 90 percent of the profits. Six multinational firms handle 90 percent of all the grain shipped in the world market.[8]

This centralized food industry represents an American success story—for the big companies. Independent family farms are going deeper into debt or completely out of business. Today, the combined farm debt is many times greater than net farm income. With the growth of corporate agribusiness, regional self-sufficiency in food has virtually vanished. The Northeast, for instance, imports more than 70 percent of its food from other regions. For every $2 spent to grow food in the United States, another $1 is spent to move it. Giant agribusiness farms rely on intensive row crop farming and heavy use of toxic spraying and artificial fertilizers, all of which cause massive damage to ecosystems. The nation's ability to feed itself is being jeopardized, as each year more and more land is eroded by large-scale, quick-profit commercial farming.[9] This is not to mention the harmful effects on people's health resulting from the consumption of food produced by these methods.

Many corporations are owned by stockholders who have little say over the management of their holdings. From this fact, it has been incorrectly inferred that control of most firms has passed into the hands of corporate managers who run their companies with a regard for the public interest that is not shared by their profit-hungry stockholders. Since 1932, when A. A.

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7. Editorial, *Dollars and Sense*, May 1990, p. 2; also Donald Barlett and James Steele, *America: What Went Wrong?* (Kansas City: Andrews & McMeel, 1992), pp. 27–30; *New York Times*, September 25, 1990. On how corporate greed led to the decline of the steel industry, see Mark Reutter, *Sparrows Point: Making Steel—The Rise and Ruin of American Industrial Might* (New York: Summit, 1988).

8. Jay Staten, *The Embattled Farmer* (Golden, Colo.: Fulcrum Inc., 1987); Frances Moore Lappe and Joseph Collins, *World Hunger: Ten Myths*, 4th ed. (San Francisco: Institute for Food and Development Policy, 1979).

9. Gary Comstock (ed.), *Is There a Moral Obligation to Save the Family Farm?* (Ames, Iowa: Iowa State University, 1987); Staten, *The Embattled Farmer;* Brian Ahlberg, "Farm Debate Plows Under Families," *Extra!* January/February 1991, p. 11; *New York Times*, March 17, 1986. Millions of acres of topsoil are blown away each month, an effect of intensive chemicalized commercial farming: *September Wheat*, documentary film produced by Peter Krieg, New Times Films, New York.

Berle and Gardner Means first portrayed the giant firms as developing "into a purely neutral technocracy," controlled by disinterested managers who allocated resources on the basis of public need "rather than private cupidity,"[10] many observers have come to treat this fantasy as a reality. In fact, the decline of family capitalism has not led to widespread ownership among the general public. The diffusion of stock ownership has not cut across class lines but has occurred within the upper class itself. In an earlier day, three families might have owned companies A, B, and C, respectively, whereas today all three have holdings in all three companies, giving "the upper class an ever greater community of interest than they had in the past."[11]

Some "family enterprises" are of colossal size. Indeed, a small number of the wealthiest families, such as the Mellons, Morgans, Du Ponts, and Rockefellers, dominate the American economy. The Du Ponts control ten corporations, each worth billions of dollars, including General Motors, Coca-Cola, and United Brands, along with many smaller firms. The Du Ponts serve as trustees of scores of colleges. They own about forty manorial estates and private museums in Delaware alone and have set up thirty-one tax-exempt foundations. The family is frequently the largest contributor to Republican presidential campaigns and has financed right-wing and anti-labor causes.[12]

Another powerful family enterprise, that of the Rockefellers, extends into just about every industry in every state of the Union and every nation in the world. The Rockefellers control five of the twelve largest oil companies and four of the largest banks in the world. At one time or another, they or their close associates have occupied the offices of the president, vice-president, secretaries of State, Commerce, Defense, and other cabinet posts, the Federal Reserve Board, the governorships of several states, key positions in the Central Intelligence Agency (CIA), the U.S. Senate and House, and the Council on Foreign Relations.[13]

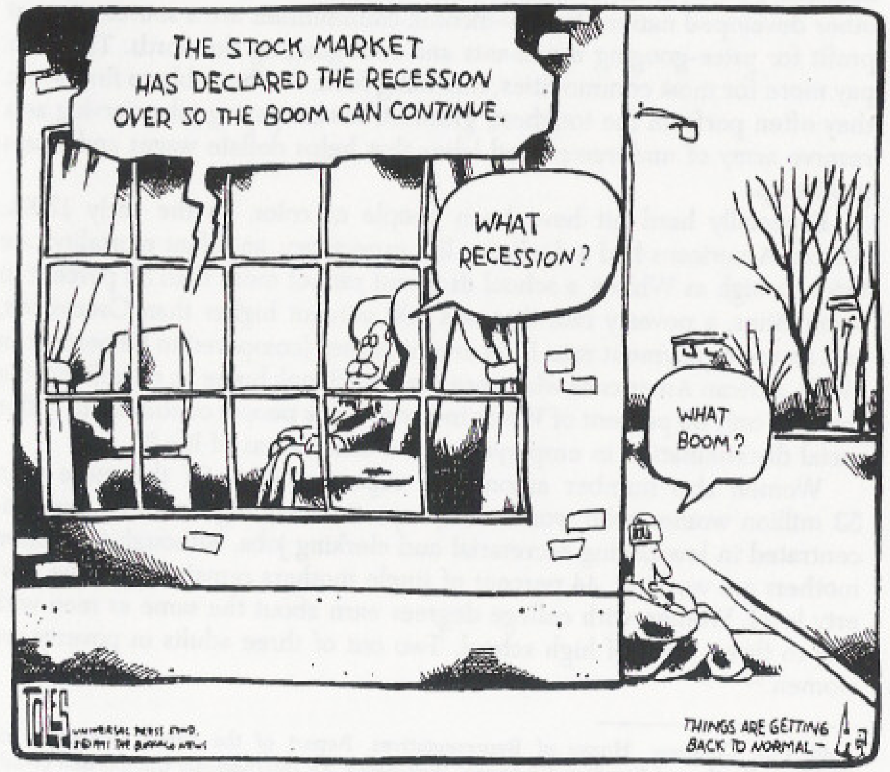
Whether companies are or are not under family control, their corporate heads prove to be anything but "public-minded," showing far less interest in developing new technologies and creating jobs than in feathering their

10. A. A. Berle Jr. and Gardner Means, *The Modern Corporation and Private Property* (New York: Harcourt, Brace, 1932), p. 356.

11. G. William Domhoff, *Who Rules America?* (Englewood Cliffs, N.J.: Prentice-Hall, 1967), p. 40; also Domhoff's *Who Rules America Now?* (New York: Simon and Schuster, 1983).

12. Gerald Colby, *Du Pont Dynasty: Behind the Nylon Curtain* (New York: Lyle Stuart, 1985).

13. Ferdinand Lundberg, *The Rockefeller Syndrome* (Secaucus, N.J.: Lyle Stuart, 1975); William Minter and Laurence Shoup, *Imperial Brain Trust* (New York: Monthly Review Press, 1977).



bills or keep up car payments, even lacking sufficient funds for food during certain times in the month. They were officially above the poverty line but still poor.[47]

Americans have been taught that they are the most prosperous and fortunate people in the world. The truth is, of twenty major industrial countries, the United States has the highest infant death rate and the highest rate of youth deaths due to accidents, homicide, and other violence. In

47. The poverty level is regularly adjusted by the Consumer Price Index to account for inflation. For those of modest means, a disproportionately larger part of their income goes to basic necessities such as housing, food, fuel, and medical care than to other items. The cost of these necessities rose much more rapidly than the general price index. If the Census Bureau had applied the same formula for measuring the cost of necessities that was used to calculate the original poverty line in the early 1960s, they would have discovered that a family of four needed at least 50 percent more than $13,920. The bureau's measurement in effect defined away nearly half the nation's poor: John Schwarz and Thomas Volgy, "Above the Poverty Line—But Poor," *Nation*, February 15, 1993, pp. 191–192; also *Real Life Poverty in America*, a report by Families USA, Center on Budget and Policy Priorities, and Population Reference Bureau, Washington, D.C., July 1990.

hourly wages and their labor is manual, unskilled, or semiskilled. Even among white-collar service employees, 87 percent were nonsupervisory, earning less than $20,000 in 1990 in full-time jobs.[40] Compared to twenty years earlier, U.S. workers put in an average 158 more hours in job related activities—the equivalent of an extra month of toil. They had fewer paid days off, fewer benefits, less sick leave, shorter vacations, and less discretionary income.[41] In short, people are experiencing a declining standard of living.

Millions do not earn enough to live in any comfort or security. Almost two-thirds of the families below the government's official poverty line have a member who is fully employed.[42] They work for a living but not for a living wage. The Census Bureau reports that some 14.4 million (18 percent) full-time, year-round workers earned wages below the poverty level in 1990—up from 6.6 million (12.3 percent) in 1974. Two-thirds of them were high school or college educated and half were over thirty-three years old. Over a quarter of our labor force, some 30 million, are employed in part-time, temporary, and low-paid "contingent work."[43] It is not laziness that keeps so many in poverty; it is the low wages their bosses pay them and the high prices, rents, and taxes they must pay others. Of the 13 million jobs created in the last decade, 8.2 million paid less than $7,000 annually.[44] To make ends meet, millions are obliged to hold down two jobs.[45] Underemployment was hurting even middle-level managers, engineers, technicians, lawyers, and other usually well-off professionals.

By 1993, the number of people living in poverty had climbed to 37 million, or 14.5 percent of the U.S. population.[46] The Census Bureau's poverty line for a family of four in that year was $13,920, but some 26 million additional people in families that made upwards of $20,000 still lived in serious deprivation, lacking medical insurance, unable to pay utility

40. Vicente Navarro, "The Middle Class—A Useful Myth," *Nation*, March 23, 1992, pp. 1, 381; *Economic Notes*, September/October 1989, p. 2.

41. Juliet Schor and Laura Leete-Guy, *The Great American Time-Squeeze* (Washington, D.C.: Economic Policy Institute, 1992); Juliet Schor, *The Overworked American* (New York: Basic Books, 1991).

42. *America's Middle Class Under Siege*, report by AFL-CIO Maritime Trades Department, Washington D.C., November 1991, p. 9.

43. Bruce Klein and Philip Rones, "A Profile of the Working Poor," *Monthly Labor Review*, 112, October 1989, pp. 3–13; Sar Levitan and Isaac Shapiro, *Working but Poor* (Baltimore: Johns Hopkins Press, 1987); Richard Cloward and Frances Piven, "The Fraud of Workfare," *Nation*, May 24, 1993, p. 693.

44. According to the Joint Economic Committee of Congress: *New York Times*, February 25, 1989.

45. The Bureau of Labor Statistics found that the number of women with two or more jobs had quintupled from 636,000 in 1970 to 3.1 million in 1990: *New York Times*, February 15, 1990.

46. NPR news report, October 4, 1993.

own nests. During the 1990–93 recession, while corporate profits fell and workers were being laid off or were taking pay cuts, compensation for CEOs rose sharply. In 1990, the chief executive officer (CEO) of Time-Warner, a company that was facing harrowing debt payments, took home $78.2 million in salary and bonuses, making more in one day than most of his employees made in five years. The ten highest paid Wall Street executives, investment bankers, and money managers were paid between $30 million to $125 million a year. In 1992, the ten top-paid corporate CEOs made from $24.6 million to $127 million in salaries, bonuses, and long-term incentive payouts. CEOs are voted sumptuous raises by their directors—most of whom are themselves CEOs for other firms. The directors thereby lift the income floor for themselves. Japanese CEOs earn only one-fifth as much as their U.S. counterparts (still outrageously high sums), yet they perform just as well—if not better.[14]

CEO Richard Munro admitted: "Corporate managers lead just about the most privileged lives in our society."[15] Far from being neutral technocrats dedicated to the public welfare, they are self-enriching members of the owning class. Their social and political power rests not in their personal holdings but in their corporate positions. "Not great fortunes, but great corporations are the important units of wealth, to which individuals of property are variously attached."[16]

THE DYNAMIC OF CAPITALISM

There is something more to capitalism than just the concentration of wealth. Vast fortunes existed in ancient Egypt, feudal Europe, and other early class societies. What is unique about capitalism is its perpetual dynamic of capital accumulation and expansion—and the dominant role this process plays in the economic order.

Capitalists like to say they are "putting their money to work," but money as such cannot create more wealth. What capitalists really mean is that they are putting more human labor power to work, paying workers less in wages than they produce in value, thereby siphoning off more profit for themselves. That's how money "grows." The average private-sector employee works a little over two hours for himself or herself and almost six hours for

14. *New York Times*, March 31, 1993; *Wall Street Journal*, April 17, 1991; *Washington Post*, September 1 and 24, 1991; *Economic Notes* (publication of Labor Research Association) June 1993, p. 7. Chrysler's Lee Iacocca pocketed a 15 percent raise while his company's profits plunged 81 percent and its workers were being let go: *Press Democrat* (Santa Rosa), April 13, 1991.

15. *Washington Post*, February 11, 1982.

16. C. Wright Mills, *The Power Elite* (New York: Oxford University Press, 1956), p. 116.

the boss. That latter portion is the "surplus value," which Marx described as the source of the owner's wealth. Sometimes non-Marxists will acknowledge the existence of surplus value as in this advertisement to lure investments: "New York's manufacturing workers produce $4.25 in value over and above every dollar they get in wages."[17] Workers in Texas produce $5 in surplus value for every wage dollar. The percentage is vastly higher in most Third World nations.

All of Rockefeller's capital could not build a house nor a machine, only human labor can do that. Of itself, capital cannot produce anything; it is the thing that is produced by labor. Under capitalism, the ultimate purpose of work is not to produce goods and services but to make money for the investor. Money harnesses labor in order to convert itself into goods and services that will produce still more money. Capital annexes living labor in order to create more capital.[18]

The function of the corporation is not to perform public services or engage in philanthropy but to make as large a profit as possible. The social uses of the product and its effects upon human well-being and the natural environment win consideration in capitalist production, if at all, only to the extent that they do not violate the profit goals of the corporation. As David Roderick, the president of U.S. Steel (now USX) put it: "United States Steel Corporation is not in the business of making steel. We're in the business of making profits."[19]

This relentless pursuit of profit results from something more than just greed—although there is enough of that. Under capitalism, enterprises must expand in order to survive. To stand still amidst growth is to decline, not only relatively but absolutely. A slow-growth firm is less able to move into new markets, hold onto old ones, command investment capital, and control suppliers. A decline in the rate of production eventually cuts into profits and leads to a company's decline. Even the biggest corporations, enjoying a relatively secure oligopolistic control over markets, are beset by a ceaseless drive to expand, to find new ways of making money. Ultimately, the only certainty, even for the giants, is uncertainty. Larger size, greater reserves, and better organizational control might bring security were it not that all other companies are pursuing these same goals. So survival can never be taken for granted.

17. Quoted in Gus Hall, *Karl Marx: Beacon for Our Times* (New York: International Publishers, 1983), pp. 24–25.

18. For the great statement on the nature of capitalism, see Karl Marx, *Capital*, vol. 1, available in various editions. For introductory treatments, see Marx's *Wages, Price, and Profit* (Peking: Foreign Language Press, 1969), and his *A contribution to the Critique of Political Economy* (New York: International Publishers, 1970).

19. Quoted in Pat Barile, "Where Production Benefits Workers," *Daily World*, September 20, 1984, p. 4.

It is widely believed that the United States can compensate for losses in manufacturing by expanding its service sector. But much service production—such as construction engineering, transportation, and telecommunications—is linked to manufacturing. As the manufacturing base declines, so does the entire economy.[38] Another cause of decline is the runaway shop; U.S. firms move to cheaper Third World labor markets, supposedly to maintain their competitiveness in the "global economy." As one corporate executive put it: "Until we get [U.S.] real wages down much closer to those of the Brazils and South Koreas, we cannot pass along productivity gains to wages and still be competitive."[39] In other words, working people must continue to sacrifice until they are reduced to poverty and corporate profit rates are as high as they are in the Third World.

The power of the business class is like no other group in our society. The giant corporations control the rate of technological development and the terms of production. They fix prices and determine the availability of livelihoods. They create new standards of consumption and popular taste. They decide which labor markets to explore and which to abandon, sometimes relegating whole communities to destitution in the process. They devour environmental resources, toxifying the land, water, and air. They command an enormous surplus wealth while helping to create and perpetuate conditions of scarcity for millions of people at home and abroad. And as we shall see, they enjoy a predominating voice in the highest councils of government.

THE HARDSHIPS OF WORKING AMERICA

By 1994, in the midst of a deep recession, the U.S. economy was going through what some called "a jobless recovery." Business failures and bankruptcy rates were still high; real wages had declined; consumer spending was down; over a thousand jobs were being eliminated daily; and poverty was on the rise. We were witnessing the gradual Third-Worldization of the United States, involving the abolition of high-wage jobs, a growth in low-wage and part-time employment, an increase in permanent unemployment, a shrinking middle-income population, a growing number of mortgage delinquencies, greater concentrations of wealth for the few and more poverty and privation for the many.

One hears much talk from politicians and media pundits about the middle class. In fact, most Americans are working class; their income source is

38. Stephen Cohen and John Zysman, *Manufacturing Matters, The Myth of the Post-Industrial Economy* (New York: Basic Books, 1987).

39. Stanley Mihelick, Goodyear Rubber, quoted in *New York Times*, December 12, 1989.

ads shows that the great majority of available positions require college training or special skills. For entry level openings, it is another story: in various parts of the country, thousands of people show up for a handful of job openings. Even among the more skilled positions, firms receive hundreds of applications for a few scarce openings.

Another myth is that union wages cause unemployment by pricing workers out of the market. Actually, in states where labor unions are weakest and wages lowest, like Mississippi and Alabama, unemployment is among the highest.[34] For the country as a whole, the decline in both unions and real wages in the last decade has been accompanied by a higher, not lower, rate of unemployment.

It is corporate "restructuring," not high wages, that causes unemployment. Nowadays, unemployment and economic stagnation seem more structural than cyclical, showing no self-correcting upturn. As companies expand their productivity through computers and automation, this no longer creates a commensurate gain in jobs.[35] In 1992 Chrysler announced an investment of $225 million for a new line of Dodge trucks that created only seventy jobs, while the company as a whole continued to lay off workers.[36] As constant capital (machinery, technologies, fuels and the like) outstrips variable capital (labor), fixed costs become proportionately higher, creating a still greater pressure to increase productivity in order to maintain and expand profit levels. Proportionately more capital is needed to attain any given return. Thus there exists a continual tendency toward a falling rate of profit.

Unable to raise profitability rates sufficiently through capital investment, the capitalist raises it through downsizing (laying off workers), speedups (making the diminished work force toil faster and harder), downgrading (reclassifying jobs to lower-wage categories), and part-time and contract labor (hiring people who receive no benefits, seniority, or steady employment). Tens of thousands of workers have been laid off across the country in recent times, many of them from profitable companies. In the last dozen years some 14 percent of manufacturing jobs have disappeared. There also has been a substantial drop in white-collar openings and salaries for college-educated people. Between 1990 and 1992, 2.2 million jobs were lost through mergers and layoffs.[37]

34. *Daily World*, June 4, 1982.
35. *New York Times*, July 5, 1992.
36. *News and Letters*, August/September 1992.
37. *USA Today*, June 4, 1992; *Hartford Courant*, March 20, 1988; *U.S. News and World Report*, April 22, 1991; CNN news report, March 23, 1992; *Time*, July 20, 1992. Over five million workers are involuntary part-time: "Working Scared," NBC-TV special report, April 16, 1992. A typical example of layoffs in a profitable company: in 1992 Exxon enjoyed $4.77 billion in profits yet reduced its U.S. work force by 3,000 positions: *New York Times*, April 26, 1993.

Recession and Stagnation

Business leaders admit that they could not survive if they tried to feed or house the poor, or invested in nonprofit projects for the environment, or in something so nebulous as a desire to "get the economy moving again." Nor can they invest simply to "create more jobs." In fact, many of their labor-saving devices and overseas investments are designed to lower wages and eliminate jobs. By holding down wages capitalists increase profits, but they also reduce the buying power of the very public that consumes their services and commodities. Every owner would prefer to pay employees as little as possible while selling goods to better-paid workers from other companies. "For the system as a whole, no such solution is possible; the dilemma is basic to capitalism. Wages, a cost of production, must be kept down; wages, a source of consumer spending, must be kept up."[20] This contradiction creates a tendency toward overproduction and stagnation.

As unemployment climbs, buying power and sales decline, inventories accumulate, investment opportunities recede, more layoffs are imposed, and the recession deepens. For the big capitalists, however, recessions are not unmitigated gloom. Weaker competitors are weeded out and business is better able to resist labor demands, forcing workers to accept wage and benefit cutbacks in order to hang onto their jobs. A reserve supply of unemployed workers helps to deflate wages further. Unions are weakened and often broken; strike activity declines, and profits rise faster than wages. The idea that all Americans are in the same boat, experiencing good and bad times together, should be put to rest. Even as the economy declines, the rich grow richer—not by producing a bigger pie but by grabbing a bigger-than-ever slice of whatever exists. Thus, during the recession of 1992, corporate profits grew to record levels, as companies squeezed more output from each employee and paid less in wages and benefits.[21]

Inflation

A common problem of modern capitalism is inflation. The 4 to 5 percent inflation rate that has regularly plagued our economy can, in a few years, substantially reduce the buying power of wage earners and persons on fixed incomes. Corporation leaders maintain that inflation is caused by the wage demands of labor unions. In fact, wages have not kept pace with prices and

20. "Economy in Review," *Dollars and Sense*, March 1976, p. 3.
21. *San Francisco Chronicle*, August 8, 1992. On the growing divergence of income between management and worker, see Jerry Kloby, "The Top-Heavy Economy: Managerial Greed and Unproductive Labor," *Critical Sociology*, 15, Fall 1988, pp. 53–69.

profits. "Except for a few brief intervals, inflation has risen faster than wages for nearly two decades, leaving workers less well off."[22]

Hardest hit by inflation are the four essentials, which devour 70 percent of the average family income: food, fuel, housing, and health care. But in these necessities, the share of costs going to labor has been dropping. For instance, labor costs in home construction have declined as construction unions have failed to win contracts and have been broken. Nor can the astronomical costs of the health industry be blamed on the low wages paid to health-care workers. Medical costs have been outpacing inflation not because of wage increases but as a result of price gouging by hospital corporations, insurance companies, and the drug industry.[23] In most industries the portion of production costs going to workers over the last decade has been shrinking, while the share taken by executive salaries and interest payments to bankers has multiplied dramatically.[24] The "wage-price" spiral is more often a profit-price spiral, with the worker more the victim than the cause of inflation.

As financial power is concentrated in fewer and fewer hands, supplies, markets—and prices—are more easily manipulated. Instead of lowering prices when sales drop, the big monopoly firms often raise them to compensate for sales losses. The same with agribusiness: whether crops are poor or plentiful, food prices tend to go only in an upward direction. Prices are pushed up also by limiting production, as when the petroleum cartels repeatedly create artificial scarcities in oil supplies, which mysteriously disappear after the companies get price increases.[25]

Other inflationary expenditures include the billions spent on unemployment payments and welfare expenditures to assist the poor, the jobless, and others who fall by the wayside under capitalism. There are also hundreds of thousands of able-bodied adults who do not work but who consume a substantial portion of the surplus value because they are wealthy. While not all the rich are idle, practically all live parasitically, largely off their trust funds or other "private incomes."

Massive military expenditures "happen to be a particularly inflation-producing type of federal spending," admits the *Wall Street Journal*.[26] The Civil War, the First and Second World Wars, the Korean War, and the Viet-

22. *New York Times*, June 12, 1983; *Solidarity* (publication of United Auto Workers) August 1993, p. 11.

23. *San Francisco Chronicle*, February 4, 1993.

24. *Economic Notes*, September 1985, pp. 1–2; Victor Perlo's report in *Daily World*, July 21, 1983. Comparisons of wages and profits almost always deal with wages *before* taxes and profits *after* taxes thereby exaggerating the portion going to wages.

25. Howard Sherman, "Inflation, Unemployment, and Monopoly Capital," *Monthly Review*, March 1976, pp. 34–35.

26. *Wall Street Journal*, August 30, 1978.

Another cause of low productivity is technological obsolescence. Unwilling to spend their own money to modernize their plants, big companies cry poverty and call for federal funds to finance technological innovation—supposedly to help them compete against foreign firms. Yet, these same companies sometimes will produce huge cash reserves for mergers. For example, after laying off 20,000 workers, refusing to modernize its aging plants, and milking the government of hundreds of millions of dollars in subsidies and tax write-offs, U.S. Steel came up with $6.2 billion to purchase Marathon Oil.[32]

Unemployment

In capitalist societies, unlike socialist ones, people have no guaranteed right to employment. If they cannot find work, that's their tough luck. No free-market economy has ever attained full employment. If anything, unemployment is functional to capitalism. Without a reserve army of unemployed to compete for jobs and deflate wages, labor would cut more deeply into profits. In recent years official unemployment has ranged above 7 percent, or over 9 million people. But this figure does not count the many who have given up looking for work or who have exhausted their unemployment compensation and left the rolls, nor the millions of part-time or reduced-time workers who want full-time jobs, nor the many forced into early retirement, nor those who have joined the armed forces because they could not find work (and who are thereby listed as "employed.")

The real unemployment figure in 1992 was over 14 percent, or more than 18 million people. In 1991, according to the Department of Labor, about 21.3 million people experienced some unemployment. Moreover, people are finding it harder to get back into the work force and are remaining unemployed for longer periods. More than in any previous recession, workers have been permanently rather than temporarily laid off.[33]

Some conservatives say there are plenty of jobs; unemployment results because some people are just lazy. But when unemployment jumped by a half-million in the early 1990s, was it really because a mass of people suddenly found work too irksome and preferred to lose their income, homes, cars, medical coverage, and pensions? In fact, a perusal of the help wanted

32. On the steel industry, see David Bensman and Roberta Lynch, *Rusted Dreams, Hard Times in a Steel Community* (New York: McGraw-Hill, 1987).

33. *San Francisco Examiner*, November 17, 1991; *Economic Notes*, November/December 1992, p. 14; David Moberg, "The Jobless Recovery," *In These Times*, March 22, 1993, pp. 25–27; economists Lawrence Mishel and Jared Bernstein, quoted in *Z Magazine*, February 1993, p. 31; Kim Moody, "A Clash of 'Economic Miracles,'" *Extra!*, May/June 1988, p. 3; *Washington Post*, February 11, 1988.

goes to executives and corporate professionals. Yet as little as one-fourth of an executive's time is actually spent working, that is, developing, analyzing, or executing company policies.[31]

Baumol and Edward Wolff, "Comparative U.S. Productivity Performance and the State of Manufacturing," *CV Starr Center for Applied Economics Newsletter,* 10, 1992, pp. 1–5.

31. Josh Martin, "Managers Are the Main Reason for Poor Productivity," *In These Times,* October 14–20, 1981, p. 17 and the study conducted by management consultants referred to therein.

nam War all produced periods of extreme inflation. Aggregate demand—mostly government demand for military goods and payments to military personnel—far exceed supply during wartime and are not usually covered by increased taxes. Even during "peacetime," assuming that's what we have today, huge defense outlays help create inflationary scarcities, as the military consumes vast amounts of labor power and material resources. (For instance, it is the largest single consumer of fuel in the United States.) The resulting excess of demand over supply generates an upward pressure on prices, especially since the defense budget is funded mostly through deficit spending—that is, by the government's spending more than it collects in taxes.

PRODUCTIVITY AND HUMAN NEEDS

Those who insist that private enterprise can answer our needs seem to overlook the fact that private enterprise has no such interest, its function being to produce the biggest profits possible for the owners. People may *need* food, but they offer no market until their need (or want) is coupled with buying power to become a market *demand.* When asked by the Citizens Board what they were doing about the widespread hunger in the United States, one food manufacturer responded: "If we saw evidence of profitability, we might look into this."[27]

The difference between need and demand shows up on the international market also. When buying power rather than human need determines how resources are used, poor nations feed rich ones. Much of the beef, fish, and other protein products consumed by North Americans (and their livestock and domestic pets) comes from Peru, Mexico, Panama, India, and other Third World countries. These foods find their way to profitable U.S. markets rather than feed the children in these countries who suffer from protein deficiencies. In Guatemala alone, 55,000 children die before the age of five each year because of illnesses connected to malnutrition. Yet, the dairy farmers of countries like Guatemala are converting to more profitable beef cattle for the North American market. The children *need* milk, but they lack the money; hence, there is no market. In the "free market," money is invested only where money is to be made.

Capitalism's defenders claim that the pursuit of profit is ultimately beneficial to all since corporate productivity creates prosperity. This argument overlooks several things: high productivity frequently detracts from the common prosperity even while making fortunes for the few, and it not only fails to answer to certain social needs but may generate new ones. The

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27. Quoted in *Hunger, U.S.A.,* a report by the Citizens Board of Inquiry into Hunger and Malnutrition in the United States (Boston: Beacon Press, 1968), p. 46.

coal-mining companies in Appalachia, for example, created many miseries, swindling the Appalachians out of their land, forcing them to work under dangerous conditions, destroying their countryside, and refusing to pay for any of the resulting social costs.

Furthermore, an increase in productivity, as measured by a gross national product (GNP) of more than $6 trillion a year, may mean *less* efficient use of social resources and more waste. The GNP, the total value of all goods and services produced in a given year, contains some hidden values in its measurements. Important nonmarket services like housework and child rearing go uncounted, while many things of negative social value are tabulated. Thus, highway accidents, which lead to increased insurance, hospital, and police costs, add quite a bit to the GNP but take a lot out of life.

The *human* value of productivity rests in its social purpose. Is the purpose to plunder the environment without regard to ecological needs, fabricate endless consumer desires, produce shoddy goods designed to wear out quickly, create wasteful forms of consumption, pander to snobbism and acquisitiveness, squeeze as much compulsive toil as possible out of workers while paying them as little as possible, create artificial scarcities in order to jack up prices—all in order to grab as big a profit as one can? Or is productivity geared to satisfying the communal needs of the populace in an equitable manner? Is it organized to serve essential needs first and superfluous wants last, to care for the natural environment and the health and safety of citizens and workers? Is it organized to maximize the capabilities, responsibilities, and participation of its people?

Capitalist productivity-for-profit gives little consideration to the latter set of goals. What is called productivity, as measured quantitatively, may actually represent a decline in the quality of life—for example, the relationship between the increasing quantity of automotive and industrial usage and the decreasing quality of our environment. Under capitalism, there is a glut of nonessential goods and services for those with money and a shortage of essential ones for those without money. Stores groan with unsold items while millions of people are ill-housed and ill-fed.

It is argued that the accumulation of great fortunes is a necessary condition for economic growth, for only the wealthy can provide the huge sums needed for the capitalization of new enterprises. Yet in many industries, from railroads to aeronautics to nuclear energy, much of the funding has come from the government—that is, from the taxpayer—and most of the growth has come from sales to the public—from consumers and from the wealth created by the labor power of workers. It is one thing to say that large-scale production requires capital accumulation but something else to presume that the source of accumulation must be the purses of the rich.

It is also argued that the concentration of corporate wealth is a necessary condition for progress because only big companies are capable of carrying out modern technological innovations. Actually, giant companies leave a good deal of the pioneering research to smaller businesses and individual entrepreneurs. The inventiveness record of the biggest oil companies, Exxon and Shell, is strikingly undistinguished. Referring to electric appliances, one General Electric vice-president noted: "I know of no original product invention, not even electric shavers or heating pads, made by any of the giant laboratories or corporations. . . . The record of the giants is one of moving in, buying out, and absorbing the small creators."[28]

Defenders of the present system claim that big production units are more efficient than smaller ones. In fact, huge firms tend to become less efficient and more bureaucratized with size, and after a certain point in growth there is a diminishing return in productivity. Moreover, bigness is less the result of technological advance than of profit growth. When the same corporation has holdings in manufacturing, insurance, utilities, amusement parks, and publishing, it becomes clear that giantism is not a technological necessity that brings greater efficiency but the outcome of capital concentration.

The long-term survival of an enterprise is of less concern to the investor than the margin of profit to be gained from it. Mines, factories, and housing complexes have been bought and sold like so many game pieces for the sole purpose of extracting as much profit as possible, often with little regard for maintaining their functional capacity. Railroads shipping lines, aerospace companies, and banks have often tottered on the edge of ruin, to be rescued by generous infusions of government funds—even as these enterprises were being milked for millions in profits.

When times are good, the capitalists sing praise to the wonders of their free-market system. When times are bad, they blame labor for capitalism's ills. Inflation is supposedly labor's fault because wage demands drive up prices.[29] If we are to believe management, recession, too, is labor's fault. Workers must learn to work harder for less in order to stay competitive in the global economy. If they did so, business would not move to cheaper labor markets in Third World countries. In fact, studies show that U.S. full-time workers were 30 percent more productive than their opposite numbers in Japan and 12 percent more than in Germany, yet they received less in wages and benefits than Japanese and German full-time workers. In the last two decades, U.S. real wages fell 19 percent, despite a 25 percent growth in productivity.[30]

If there is low productivity, it is among U.S. corporate executives. Business administrative costs are upwards of $1 trillion, of which the lion's share

28. Quoted in Paul Baran and Paul Sweezy, *Monopoly Capital* (New York: Monthly Review Press, 1966), p. 49.

29. A different view on inflation was just noted: see pp. 16–18.

30. Study by Andrew Sum, cited in *Dollars and Sense*, July/August 1992; *Economic Notes* (publication of Labor Research Association), January/February 1992 and May 1993; William