

EIGHT CHAPTERS FROM –
CULTURE OF PREJUDICE:
ARGUMENTS IN CRITICAL SOCIAL SCIENCE

The following are selected chapters written by Murray Smith from *Culture of Prejudice*, a collection of essays authored by Judith C. Blackwell, Murray E.G. Smith and John S. Sorenson (Broadview Press 2003, and University of Toronto Press, 2008). Each chapter in this book begins with an aphorism, anecdote or quotation that reflects, illustrates or challenges specific prejudices, myths and ideological notions that are commonplace in Western liberal-democratic, capitalist societies at the beginning of the 21st century. (Note: empirical, historical and statistical data cited in the forty essays comprising this book only rarely extend beyond the year 2000.)

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I

“As a rule, the rich deserve their wealth” — Corollary to the absurd notion that the poor deserve to be poor (Ch. 17)

“In general, the rich deserve their wealth. You’re not being fair or a good sport to think otherwise.” – A Brock University sociology student criticizing Marx and admiring Bill Gates in 1998

In 2000, Bill Gates, Chairman of Microsoft Corporation, owned corporate and personal assets that were valued at over \$70 billion. He had amassed this fortune in less than twenty years, making him the greatest entrepreneurial success story of the late twentieth century. Gates’ personal wealth exceeded the value of the Gross National Product of dozens of countries around the world, including that of Ireland, a nation of 3.56 million people. Did he “deserve” to be this wealthy?

Many people think that Gates deserves every penny he has acquired, so long as he did so legally. Many others feel quite viscerally that so great a concentration of wealth in the hands of a single individual is morally repugnant, regardless of how he made his fortune. A wide gulf would seem to exist between two counterposed and irreconcilable sets of “values” — one that upholds the freedom of the individual to acquire unlimited wealth, and another that insists that at least some limits should be placed on the wealth that a single individual can accumulate.

What conceptual resources can social science bring to bear in sorting out such a dispute? Some social scientists would answer, very little. In their opinion, the task of the social scientist is to describe and analyze as objectively as possible “what is,” while the question of “what ought to be” is an entirely separate matter that social science has no special capacity to illuminate. Other social scientists share the assumption that “facts” and “values” are logically distinct, but still insist that no social scientist can ever be “value free” in his or her scientific endeavors. This latter group might argue that moral revulsion toward the gross social inequality exemplified by Gates’ fortune is a perfectly legitimate inspiration for a social scientific practice that not only describes and analyzes concentrated wealth, but seeks also to expose its socially destructive consequences.

Karl Marx, the founder of “scientific socialism,” may be seen as the leading representative of a third group of social scientists who believe that values, morals and ethics (together with other products of human consciousness) can never exist “independently” of the material-social conditions of human existence. From this perspective, all notions of what is “fair” or “right” must be seen as heavily conditioned by

historical and social context. As Marx observed: “Right can never be higher than the economic structure of society and its cultural development conditioned thereby.”¹ It follows from this insight that propositions like “the rich are generally deserving of their wealth” must be assessed in relation to the historically-specific features of an economic structure that allows for the kind of concentrated economic wealth exemplified by Gates’ fortune.

Let’s begin with a simple but telling observation: the great majority of people in the world need to perform labour in order to obtain an income. For wage-labourers in particular, access to the necessities of life depends on their performance of labour in both the household and market economies. Wages (and even most salaries) are based on contracts between employers and employees in which the latter agree to sell their “capacity to work” in exchange for a definite amount of remuneration. Those who employ wage-labour are so concerned with the precise measurement of the time worked and with ensuring that this time is well spent that they resort to everything from punch clocks to time and motion studies to ensure that the remuneration is “deserved.” And yet these same employers enjoy incomes that are in no sense related to the “work” they perform. Rather, the “employer class” — also known as capitalists or bourgeoisie — derives income (whether in the form of direct profits, stock dividends or executive salaries) overwhelmingly from their *ownership* of business assets and from their consequent ability to lay claim to a very large share of the wealth produced by the working class.

From Marx’s perspective, Bill Gates possesses a huge fortune, not because he “earned” it, but rather because the “rules of the game” under capitalism permit a few to accumulate vast personal wealth at the expense of the larger population. Gates has proven to be a particularly lucky – and, no doubt, very adept – contestant in that game. To be sure, Gates’ own activity has had some considerable bearing on the fact that he was “selected” to be one of those fortunate few; after all, personal ambition and talent are almost always significant factors in the success of individual capitalists. But Gates’ personal attributes and good fortune should not obscure this simple fact: *outside of a social and economic order based on private ownership of the productive assets of society and the pursuit of private profit through the exploitation of wage labour, a “success” of Gates’ type and magnitude is simply impossible to conceive.*

The question that Marx and his followers pose about the concentration of society’s wealth in the hands of a small minority is *not* whether individual capitalists deserve their wealth – for, judged by the rules and standards of the existing social order, they usually

¹ Karl Marx, “Critique of the Gotha Programme,” in Karl Marx and Frederick Engels, *Selected Works*, Volume 3 (Moscow: Progress Publishers, 1970) 19.

do. Rather, Marx's fundamental question concerns whether or not the "capitalist rules of the game" are contributing to social progress and human well-being. In other words, are the historically- specific social relations that define and constitute capitalism making a positive contribution to the human condition? To understand the way that Marx answered this question we must consider his views on "human progress" as well as his analysis of capitalism's defining social relations.

Marx's fundamental criterion of human progress is *the expansion of human freedom*, by which he understood the freedom of each and every human individual to realize his or her capacities to the fullest — the freedom of individuals to develop themselves in an "all-round" fashion. In the words of *The Communist Manifesto*, Marx looked forward to a society "in which the free development of each is the condition for the free development of all."² But to realize such a society humanity must liberate itself from a host of persistent fetters on its *collective* capacities, and this requires a struggle to alter the human relationship to nature as well as relationships among human beings.

Marx believed that human history, at least since the advent of the first class-divided societies, is marked both by a struggle to subdue the forces of nature and by a struggle between subordinate and dominant classes. Yet Marx also acknowledged that, for much of human history, class division — the exploitation of the many by the few — has been an important and even necessary spur to the development of labour productivity and to such "forces of production" as tools, technology, science and productive technique. Without this development, he believed, humanity could not free itself from the harsher burdens imposed by nature or from the ignorance and superstition that bind people to "traditional" (oppressive) institutions and ways of life. Hence, while struggles between classes have persistently involved ideals of human equality and social justice, such aspirations require for their fullest realization a maturation of human capacities permitting both intellectual growth and the creation of an abundance of material wealth. Without material abundance, the struggle for necessities between human individuals, groups and communities will continue to perpetuate the social structures of inequality between classes and peoples that we have seen throughout recorded history.

This general conception of human history informed Marx's specific analysis of modern capitalism: its constitutive social relations, its "laws of motion," and the fundamental "rules" governing people's behaviour under capitalism. In brief, Marx thought that capitalism fulfills an historically progressive role in dramatically expanding the forces of production and in raising labour productivity; but he also believed that, at a certain stage of capitalism's development, the social relations of production that define the capitalist

² Karl Marx and Frederick Engels, *The Communist Manifesto* (New York: Monthly Review Press, 1998) 41.

profit system must begin to impede the growth of human capacities and eventually *thwart* the potential development of the productive forces, thereby also impeding progress toward a qualitatively freer and more harmonious society. Accordingly, for Marx, the capitalist relations of production — the rules of the game under capitalism — are subject to an historical evaluation. There are no eternal and fixed “ethical norms” or “moral imperatives” that can tell us whether this mode of production — one that has permitted Bill Gates to become so fabulously rich — has finally outlived its ability to promote human progress; rather, this question requires a careful scientific assessment.

Capitalism involves the production of goods and services that are destined to be sold on the market for a profit. Such goods and services, insofar as they are also products of human labour and are capable of reproduction by human labour, are called commodities. Commodities have a dual character: on the one hand they have “use-value” (they fulfill some need or want of a consumer); on the other hand, they have “exchange-value” (the capacity to command remuneration, usually in money, through market exchange). In a capitalist society, where commodity production and exchange is increasingly *generalized* and where the capacity to work has itself been made into a commodity on a very wide scale, material production thus assumes the “social form” of the production of goods and services for the market and with the aim of realizing a *profit*.

As important as formal equality and competition are to defining capitalist social relations, they tend also to conceal what Marx regarded as the most fundamental of these relations: the exploitation of wage-labour by the owners of capital. By its very nature, capital is value seeking to enlarge itself. Capital’s “inner need” is to continuously appropriate (“vampire-like” says Marx) the surplus labour that produces its lifeblood, the surplus value that allows for its continuous expansion. The appropriation of surplus labour occurs within the sphere of material production, and is the result of the *inequality* that exists between capital and wage-labour within that sphere. Marx shows that it is only through capital’s exploitation of wage labour in the factories, mills, mines, and other workplaces that are the sites of surplus-value production that it is able to lay its “golden eggs” — to generate profit.

Surplus value is the “social substance” of private profit, but value is itself simply an expression of definite and historically conditioned social relationships. It is a *social relation* arising from a society-wide division of labour in a social context where labour-power itself has become a commodity.

Marx’s “labour theory of value” does not suggest, as many of his critics mistakenly assert, that the *prices* of individual commodities are directly determined by their labour-value content. He recognizes that many factors bear on the formation of individual prices, among them the variable relationship between supply and demand, the tendency of rates

of profit to equalize, and international monetary exchange rates. But he does insist that labour-values are the “centers of gravity” of commodity prices and establish certain parameters or limits at the level of the capitalist economy as a whole. Marx’s theory of labour-value is not so much a theory of price formation as a theory of *why* social labour assumes the form of value under capitalism and of *how* a social division of labour is articulated in an economy characterized by private production for the market. This is the necessary starting point for his analysis of the contradictions and laws of motion of the capitalist mode of production.

The three key tenets of Marx’s theory of labour-value are: a) living labour is the sole source of new (as distinct from previously-existing) value; b) value exists as a definite quantitative magnitude at the level of the capitalist economy as a whole (one that sets limits on aggregate prices, profits and wages); and c) in a capitalist economy, material wealth is measured in terms of abstract socially necessary labour time (value), the necessary form of appearance of which is money. Marx’s whole analysis in his major work *Capital* is concerned with exploring the far-reaching implications of these three propositions.

Proceeding from this understanding of labour-value under capitalism, Marx was able to expose the specific mechanism whereby class exploitation occurs within capitalist society. The key to his theory of surplus-value — of how value is appropriated by the capitalist owners from those who produce it through their productive activity — is the distinction he draws between the value of labour-power (the wages received by productive workers) and the total new value created by living labour. What the capitalist purchases from the wage-labourer is not the latter’s “labour” -- the actual amount of “labour performed” – but rather the worker’s capacity to labour. This capacity to labour enters the production process as a very special input commodity, for it is the sole input to production that is capable of transferring more value to the new commodity product than it is worth. All other inputs to production, regardless of how technologically sophisticated they may be are mere “things” representing a definite amount of past labour. These things can impart to the new product only a definite amount of previously existing value. Thus raw materials and fuel give up their value as they are consumed in production, while tools, machinery and building structures undergo a process of depreciation in which a fraction of their value is transferred to the output commodity. Labour-power, on the other hand, as a capacity of living human beings, is inherently variable in its contribution of value to the new commodity product. Depending on how efficiently and intensively labour-power is consumed (which depends in large measure on the quality of the tools and equipment in use, as well as on how well the labour process is organized and managed), a larger or smaller amount of surplus-value will be produced. This surplus value is precisely the difference between the value of the workers’ wages (defined largely by the cost of reproducing labour power) and the total amount of new value that has been

added to the new (“output”) commodity by the activity of living labour.³

Thus, it is only by examining what transpires in the sphere of production that the capitalist exploitation of wage-labour is rendered visible. So long as we look only at what is happening in the market – in the sphere of circulation, where the principle of the “exchange of equivalents” prevails — the fundamentally exploitative character of the capitalist mode of production remains concealed. As Marx puts it in a scathing critique of the fixation of bourgeois economics on market phenomena, once we move beyond the sphere of circulation to the sphere of production we also move from a realm of (purely formal) “freedom and equality” to a realm of tyranny in which capital unmistakably dominates wage-labour:

When we leave this sphere of simple circulation or the exchange of commodities, which provides the “free- trader *vulgaris*” with his views, his concepts and the standard by which he judges the society of capital and wage-labour, a certain change takes place, or so it appears, in the physiognomy of our *dramatis personae*. He who was previously the money-owner now strides out in front as a capitalist; the possessor of labour- power follows as his worker. The one smirks self-importantly and is intent on business; the other is timid and holds back, like someone who has brought his own hide to market and now has nothing to expect but — a tanning.⁴

Marx’s theories of value and surplus value are certainly controversial and hardly immune from theoretical criticism. Yet it should be clear that they seek to ground an evaluation of class inequality under capitalism in an objective analysis of real social processes. In drawing the conclusion that capitalism is an historically limited system, one that must eventually give way to a higher (socialist and eventually communist) form of social organization, Marx argues that capitalism brings the social phenomenon of exploitation to its highest point while also creating conditions in which it is increasingly irrational to measure human wealth in terms of labour time. By sponsoring an ongoing technological revolution, capitalism lays the basis for an increasingly automated economy that requires the input of less and less human labour. But this process proceeds exceedingly unevenly and with more and more fits and starts due to capital’s “need” to measure wealth in terms of money — which is fundamentally the necessary form of appearance of abstract social labour. There is a “need” to measure wealth in this fashion, however, only in a society organized around the principle of the exploitation of one class by another. The conflict or “structural contradiction” between capitalism’s dynamic toward labour-saving and

³ For a discussion of Marx’s theory of surplus value, see Murray E.G. Smith, “Alienation, Exploitation and Abstract Labor: A Humanist Defense of Marx’s Theory of Value,” *Review of Radical Political Economics* 26:1 (March 1994).

⁴ Karl Marx, *Capital Volume One* (New York: Vintage, 1977) 280.

labour-displacing technological innovation, on the one hand, and its imperative to exploit living labour, on the other, sets the stage for periodic crises of the capitalist economy and for a protracted historical-structural crisis of the capitalist mode of production signifying the exhaustion of its once-progressive role in extending human capacities.

In Marx's view, the resolution of this conflict requires that the working class — the great majority of the population under conditions of mature capitalism — must wrest political and economic power away from the capitalist class through a revolutionary struggle, and then proceed to the construction of a new social order. In this process of struggle and social transformation, the socialist workers' movement will undoubtedly be influenced by considerations of morality and social justice; but it will also base its program on the firm conviction that capitalism not only "ought" to be consigned to the scrap heap of history, but that it *must be* to secure the possibility of real social progress and to guarantee the very future of humanity. Sooner or later, Marx believed, the morality, ethical norms and notions of social justice that are part and parcel of the capitalist order, and that serve to justify its enormous inequities, will be seen by the working-class majority for what they are: the anachronistic and self-interested prejudices of a capitalist ruling class that has long since exhausted its historically progressive role.

II

“Class Inequality is an inevitable feature of the human condition” — Misanthropic belief that “there will always be a ruling class” (Ch. 16)

Confronted with the facts about the extent and nature of the class inequality that exists within contemporary capitalist societies, most people will agree that they are outrageous and unjustifiable. At perhaps no point in modern history, however, has the will to do something about it been so weak as it is today.⁵ This state of affairs is due not so much to the success of world capitalism in “delivering the goods” as to the historic discrediting of the socialist/communist alternative in the wake of the collapse of the Soviet bloc. Indeed, for many, the whole experience of Soviet-style socialism seems to confirm what is surely one of the hoariest of arguments against “socialist utopianism” — the claim that “class inequality is an inevitable feature of human existence,” and that consequently “there will always be a ruling class.” Yet, of all the arguments invoked against Marxism and other socialist doctrines, this is surely one of the easiest to refute.

One of America’s leading anthropologists, Marvin Harris, has written eloquently against the notion that human nature lends itself irrevocably to hierarchical forms of social organization:

[L]et me hear no more of our kind’s natural necessity to form hierarchical groups. An observer viewing human life shortly after cultural takeoff would easily have concluded that our species was destined to be irredeemably egalitarian except for distinctions of sex and age. That someday the world would be divided into aristocrats and commoners, masters and slaves, billionaires and homeless beggars, would have seemed wholly contrary to human nature as evidenced in the affairs of every human society then on earth.⁶

The anthropological evidence to which Harris appeals is quite unequivocal on one point. For most of the time that human beings have existed on this planet we have lived under “a form of communism” — that is to say, in the “absence of private possession in land and other vital resources.”⁷ Even so ardent a champion of modern “free-market” capitalism as Friedrich von Hayek concedes this point, noting with considerable regret that this heritage suggests that the “natural” predisposition of the human species is toward social equality and economic collectivism.

⁵ This is notwithstanding the recent burgeoning of an “anti-globalization movement” with strongly anti-capitalist overtones.

⁶ Marvin Harris, *Our Kind* (New York: HarperPerennial, 1990) 351.

⁷ Harris 354.

Still, it might be objected, is it not the case that even in the simplest and most egalitarian societies — the hunting and gathering communities that prevailed for tens of thousands of years prior to the appearance of settled agriculture — some “social ranking” occurred? Yes, of course. But this point can be easily acknowledged without accepting the larger claim that “class inequality” is inevitable — for social ranking can take many forms, including non-antagonistic ones, while class division is necessarily antagonistic. In other words, class division presupposes social ranking, but social ranking is by no means synonymous with class division. Class division is an antagonistic and exploitative form of social ranking that develops only under well-defined historical conditions. It is not only quantitatively but also qualitatively different from what the Canadian sociologist Dennis Forcese has called “minimal stratification” — the first form of hierarchical differentiation that is inherited across generations.⁸

In the earliest human societies, survival depended on the ability of group members to rely upon one another to provide for the collective needs of the group. Hunters would share their catch with the rest of the group, with equitable shares of the meat being consumed by all. In such a system of “reciprocal exchange,” providers do not specify “how much or exactly what they expect to get back or when they expect to get it...To call attention to one’s generosity is to indicate that others are in debt to you and that you expect them to repay you. It is repugnant to egalitarian peoples even to suggest that they have been treated generously.”⁹ Surviving examples of band and village egalitarian communities are, moreover, conspicuously free of “paramount chiefs,” let alone aristocratic landholders or all-powerful monarchs. Harris points to traditional Inuit and !Kung bands in which “leaders” — often outstanding hunters — lack all formal authority and “can only persuade, never command.”

The skeptic might reply by arguing that resistance to structured hierarchies may be a feature of very simple societies lacking much in the way of technology or economic surplus, but that such hierarchies seem endemic to settled societies that have the ability to accumulate wealth that is not immediately consumed. Is there not a human propensity to divide up into antagonistic social classes once it becomes possible for some people to specialize in activities of a strictly non-productive nature? There is some truth to this argument, inasmuch as the appearance of a social surplus is an indispensable condition for the “liberation” of certain individuals from production and their exclusive involvement in military, religious or administrative affairs. Indeed, the first ruling classes in history were composed of warriors and priests whose relatively comfortable lifestyles

⁸ Dennis Forcese, *The Canadian Class Structure* (Toronto: McGraw-Hill Ryerson, 1997) 10-11.

⁹ Harris 345.

were predicated on their appropriation of the fruits of “commoner” labour. But it can also be hypothesized that class division was historically the result of the existence of a *too-limited* surplus. If there is a tendency for human communities with growing but still-limited surpluses to divide up into antagonistic classes, perhaps this tendency can be overcome with the advent of human capacities that make possible an *abundance* of material wealth for all human beings. Perhaps under such “post-scarcity” conditions, the original human tendency to resist not only class division but also invidious social ranking of any kind will reassert itself. This, at any rate, is the hypothesis entertained by those who follow the Marxian socialist tradition, and it is, from an anthropological standpoint, a not unreasonable one.

The transition from egalitarian tribal communism to a class-divided society was a long and protracted one. Reciprocal exchange gave way to systems of “redistribution” in which “people turn over food and other valuables to a prestigious figure such as a headman, to be pooled, divided into separate portions, and given out again.”¹⁰ Initially, redistributors were rewarded solely with admiration and prestige. The more surplus they were able to procure for redistribution — typically at big feasts like the “potlatches” of the Amerindian tribes of the Pacific North West — the greater their honorific reward. With the emergence of competition between redistributors, we see the appearance of the phenomenon of the “big man” — what Harris calls “mumihood” (after the name accorded the chief redistributor by the Siuai of the Solomon Islands). The success of a “big man” redistributor depended in large measure on his ability to increase production so as to generate larger and larger surpluses available for consumption at tribal feasts. Eventually, redistributive exchange involved a rupture with the “modesty” associated with reciprocal exchange, in favor of flagrant boastfulness – loud proclamations by the big man and his coterie that he is a great and generous provider. Harris hypothesizes that “headmen and mumis are individuals who have an especially strong desire for approval (presumably as a result of a mix of childhood experience and heredity).”¹¹

The transition toward structured social (and eventually class) inequality “gained momentum wherever extra food produced by the inspired diligence of redistributors could be stored while awaiting *muminai* feasts, potlatches, and other occasions of redistribution. The more concentrated and abundant the harvest and the less perishable the crop, the greater its potential for endowing big men with power over people.”¹² Yet for this potential to be realized a further ingredient was necessary: warfare. As Harris notes, “the opportunity to break away from the traditional restraints on power would increase as chiefdoms expanded their territories and grew more populous, and as stores of

¹⁰ Harris 358.

¹¹ Harris 366.

¹² Harris 378.

food and other valuables available for redistribution increased proportionately. By allocating different shares to those who were most co-operative, loyal, and effective on the battlefield, chiefs could begin to build the nucleus of a noble class backed up by a police force and a standing army.”¹³ Yet, while a storable agricultural surplus and warfare were necessary ingredients in the emergence of class-divided “kingdoms,” they were by no means always sufficient conditions. Many chiefdoms were blocked from transforming themselves into kingdoms as a result of successful rebellions by disaffected commoners — and sometimes by the latter’s mass exodus.

The obstacles to the break-up of human society into antagonistic social classes were so strong – and the egalitarian impulse so powerful — that it took tens of thousands of years before human beings in some parts of the world made the “ascent” to class-divided “civilization.” Harris notes that “redistributors who reward themselves first and in greater measure have always needed ideologies and rituals that legitimize their appropriation of social wealth.”¹⁴ The ascription of divine religious status to rulers, as well as the awe inducing “conspicuous consumption” of their life-styles, has played a major role in entrenching their power and privilege on the basis of the idea that they are innately “superior” to commoners. One of the contradictions facing the ruling class of a capitalist society is that its basic social relations undermine the idea of the “divine right of kings” — that is, the notion of human inequality based upon inherited privilege — even as it enormously expands the material inequality dividing the capitalist property owner from the ordinary wage-labourer. Indeed, capitalist society necessarily promotes the idea that there is “room at the top” for all those talented, industrious or lucky enough to get there. The problem is that this encourages an ideology of “equal rights” that is profoundly subversive to a social system that remains wedded to the principles of class exploitation, inheritable wealth, and differential access to opportunities for “success.”

Ironically, the egalitarian ethos that permeated tribal-communist societies for tens of thousands of years has been revived within a socio-economic system that has not only produced more social inequality than any other in human history but also a development of human capacities that promises an end to human scarcity and with it the deepest mainsprings of warfare. Is it unreasonable to speculate that such capacities, liberated from the antagonistic social relations in which they have developed, might yet help humankind usher in a new age of human equality — a classless society founded on the recognition that the very survival of the human species (and not simply this or that “tribe”) depends upon the co-operative and democratic management of a collectively-owned economic base. If “primitives” could come to an understanding that reciprocal exchange was vital to their physical survival, and develop norms of behaviour and

¹³ Harris 383.

¹⁴ Harris 370.

conventions reflecting that reality, surely humankind, at the dawn of the third millennium, may yet be able to cast off the ideological baggage of class-divided society and forge a non-antagonistic global community that can both take full advantage of the fruits of modern science and address our collective problems unfettered by the claims of a tiny minority that the productive resources of the planet belong to them “by right” — whether divine or otherwise.

III

“A classless society in a complex and economically-developed society is impossible: an unrealistic utopia” – Excuse for gross social inequality amidst tremendous wealth and productive capacity (Ch. 18)

Every ruling class in human history has sought to convince those over whom it rules of the naturalness and the inevitability of the prevailing social order. The ancients believed that the institution of chattel slavery had always existed and always would. The feudal aristocracy of medieval Europe upheld, with the indispensable assistance of the Roman Catholic Church, the idea that the rigid hierarchy of the feudal social order was divinely sanctioned — that a privileged few were “born to rule” while others (the great majority) were destined only to toil.

Today we know better. Today the dominant ideology (or conventional wisdom) of our society maintains that the physical person of a human being should never be the personal property of another and that all human beings ought to enjoy the benefits of equal rights and democratic forms of government. A humane and truly civilized society, we are told, must strive toward the goal of equal opportunity and a meritocratic system of rewards. Yet as much as the idea of “equality of opportunity” is rhetorically upheld, the idea of “equality of condition” is reviled — and not just the austere “absolute” equality of condition that exists only in ascetic monastic orders or millenarian religious communities, but even the approximate equality of condition that is the goal of Marxian socialism. The *outcome* of the “free competition” for economic rewards, social honour or political power must continue to be not just a minimal degree of inequality, but the kind of massive inequality that characterizes the contemporary world capitalist order. To speak of a move beyond capitalism — to a society that would replace class division by egalitarian and democratic principles of social and economic organization — is to indulge in utopian fantasizing. That, at any rate, is what we are encouraged to believe by those who would have much to lose if the idea of a “classless society” were to seize the imaginations of the majority of humankind.

Can the human majority expect to do better under an economic and social order that takes the productive assets of society into collective ownership and subjects them to a rational plan? The capitalists and their immediate hangers-on respond unhesitatingly in the negative. Prior to the Russian Revolution of 1917, the capitalist rulers disseminated the idea that a large and complex industrial society could never be subjected to a plan — that “free markets” and “private enterprise” were absolutely indispensable to economic growth and development. They also insisted that only “free enterprise” — the pursuit of

profit on the basis of private ownership of the means of production — could provide people with the psychological incentives required to be innovative and to work hard. These ideas were shattered by the actual experience of “socialist construction” in the Soviet Union and other countries. For whatever else may be said about the shortcomings of these “experiments” in building an alternative, non-capitalist form of industrial society (and much can be said on this score no doubt), the fact of the matter is that Soviet-style “actually existing socialism” demonstrated that neither “private enterprise” nor the market allocation of economic resources is necessary for rapid economic development, industrialization, or scientific inventiveness. In spite of civil war, economic embargoes, repeated foreign invasions, and horrific bureaucratic mismanagement and terror, the USSR rose within the space of just forty years from being one of the most backward countries in the world to being one of its greatest industrial and military powers. Indeed, on the fortieth anniversary of the Russian Revolution in 1957, the USSR became the first country to launch an earth-orbiting satellite, refuting the notion that only the capitalist profit motive can stimulate scientific creativity.

If the strengths of the Soviet achievement undercut some of the traditional capitalist arguments against Marx’s vision of a classless, socialist society, the flaws and undoubted horrors of “Soviet socialism” reinforced another: the argument that all human societies are necessarily divided into rulers and ruled, and that the socialization of the economy could only create conditions favourable to the emergence of a state bureaucratic elite that would be as self-serving and ruthless a “ruling class” as any that had ever existed.

Where the economists’ arguments against socialism had failed, the arguments of such sociologists as Max Weber, Robert Michels and Vilfredo Pareto seemed vindicated in light of the experience of Stalinist “state socialism.” Weber’s theory of bureaucratic domination, Michels’ “iron law of oligarchy,” and Pareto’s theory of “ruling elites” all supported the idea that class domination — the rule of the few over the many — is an endemic feature of the human condition.¹⁵ Just after the Bolshevik Revolution of 1917, Weber announced that for the foreseeable future it was the dictatorship of the official, and not the revolutionary rule of the working class, that was on the march. In his classic study of the German Social Democratic Party, Robert Michels argued that the egalitarian and democratic ideals of German socialism were powerless to prevent the bureaucratic centralization of its most important organizational instrument. He who says organization, he declared, necessarily says oligarchy.¹⁶

¹⁵ For Weber’s views on bureaucracy and the “legitimate” forms of domination, see his *Economy and Society: An Outline of Interpretive Sociology* (Los Angeles: University of California Press, 1978). For an excellent overview of the elite theories of Pareto and Michels, among others, see Tom Bottomore, *Elites and Society* (New York: Basic Books, 1964).

¹⁶ See Chapter 36 of this book.

These and subsequent sociological arguments against socialism took their ground not on the discredited ideas of “social Darwinism” (“those on top are there because they are stronger and smarter — in a word because they are more *fit*”), but on the seemingly reasonable proposition that the only effective way to organize large numbers of people is bureaucratically and that, consequently, power must devolve to those at the pinnacle of the bureaucratic hierarchy. Since those with power have a natural desire to hold onto it, it is highly desirable for a modern complex society to possess a *plurality* of bureaucratic elites. The problem with socialism, according to this argument, is that it allows for a centralization of power in the hands of a single bureaucratic oligarchy — that which exercises state power. By contrast, capitalism involves an array of mutually contending and competing bureaucracies. The political power of the state bureaucracy is checked by the economic clout of privately owned businesses, each of which generates its own bureaucratic structures. Moreover, other institutions of “civil society” — trade unions, churches, universities and so on — also become loci of bureaucratic power. It is only in the context of such a diffusion of bureaucratic power — made possible by the separation of the economic and the political under market capitalism — that a limited, but nevertheless precious form of representative democracy can flourish. Thus, despite its tendency to promote extreme forms of social inequality, capitalism stands as an obstacle to “totalitarian” forms of political rule. From the standpoint of the ideals of democracy and individual liberty, then, capitalism is the best of all possible worlds. Socialism may promise a truer form of democracy and a greater degree of equality; but the road to a totalitarian hell is paved with the socialists’ “good intentions,” and this is amply confirmed by the historical experience of Stalinism.

We will consider the Weberian argument that bureaucracy is indispensable to organizational efficiency in Chapter 36. What needs to be addressed here is the tacit assumption — made by so many who are anxious to write off Marxian socialism — that *all* of the conditions specified by Marxists for the creation of a “classless society” were present in Soviet society after the revolution and that, despite this, a bureaucratic oligarchy was able to usurp power and arrogate to itself many of the material privileges associated with the ruling classes of the capitalist West. This assumption cannot withstand the slightest scrutiny. Its plausibility, however, was reinforced from an unexpected quarter: the Soviet bureaucracy itself. The Stalinist bureaucratic oligarchy was ideologically committed to the notion that all of the conditions for the “construction of socialism” were present within the geographical confines of the Soviet Union, and Soviet leader Nikita Khrushchev even boasted that what Marx called the highest stage of socialism — a classless communist society — would be achieved by 1970! Surely, the Soviet Communist leadership — good Marxists that they all claimed to be — could be taken at their word when they said that “socialism” had already been achieved in the Soviet Union as early as 1936. Or could they?

The ideological convergence between the Stalinists of the East and the anti-Communists of the West consisted in this: both sides accepted the idea that Marxian socialism was consistent with the idea of building socialism in one country, even one as comparatively backward as the Soviet Union. Yet Marx and Engels had rejected this idea as early as 1846, writing in *The German Ideology* that, “[e]mpirically, communism is only possible as the act of the dominant peoples ‘all at once’ and simultaneously, which presupposes the universal development of productive forces and the world intercourse bound up with communism.”¹⁷

Marx’s optimism concerning the ability of the working class to build an egalitarian socialist order on the road to achieving a classless society may *appear* to have been misplaced in light of the actual experiences of “socialist construction” in this century; but an historically-concrete assessment of these experiences reveals that the theoretical presuppositions underlying Marx’s optimistic expectations have been more than amply confirmed. For Marx always insisted that the material preconditions for a genuinely socialist transcendence of capitalism would have to include the “forces of production” brought into being by capitalism itself. Such productive forces would include a fully global division of labour, a technologically advanced economic infrastructure and productive apparatus, and a well- educated and politically conscious working class capable of assuming the tasks of self-administration and therefore of “self-emancipation.” It is only too obvious that the conditions under which Soviet-style “socialism” was constructed in the 20th century were marked instead by a comparatively low level of development of the productive forces so defined.

Basing himself upon this classical Marxist understanding, one of the central leaders of the Bolshevik Revolution, Leon Trotsky, developed an incisive analysis of the Stalinist degeneration of the revolution as early as 1936. In *The Revolution Betrayed*, Trotsky argued that Stalinism — the social phenomenon of bureaucratic rule on the basis of socialized property forms — was a nationalist and fundamentally anti-working class departure from Marxism that was paving the way for the restoration of capitalism. Trotsky’s analysis was unique in accurately predicting the ultimate fragmentation of the Soviet bureaucratic oligarchy that occurred in the 1980s, and the attempt of a significant section of the so-called *nomenclatura* to transform itself into a nascent capitalist class that occurred in the 1990s.

Arguably, the demise of the Stalinist project of building a bureaucratized caricature of “socialism in one country” fully confirms Marx’s prognostication that the practical premise for the development of fully socialist institutions, relations and practices is the

¹⁷ Karl Marx and Frederick Engels, *The German Ideology*, excerpted in K. Marx and F. Engels, *Selected Works*, Vol. 1 (Moscow: Progress Publishers, 1969) 37.

abolition of capitalism on a world scale, and the incorporation of the productive forces created under capitalism into a socialist international division of labour. Without this, Marx and Engels observed: “*want* is merely made general, and with destitution the struggle for necessities and all the old filthy business would necessarily be reproduced.”¹⁸ It was precisely extreme economic scarcity — the product of the uneven development of capitalism on a world scale, the peculiarities of Russian social development, and the siege conditions in which the isolated revolution repeatedly found itself — that clearly paved the way for the new form of social differentiation represented by Stalinist rule, a parasitic bureaucratism that fell short of a new type of “class domination,” but which did, as Trotsky predicted, prepare the ground for the re-establishment of capitalist class rule.

All of this should establish why it is inappropriate to see the Soviet experience as an adequate “test” for Marx’s proposition that an egalitarian and democratic socialist order, with an increasingly “classless” character, is an historically possible and desirable goal. Needless to say, however, it does not provide positive confirmation of the proposition. Such a confirmation could only be provided in the event that “socialist construction” were to be attempted under the conditions that Marx specified as necessary. However, such an eventuality will depend on the capacity of human beings to continue to “imagine” a better future in a significantly different social order, and to act to achieve it. The Marxist scholar Ernest Mandel has noted that “Lenin of all people ... actually drew attention to the ‘right to dream’, nay the ‘need to dream’, provided that the dream is about what does not yet exist but could come about under a certain set of circumstances. To make such dreams ‘come true’ implies both the existence of the material preconditions, and human endeavor, projects, the will to act, and the capacity for effective action.”¹⁹ It is precisely the capacity to dream and to act decisively to bring about a better world that is paralysed by the pernicious yet influential argument that the experience of Stalinism proves that Marxian socialism is an unrealistic and dangerous “utopia.” It is a sure sign that a social system has become moribund when its defenders must resort to such dishonest arguments in order to stifle the natural human impulse to “dream.”

The question of whether a classless society is possible should be seen as an open question requiring rational analysis and debate, and above all the test of practice. Yet it is precisely a practice directed toward the realization of such a society that the powers that be within our society seek to thwart by insisting that the ideals of Marxian socialism are a “utopia” that can lead in the real world only to a Stalinist dystopia. Before we relinquish our “right to dream,” however, we should remember just how much past human progress depended upon the willingness of far-sighted people to act, often at great self-sacrifice, on behalf of

¹⁸ Marx and Engels 37, emphasis in original.

¹⁹ Ernest Mandel, *Power and Money: A Marxist Theory of Bureaucracy* (London: Verso, 1992) 233.

their “unrealistic dreams.” As Mandel reminds us:

The platitude that ‘Marxian socialism’ does not exist anywhere in the world today is tirelessly repeated as, in effect, an argument against all human progress. But was it utopian to fight for the abolition of slavery, which existed on a large scale for more than a thousand years? Was it utopian to seek an end to serfdom? Religious oppression, including the burning of heretics at the stake, was a ‘fact of life’ for at least five centuries. Was it then utopian to try to establish freedom of conscience and freedom of thought? Parliaments existed for many hundreds of years on the basis of an extremely narrow franchise. Was it therefore utopian to fight for universal suffrage? Why should it be utopian to try to do away with wage- labour and gigantic state bureaucracies, which after all have been central structures of society for no more than two hundred years...Utopia, in the broad sense of the word, has been one of the great motors of the eventual achievement of historical progress. In the case of slavery, for example, its abolition would not have happened when and as it did if revolutionary or ‘utopian’ abolitionists had limited themselves to a struggle to better the conditions of slaves within the ‘peculiar institution’.²⁰

²⁰ Mandel 233.

IV

“When corporations win, everyone wins” — or, why big business is our saviour, as explained in a letter to the editor, *St. Catharines Standard*, August 9, 1997 (Ch. 34)

Let’s begin by defining the key terms of this upbeat aphorism, something our letter-writer didn’t bother to do. What are “corporations” and who, exactly, is “everyone”?

A corporation may be defined as a formal organization whose activity is directed toward the production of goods and services with the aim of realizing a profit. Most business enterprises of consequence in a capitalist economy are legally incorporated and therefore qualify as corporations. But the term corporation is usually reserved for large-scale companies that sell stock to the public and are headed by boards of directors. Such corporations embrace a variety of constituents: corporate executive officers and high-level managers, production workers, middle- and low-level managers who supervise the activity of the workforce, stock-owners who earn corporate dividends but who may have little to do with the day-to-day operations of the firm, and a myriad of individuals involved in administration, accounting, marketing and other non-production activities.

“Everyone,” for the purposes of our argument, can be defined as the whole of humanity — the six billion people who populate the Earth and who depend for their livelihood upon the appropriation and transformation through human effort and ingenuity of the planet’s natural resources. Some of these people are employed by large-scale corporations; most are not. A very small percentage has a significant stake in the ownership of corporations; a large majority lacks an ownership stake in even small-scale productive property like farms. In the last analysis, the economic activity of all productive enterprises, large and small, depends upon the demand for products that satisfy specific human needs or desires. Yet, because corporations operate in the context of a capitalist economic system, they will continue to produce and meet those needs only so long as they remain economically viable in *capitalist* terms — that is to say, only so long as they remain profitable, and therefore only so long as the demand for their products is backed by real “purchasing power,” by money. In sum, corporations are capitalist institutions that serve the needs of “everyone” (humanity) only to the extent that the satisfaction of those needs coincides with the imperative to make a monetary profit for the owners of corporate assets. With these definitions in mind, let’s return now to the proposition under consideration: “When corporations win, everyone wins.”

The empirical evidence is clear on one point: the big corporations are definitely “winning” – winning in their efforts to monopolize the productive assets of the global

economy, to dominate the most profitable branches of national economies, to make their operations less and less dependent upon the employment of large numbers of workers, to weaken or eliminate the resistance of trade unions, to exploit the biosphere in ways that maximize short-term profits whilst depleting non-renewable natural resources and damaging ecosystems, to eliminate barriers to capital mobility across national lines, and to subordinate all aspects of human existence to the principles of “free market” exchange and production for private profit. But does all this mean that those of us who derive our income primarily from wages and salaries, and not from corporate dividends or corporate stock appreciation, are “winning” too? Are *we* benefitting from these “victories” of the corporate giants? Let’s consider some of the factual evidence.

According to the Institute of Policy Studies in Washington, D.C., the annual sales earnings of the world’s 200 largest corporations is only slightly less than half the amount earned collectively by the poorest 4.5 billion people on Earth – some 80 per cent of humanity.²¹ The IPS reports: “Two hundred giant corporations, most of them larger than many national economies, now control well over a quarter of the world’s economic activity.” Furthermore, the income of these corporations is growing *faster* than the value of the world’s combined Gross Domestic Product (GDP). In 1982 global GDP was \$12.6 trillion, while sales of the top 200 corporations equaled a little less than 25 per cent of this. By 1995 global GDP had doubled to \$25.2 trillion, and the sales of the top 200 had increased to more than 28 per cent of global GDP. In 1995, there were 191 countries in the world, but only 21 of these had a GDP that exceeded the sales of the world’s largest corporation, Mitsubishi of Japan. Mitsubishi had sales that year of \$184.5 billion, an amount that is greater than the GDP of Indonesia, the world’s fourth most populous nation. Of the 100 largest “economies” in the world, 51 were corporations, and only 49 countries.

Since the leading 200 corporations account for about 28 per cent of the world’s economic activity in marketed goods and services, one might expect that these corporations would employ a comparable share of the world’s waged and salaried workforce. But that would add up to approximately 650 million people, according to United Nations estimates of the current size of the employed segment of the global workforce. In reality, the top 200 corporations employed fewer than 19 million in 1995, less than *one per cent* of the global workforce.

The staggering disproportion between the magnitude of economic activity dominated by the largest transnational corporations and the amount of employment directly generated by that activity casts considerable doubt on the proposition that “when corporations win,

²¹ Sarah Anderson and John Cavanagh, *The Top 200: The Rise of Global Corporate Power* (Washington: Institute of Policy Studies, 1997).

everyone wins.” Still, it might be thought that the activity of these corporations has *indirectly* beneficial effects on the livelihoods of those who are not in their direct employ. To arrive at a more complete picture, therefore, we need to examine the situation confronting the great mass of humanity who make up the global workforce: the two and a half billion men, women and children who have no choice but to sell their ability to work on the “free” labour market — overwhelmingly to small or medium-sized businesses lacking the assets, market shares, and profit margins enjoyed by the top 200. Indeed, as the economic life of the planet has become increasingly dominated by giant corporations driven by the quest for profit, the question is urgently posed: are the living standards and economic security of these workers and their dependents improving? While the upper 10 to 20 per cent of that workforce have witnessed an appreciable gain in their individual incomes over the past quarter century, the great majority have seen a decline in their incomes, general living standards, and job security. The bottom 80 per cent of the global population — on a world-scale as well as within individual countries — now includes large numbers of unemployed and part-time workers; and even those with full-time jobs have, as a rule, seen a decline in their *real* wages (wages adjusted for inflation) and a deterioration in their working conditions over the last quarter century. In 1996, according to the UN’s International Labour Organization, over one billion people worldwide were either unemployed or underemployed, about thirty percent of the world’s total (employed and unemployed) workforce. This represented an increase of 180 million people over 1994. Moreover, even those countries with low *official* unemployment rates like the United States have demonstrated an inability in recent years to create full-time jobs that are adequate to support a family for more than a minority of their workforces. Meanwhile, the growth of GDP per capita (the value of GDP divided by population) on a global scale remains sluggish. For the industrialized capitalist nations, GDP per capita has grown at an annual average rate of about 2.0 per cent since 1973, compared to an average rate of 3.6 per cent in the period from 1950 to 1973. These figures might suggest that the living standards of most people are slowly improving in the industrialized capitalist core of the world economy, yet such is not the case. Spiraling class inequalities have meant that income gains have been almost entirely monopolized by the top 20 per cent (and particularly the top 1 per cent) of the population. On a world scale, “more than 85 per cent of the world’s population received only 15 per cent of its income” and “the net worth of the 358 richest people, the dollar billionaires, is equal to the combined income of the poorest 45 per cent of the world population — 2.3 billion people.”²²

While the effects of growing class inequality are most pronounced in the “Third World,” stagnant or declining real wages and/or high levels of unemployment are features of much of the developed world as well. In Canada, for example, non-supervisory workers

²² United Nations Development Program, *Human Development Report, 1996* (New York, 1996) 94.

have seen a decline in their real after-tax wages of about 1 per cent per year on average since 1975; at the same time, average (official) unemployment rates for the Canadian workforce have risen in every decade since the end of the Second World War, from 2.9 per cent in 1945-54 to almost 10 per cent in 1985-94. David Gordon reports that for non-supervisory production workers in the U.S., the “average annual growth of real spendable hourly earnings reached 2.1 per cent a year from 1948 to 1966, slowed to 1.4 per cent between 1966 and 1973, and then dropped with gathering speed at a shade less than *minus* one percent per year from 1973 to 1989.”²³ During the 1990s, no real increase in average wage levels occurred until 1996.

In 1991, the sociologist Francois Moreau suggested that one way to evaluate the trajectory of the capitalist world economy as a whole would be to examine the performance of one of its more typical national components: Mexico. “With an estimated GDP per capita of \$4,624, adjusted for purchasing power, [Mexico] actually stands very close to the world average of \$4684 for capitalism as a whole, as computed by the [United Nations Development Program]. Mexico is, in fact, one of the richest third-world countries, with a per capita product 21 times higher than the lowest one...” Moreau reported that the cumulative loss in real wages experienced by the Mexican working class between 1976 and 1991 exceeded 60 per cent, with real industrial wages in 1991 “barely higher than the lowest level reached in 1952, and below their 1939 level.”²⁴ The Mexican debt crisis, the peso devaluation and other “structural adjustments” that followed Mexico’s entry into the North American Free Trade Agreement a few years later produced a further collapse in real wage levels. Thus, by 1997, “the average minimum daily salary [equaled] 24.50 pesos, which is the equivalent of approximately \$3.00 [U.S.] (about 40 cents per hour); seventeen million of the thirty-three million gainfully employed persons earn an income around the minimum wage ... Whereas 10 percent of all families have annual incomes of at least \$100,000 ... 50 percent of the population finds itself immersed in profound misery, subsisting on a salary mass equal to 10 percent of the GNP.”²⁵

The overall picture is disturbingly clear. Despite the continuous development of sophisticated labour-saving technologies and productivity levels unprecedented in human history, the corporate-dominated global economy is not functioning in such a way as to raise living standards or to secure productive employment for the great majority of humanity. On the contrary, it is *squandering* the productive capacities of at least a billion

²³ David Gordon, *Fat and Mean: The Corporate Squeeze of Working Americans and the Myth of Managerial Downsizing* (New York: The Free Press, 1996) 20.

²⁴ Francois Moreau, “The Condition of the Working Class under Capitalism Today: The Mexican Case,” *Socialist Alternatives* 1:1 (1991) 142-45.

²⁵ Richard Roman and Edur Velasco Arregui, “Zapatismo and the Workers Movement in Mexico at the End of the Century,” *Monthly Review* 49:3 (July-August 1997) 101-02.

of the world's inhabitants, while continuously reproducing conditions that are favorable to the dominance of several hundred giant transnational corporations and their major stockholders. As tens of millions of people die annually from starvation or from easily treated disease, the world system of corporate capitalism remains governed by the logic of profit maximization — a logic that requires that the continued enrichment of the few must be accompanied by, and accomplished through, the impoverishment of the many.

DOES LABOUR NEED CAPITAL?

Those who lived in North America during the 1950s and 1960s may remember a popular adage of the period: “What’s good for GM is good for America.” While never entirely uncontested, this sentiment captured the dominant mood of the immediate post-war era. The health of the largest corporations was widely considered to be *the* key measure of the well-being of North American society as a whole. A generalized “popular prosperity” was thought to be an inevitable by-product of the expansion and growing productivity of the major corporations – a prosperity manifested in rising real wages, low unemployment, affordable housing, and an unprecedented access to health and educational services on the part of “ordinary” working people (many of whom, under these new conditions, came to see themselves as members of the “middle class”).

Why has this adage lost its popularity? One reason might be that General Motors Corporation no longer commands the pre-eminent market share that it once held in the North American economy. But that is only a small part of the story. A more important factor is that the popular prosperity of the 1950s and 1960s has been substantially eroded, replaced by economic malaise, austerity and falling living standards. At the same time, the movement of GM’s operations to Mexico and other countries has undermined the notion of a clear identity of interests between this giant transnational corporation and the American and Canadian workforces that built up its assets. Those born after 1960, especially those who have seen Michael Moore’s acerbic film *Roger and Me* (a documentary that exposes the utter indifference of GM’s corporate leadership to the social effects of the closing of its historic plants in Flint, Michigan), might well be astonished that anyone could ever have believed that what’s good for GM is good for *everyone* in America. And yet the will to believe that a fundamental unity of interests exists between those who own and control the world’s largest corporations and “everyone else” remains surprisingly strong, as evidenced by our letter writer’s credo, “when corporations win, everyone wins.”

At bottom, this credo expresses a faith in a “community of interests” between major corporate shareholders and “the rest of us” that is rooted in an unquestioning acceptance of the institutional arrangements and class relations that have allowed a few hundred corporations to so completely dominate the world economy. With this in mind, let’s

consider another argument from our letter-writer: “Even if the employers and fat-cat shareholders did use the money they obtained on ‘the bent backs of the proletariat’, solely to build country estates, buy jewels, limousines and yachts, aren’t they creating employment for union brother and sister workers in those industries?” There is, without doubt, an element of truth in this argument, but it is a very *partial* truth — and one that is presented in a way that conceals much larger truths. The basic message appears to be that “union brother and sister workers” should be *grateful* for the employment generated by the conspicuous consumption of those who obtain their money “on the bent backs of the proletariat” — that is, through the *exploitation* of other people’s labour. Without the investment and consumptive activities of the rich, ordinary working people would find themselves unemployed, and longing for the opportunity to “bend their backs” to make money for others and thereby a wage for themselves. In short, the message is “labour needs capital.”

Yet is this really the case? The answer is: yes *and* no. Certainly, so long as the ownership of the productive assets of society remains concentrated in the hands of a small minority of the population, workers will only be able to obtain a livelihood by selling their ability to work to those who need their labour to set the wheels of industry and commerce in motion. But does this mean that, in all conceivable social orders, “labour needs capital”? Not at all! As Abraham Lincoln noted: “Labour is prior to, and independent of, capital. Capital is only the fruit of labour, and could never have existed if labour had not first existed.”²⁶ In other words, “capital” is not synonymous with either the natural “conditions” of production nor with the “means of production” that are themselves the product of human labour. Rather, capital is a *social relation* between people that is specific to a particular historical period and form of society. The theorist who upheld this truth and explored its far-reaching implications most fully was Karl Marx.

According to Marx, “Capital is not a thing, it is definite social relation of production pertaining to a particular historical social formation, which simply takes the form of a thing and gives this thing a specific social character... [Capital] is the means of production monopolized by a particular section of society....”²⁷ In other words, when the means of production become the exclusive property of a small minority of the population (the bourgeoisie or capitalist class) these means of production then become forms of “capital” — a social relation involving the class exploitation of “living labour.” Elsewhere Marx describes capital aptly as “value in process, money in process.”

It was on the basis of this understanding of capital that Marx developed an analysis of the “laws of motion” of the capitalist mode of production that yielded certain predictions

²⁶ Abraham Lincoln, Message to Congress, 3 Dec. 1861.

²⁷ Karl Marx, *Capital Volume Two* (New York: Vintage, 1981) 953-54.

about the course of capitalist development. Many of these predictions have stood the test of time remarkably well, despite the efforts of critics who reject Marx's socialist politics to ridicule and distort his analytic contributions. As it happens, one of his most famous predictions was precisely that capital was subject to a long-term process of "concentration and centralization."

According to Marx, the "primitive accumulation of capital" begins with the separation of the "direct producer" from the ownership or effective possession of the means of production — a class monopolization of the productive assets of society, which is the structural precondition for the exploitation of wage earners by capitalists. In addition to exploitation, however, capitalism also involves the competitive interaction of many, individual capitals, and this process leads to winners and losers in the global struggle for profits and market shares. The periodic crises of capitalist production (manifested in recessions and depressions) drive many business enterprises into bankruptcy, making it possible for other firms to acquire additional productive assets at relatively low prices. Through buyouts and mergers, the more successful corporations "concentrate" capital, dominating markets and earning monopoly profits. At the same time, the growth of financial institutions and the diffusion of stock ownership make it possible for the most powerful stockholders (individual or institutional) to "centralize" decision-making regarding the disposition of capital. Major capitalists sit on the boards of directors of many different industrial corporations and financial institutions, ensuring an interlocking of individual corporations into larger corporate conglomerates and networks.

Marx believed that this inexorable process of concentration and centralization of capital, and the attendant growth of massive corporations controlling a growing share of the world's resources, pointed to an "objective socialization" of production. The interdependence of giant corporate interests, in the larger context of inter-capitalist competition and capital-labour antagonism, would oblige the corporate conglomerates to engage in large-scale planning. And indeed this is precisely what has come to pass. "Free market" enthusiasts who today scoff at the socialist idea of a planned economy should consider that the top 200 transnational corporations, along with many others, are *de facto* "transnational planned economies" — larger, as we have seen, than many national economies and more resistant today than most governments to the idea that they should submit to the blind forces of the market. While corporate leaders counsel working people and governments to put their faith in the divine workings of free market forces, corporations collude to limit competition, combine to dominate the most lucrative economic activities, and pressure governments to curb controls on capital mobility — controls that in the past gave governments some minimal ability to plan to meet social needs, but that are now considered to be "unreasonable" impediments on the corporate pursuit of profit.

Given the reality of the objective socialization of production, does it seem reasonable that such enormous economic power — including control over the allocation of productive assets upon which the whole of humanity depends — should continue to remain in the hands of a tiny fraction of humanity bent on “planning” the global economy in ways that ensure *their* continued dominance, *their* power, *their* private wealth, and the supremacy of *their* interests? Was Marx wrong to believe that the objective socialization of production brought about by capitalist development itself needs to be supplanted by a *fully conscious socialization* in which the productive assets of the global economy would be brought under social ownership and subjected to a democratic plan geared toward the satisfaction of human needs rather than private profit? The contradictions inherent in the process of objective socialization under capitalism are reaching unprecedented intensity — and may yet, as they have in the past, manifest themselves in a global struggle for markets leading to world war. Can we any longer turn a blind eye to them in the belief that the right of the few to remain fabulously wealthy and inordinately powerful outweighs the rights of billions of people around the world to employment, decent living standards, and a peaceful and co-operative world community? Those who continue to argue “when corporations win, everyone wins” are not only sanitizing some very ugly global realities; they are purveying the ancient and outmoded *prejudice* that the extravagant privileges of the few should take precedence over the most basic needs of the many.

V

“If unemployed people can’t find jobs, they should start their own businesses” - Anachronistic view concerning “individual responsibility,” work and the sanctity of small business enterprise (Ch. 13)

From an early age, most of us born in the capitalist West are encouraged to believe that one of the pillars of our way of life is the free enterprise system. “Free markets” are celebrated as the most rational means to organize economic activity, and few things are held more sacred than the right of individuals to start up businesses with the aim of enriching themselves. The mutual competition of tens of thousands of privately owned and profit-oriented businesses is claimed to be the real engine of economic growth — and a guarantee that people’s needs for a wide array of goods and services will be met efficiently and at the lowest possible cost to consumers. While Karl Marx’s analysis of the capitalist mode of production is regularly said to be outdated (concerned as it allegedly was with nineteenth century conditions), the ideas of the *eighteenth-century* economist Adam Smith are routinely celebrated as eternal truths that are as relevant today as they were when they were first enunciated over two centuries ago.

According to Smith, the wealth of society is maximized when people are free to produce for a market in a completely self-interested fashion, unimpeded by barriers to trade or other government interference. This *laissez-faire* doctrine is today presented as the solution to the economic malaise that has gripped much of the world economy since the early 1970s. The centerpiece of this neo-Smithian economic orthodoxy is the proposition that the backbone of the modern economy is small business and that small businesses flourish when labour markets are allowed to operate “freely” and “flexibly.” This all sounds eminently reasonable — after all, who is going to come out against freedom and flexibility? The only problem is that free markets and human freedom are not at all the same thing. For when impersonal market forces are given free rein to allocate economic resources in accordance with “supply and demand” and the demands of “profit maximization,” this can only further empower those with abundant marketable assets while restricting the options of those who have little more to sell than their own ability to work. “Free markets” — and free labour markets in particular — have always been a boon to the already wealthy and powerful, and a curse to those with little property or competitive advantage. And yet the experience of over two centuries of capitalist development has left the fundamental premises of “free market”/ “free enterprise” ideology seemingly undisturbed in the minds of those whose interests are served by it.

The reality of the so-called “free enterprise” system is very distant from the mythology.

Free market competition, over time, leads to corporate concentration and to monopoly and oligopoly. Far from creating opportunities for large numbers of people to own their own businesses and to create a society of small-scale commodity producers and merchants (Adam Smith's vision of the ideal society), the operations of the capitalist market have driven the great majority of the population into dependence upon wage-labour. The traditional petty-bourgeoisie of small farmers, craftspeople, professionals and merchants has been reduced from a large majority of the North American population in the nineteenth century to less than 10 per cent today. Yet we continue to be told that the problem of unemployment and underemployment that plagues the advanced capitalist world at the dawn of the new millennium can be solved by the job-creating activity of small businesses. To evaluate this argument we need some perspective on the real place of small and medium sized businesses in today's economy and the nature and scope of the unemployment problem we face.

By 1988, 200 companies held more than 60 per cent of all manufacturing assets in the United States. This compares to 46 per cent in 1929 and 55 per cent in 1959. Furthermore, less than 1 per cent of all corporations control two-thirds of all corporate assets.²⁸ In 1969, 88 per cent of U.S. companies held assets worth less than \$500,000, and cumulatively these assets accounted for only 6 per cent of all corporate assets in the country. Studies have also shown that there is a direct connection between the size of a company's assets and its profitability. For the period 1931-1961, and excluding the war years of 1940-47, Howard Sherman reports a long-term *rate of profit* of 10.4 per cent for companies valued at over \$50,000,000, 4.1 per cent for those valued between \$50,000 and \$100,000, and *minus* 7.1 per cent for those valued under \$50,000.²⁹ Corporate concentration is even more pronounced in Canada, where, by 1987, the top 1 per cent of all enterprises controlled 86 percent of all assets and made 75 percent of all profits. Indeed, in Canada, the top one-hundredth of 1 percent of all enterprises (about 100 companies) controlled 56 percent of all assets.³⁰

With low or non-existent profit margins and few assets, small- to medium-sized businesses still create far more jobs than do the big transnational corporations operating in the U.S. and Canada. The problem is that most of those jobs are of poor quality. As a rule, smaller companies provide low-wage employment with few if any benefits. So where does that leave the growing "reserve army of unemployed" — the chief victims of the concentration of capital and the imperatives of contemporary capitalist production?

Global unemployment and underemployment is now estimated to be around 30 per cent

²⁸ Michael Parenti, *Democracy for the Few* (New York: St. Martin's Press, 1988) 11.

²⁹ Howard Sherman, *Profit Rates in the United States* (Ithaca, NY: Cornell University Press, 1968) 41.

³⁰ Mel Hurtig, *The Betrayal of Canada* (Toronto: Stoddart, 1991) 181.

for the world's workforce — and this figure is based on *official* unemployment statistics that usually understate the real level of unemployment. In the developed industrialized world, most countries have seen official unemployment rates of 10 per cent or more for much of the 1990s. A conspicuous exception has been the United States, which, in recent years, boasted a relatively low official rate of about 5 per cent. But how real was this U.S. success story?

Like other countries, the U.S. excludes so-called “discouraged workers” from its calculations. The unemployment rate is defined as the percentage of the total (employed and unemployed) workforce that is composed of unemployed workers actively seeking employment. Thus, for a jobless person to be considered officially unemployed, she or he must be collecting unemployment insurance or registered with a government agency charged with finding work for the unemployed. Since government employment agencies are typically not very helpful to unemployed individuals in times of high unemployment, many jobless individuals are simply dropped from the official workforce statistics once their unemployment insurance benefits expire. In the United States, this can happen within a year of a job loss, since the U.S. system of unemployment insurance allows workers to collect benefits for no longer than six months (a very short period compared to that allowed in Canada and Western Europe). But there are two other “sleights-of-hand” involved in the calculation of the U.S. unemployment rate that deserve attention. The first is that by not including the 1.5 million people in prison and the 8.1 million on parole in its labour force survey, the U.S. government reduces its official unemployment rate by more than 5 percentage points. (It's worth noting that over the same period that the U.S. prison population swelled from half a million to 1.5 million about one million jobs were lost in U.S. manufacturing!) The second consideration is that the members of the U.S. armed forces are lumped together with the civilian workforce in calculating the unemployment rate, a procedure that further reduces the official rate by about one percent. Correcting for these significant survey distortions, the Council on International and Public Affairs (CIPA) has estimated that the *real* rate of unemployment in the United States was at least 11.4 per cent in the boom year of 1997 — more than double the official rate.³¹ And even that estimate does not take into account the problem of discouraged workers that skews official tabulations of the unemployed in the United States as elsewhere. Correcting for the problem of discouraged workers as this is reflected in labour force participation rates, the Canadian Auto Workers union has estimated that Canada's true unemployment rate exceeded 13 per cent throughout the period from 1992 to 1997, rather than fluctuating between 11 per cent and 9 per cent as

³¹ Cited by Ed Finn, “Lying with Statistics: US unemployment rate down to 5%? Don't believe it!” (*CCPA Monitor*, November 1997) 4.

reported by Statistics Canada.³²

A global economy whose productive assets are overwhelmingly concentrated in the hands of several hundred large corporations that employ a tiny fraction of the world's workforce is an unprecedented development in human history. But the logic of capitalism is to treat those it cannot employ as simple "surplus population." During England's industrial revolution of the early nineteenth century, the Reverend Thomas Malthus (who never allowed the precepts of Christian charity to cloud his better economic judgment) enunciated the principle that economic progress and the betterment of society requires the reduction of the surplus population – if need be through mass starvation. Malthus' premise was a simple one: in the context of a market economy, human labour should be treated as a commodity like any other. If demand existed for it, the worker could earn a livelihood; if not, then the worker could expect nothing at all from society. (Not surprisingly, Malthus and his fellow pro-business economists were the inspiration for the character of Scrooge in Charles Dickens' famous novel *A Christmas Carol*.)

Such cold-hearted capitalist logic seems unacceptably inhumane to most of us, but what is seldom considered is that it is also quite irrational. Why should *any* human being be rendered unproductive and designated as disposable surplus? What is the nature of an economic system that cannot find a way for over one billion unemployed and underemployed people worldwide to contribute productively to the satisfaction of human needs, beginning with their own? By what perverse logic have we come to believe that unemployment is a natural state of affairs?

Wasteful and irrational as it clearly is, unemployment has a definite function within an economic system based upon exploitation and class antagonism. The existence of a reserve army of labour has the effect of preventing workers from demanding "unreasonably" high wages and threatening profits. Fear of being fired and of not being able to find alternative employment disciplines the worker to embrace the ethic that s/he owes the boss the greatest possible work effort. The economic insecurity that mass unemployment breeds within the workforce also encourages rivalry, competition and jealousy amongst workers, rendering it more difficult for labour to unite against capital. Furthermore, the existence of "a group of unemployed or underemployed individuals...makes the workers who do have jobs feel that they have some vested interest in the system, because they are better off than the very poor."³³ Therefore, from the point of view of the capitalist owners of the economy, unemployment serves their interests in a perversely "rational" fashion.

³² "The Jobs Crisis Continues," *Economic and Social Action* 3:1 (September 1997) 2.

³³ A. Szymanski and T.G. Goertzel, *Sociology: Class Consciousness and Contradictions* (New York: D. Van Nostrand Co., 1979) 134.

Mass unemployment also has destabilizing effects on society, however, as well as definite costs. Malthusian indifference to the plight of the unemployed and the working poor is not possible in every region of the world economy – though, tragically, it is all-too-prevalent in the Third World. The capitalist rulers learned long ago that to fail to provide a “social safety net” for displaced workers and the economically indigent in the most developed capitalist countries would be to invite social upheaval, up to and including Marxian social revolution. At the same time, a “too generous” system of social assistance must be avoided in order to safeguard the disciplinary rigours of the free labour market and minimize the adverse effects of high state expenditures on profitability.

Today, with the specter of Marxian socialism seemingly exorcized and the prospect of social revolution remote in the advanced capitalist world, the attitude of society’s power brokers and policy makers toward the unemployed has become much less indulgent than it used to be. As the problem of large-scale *structural* (as opposed to *voluntary*) unemployment has become increasingly intractable, and the costs associated with unemployment insurance and social assistance correspondingly greater, a hue and cry has been raised about the dangerous growth of government debt and deficits, and the climate has been created for a new conventional wisdom according to which the only long-term solution to high unemployment levels is the removal of “disincentives to work.” What this means in the concrete is that those who are jobless should be *forced* to work — whether in government “workfare” schemes that often displace unionized labour, in “training programs” that are often a disguised subsidy to businesses, or in “self-employed” activities that reinforce the ethos of “free enterprise” while providing wretched incomes for a growing number of reluctant, but desperate, would-be “entrepreneurs.” As we hear reports of the growing number of small businesses that have been created in recent years, we should bear in mind that many of them have been started by people whose only alternative was dependence upon a shrinking, and in some jurisdictions disappearing, welfare check. Yet even in the mid-1980s, during a period of relative economic buoyancy, it has been estimated that the average small business in Canada had a life expectancy of only 18 months, with two-thirds of new businesses going bankrupt.³⁴ At the same time, about two-thirds of self-employed workers in 1986 had an annual income that was below the median income for all wage and salary earners in Canada. This general pattern characterizes the United States as well.

Not only do most self-employed small-business owners subsist on below-average incomes, they also tend to put in longer than average hours of work. Their activity is often essential to the profitability of the big corporations, and yet small business owners,

³⁴ Sylvia Hale, *Controversies in Sociology: A Canadian Introduction* (Toronto: Copp Clark 1990) 257.

influenced by anachronistic ideologies and corporate propaganda, are likely to blame their plight on “unions” and “tax and spend governments.” The minority of small business owners who enjoy some success after many years of hard work are likely to be among the most intransigent defenders of private enterprise -- ideological bulwarks of a system that has not only taken advantage of them, but forced them to exploit *themselves* and often other family members as well.

Historical experience shows that self-employment and small business enterprise is no solution to the problem of mass unemployment. To find a real solution to the problem we must first be clear on the underlying causes. Fundamentally, these causes are to be found in the labour-saving and labour-displacing bias of technological change under capitalism, and in the slower rates of economic growth associated with a declining rate of profit.³⁵ Under such conditions, progressive measures to alleviate unemployment — such as a shorter workweek with no loss in pay — are not likely to be considered by the capitalist owners or the governments that serve them. Instead, amidst high levels of unemployment, the big corporations are actually increasing compulsory over-time work for their shrinking labour forces, preferring to pay time and a half wage rates than to incur the expense of hiring new full-time workers who would be entitled to an array of costly benefits. With their eyes fixed firmly on the “bottom line,” corporate executives are not only indifferent to new job creation; they are intent on lengthening the average work day, thereby destroying a hard-won gain of the labour movement: the forty-hour work-week.

A progressive solution to the worsening global problem of unemployment and underemployment will not be found within the framework of the existing world capitalist economy. It will only be found by creating an economic and social order that obeys a very different logic than that of profit maximization – an order in which it is working people who reap the benefits of labour-saving technology rather than capitalist owners who reserve those benefits exclusively for themselves.

³⁵ See Murray E.G. Smith and K. W. Taylor, “Profitability Crisis and the Erosion of Popular Prosperity: The Canadian Economy, 1947-1991,” *Studies in Political Economy* 49 (Spring 1996); Fred Moseley, “The Rate of Profit and the Future of Capitalism,” *Review of Radical Political Economics* 29:4 (Fall 1997); Fikret Ceyhun, “Multinational Corporations and the US Economic Crisis,” *Review of Radical Political Economics* 29:4 (Fall 1997).

VI

“Recent trends toward falling living standards show that there are ‘natural limits’ to the expansion of human prosperity” — Naturalistic explanation for why the rich get richer and the poor get poorer (Ch. 14)

Productivity levels throughout the world are higher today than they have ever been in history. Human beings can produce more output of material goods and services with the performance of a given amount of labour than at any point in the past. Our scientific knowledge and advanced techniques of production means that we are able to produce a volume of material wealth unimaginable even a century ago. Why then are living standards for the great majority of humankind either stagnating or falling? There are really only two possible broad explanations for this phenomenon. Either improvements in human prosperity are running up against a barrier of “natural limits” (that is, a scarcity of vital natural resources which is driving up the costs of production), or else the social relations and institutional conditions in which the production and distribution of material wealth occurs is somehow preventing the great mass of humanity from benefitting from higher levels of productivity.

Poor management and waste of non-renewable natural resources (such as oil) is clearly a problem with which humanity must contend. But in a global economy where gross output *per capita* has risen over the same time-span that the living standards of the majority of people have fallen, it seems clear that an increasingly unequal distribution of wealth is responsible for the declining fortunes of the majority. The gap between the rich and the poor widens each year, both between countries and between different classes within countries, and this trend cannot be explained by pointing to raw material or energy shortages that might episodically drive up the costs of production. Indeed, the real growth of a broad range of primary commodity prices has been *negative* since World War II, indicating that the costs of many material inputs to production have actually declined. Writing in 1988, Susan George noted:

Today commodity prices are going, going, gone. The IMF, which does keep good track of these matters, measures the purchasing power of a basket of thirty primary commodities, excluding gold and oil, in terms of the manufactured goods that they can buy. Starting from 100 in 1957, the IMF index has risen above that index only twice, in 1973 and 1974. Ever since, though there have been peaks and valleys, the trend has been downward. By 1985 the index had plummeted to the

lowest level ever recorded — a dismal 66.³⁶

How then do we account for the fact that rising productivity levels are accompanied both by an increasing disparity in the distribution of wealth and by declining or stagnating living standards for a majority of humankind? The answer is that the social relations that underpin the world capitalist economy confer a *contradictory* dynamic upon it. The scientific rationality that makes possible the production of more material wealth with the application of less living labour works against the social imperative of the capitalist economy to measure this wealth in terms of labour time expended. The social imperative to measure material output in terms of what Marx called “abstract social labour” — the phenomenal form of which is money — is in turn linked to the fact that the capitalist mode of production is based upon the exploitation of one social class by another. Moreover, the capitalist economy is geared toward reproducing capitalist class domination under conditions where capitalists also confront each other as market competitors and where a purely *formal equality* exists between all economic agents in the sphere of commodity exchange.

Thus, the capitalist mode of production encompasses a complex of social relations that are at once exploitative, competitive and equalitarian. But the supreme imperative of the capitalist system is the appropriation of the surplus labour performed by wage-earners by the capitalist owners of the productive assets of society. Under conditions of generalized commodity production, where labour power is itself a commodity and most production is geared toward the market, the domination of capital over labour can only be reproduced if abstract social labour remains both the “social substance” and the “measure” of the value of everything that is produced for sale on the market.

Very simply, “capital in general” must appropriate and realize the surplus value produced by living labourers in order to maintain its class domination. But individual capitalists are compelled under the pressure of competition to do things that reduce the costs of production through labour-saving innovations. Indeed, individual capitalists can increase profits at the expense of their capitalist competitors by adopting labour-saving and labour-displacing techniques of production that lower unit costs. At the “micro” level this strategy for maximizing profits seems eminently rational; but at the “macro” level it leads to a proportional decline in the total capital investment in living labour and an increase in the investment in such “objective elements” of the production and reproduction process as machinery and energy. The result is that the average rate of profit for the social capital as a whole tends to fall over time. The displacement of living labour from production, motivated by inter-capitalist competition and by the drive of capital to make itself as

³⁶ Susan George, *A Fate Worse than Debt* (Harmondsworth, Middlesex: Penguin Books, 1988) 62. For more recent data, see <http://www.info.org/external/np/res/commod/table12.pdf>.

independent as possible of potentially recalcitrant living labourers, has the unintended consequence of reducing the magnitude of surplus-value produced relative to the overall capital investment. Other things being equal, this process produces a downward pressure on the average rate of profit, setting the stage for recurrent capitalist economic crises. A growing body of theoretical and empirical work in Marxist political economy over the past few decades demonstrates the continuing vitality and explanatory power of these ideas, despite the efforts of more conventional economists and social scientists to dismiss them out of hand.³⁷

This Marxist account of capitalism's crisis tendencies is based ultimately on the notion that what is rational from the point of view of enhancing productivity and increasing the volume of material wealth becomes more and more incompatible with the capitalist imperative to appropriate surplus value from living wage-labourers. As the capitalist mode of production develops, the contradiction between the "natural" and the "social" dimensions of production intensifies, producing substantively irrational results. Thus, this account challenges the dominant "common sense" view of the rationality and efficiency of the capitalist "free market" economy — a view that is rooted in the *prejudice* that rationality is defined by whatever serves the specific interests of the dominant capitalist class. It also explains in a way that no other theory can why an increasingly productive capitalist economy can also "produce" declining living standards and increasing misery for the great majority of humanity.

³⁷ For a review of the relevant literature, see Murray E.G. Smith, *Invisible Leviathan: The Marxist Critique of Market Despotism beyond Postmodernism* (Toronto: University of Toronto Press, 1994).

VII

“Unions are too powerful; they are detrimental to the economy” — Anti-labour sentiment in a world dominated by big capital (Ch. 35)

Union “density” — the proportion of the labour force that belongs to trade unions — has fallen precipitously in the United States in recent years. From a post-war high of over 30 per cent in the 1950s, it has plummeted to less than 15 per cent. Union density in the private sector has fallen still more sharply, with manufacturing seeing a decline from 38.9 per cent in 1973 to 17.6 per cent in 1995.³⁸ In the private sector as a whole, union density stood at a mere 10 per cent in 1998. Probably at no time since the 1920s has the influence of organized labour in American society been felt less than in the recent past. And yet there are still many who complain of the power of “Big Labor” and “unions bosses” — insisting that unions have a negative impact on the economy and that union political campaign contributions have an undue influence on politicians and legislation. From a global perspective, such attitudes appear to be not only strangely misplaced but pathologically out of touch with reality. American conservatives are known for baiting mildly “pro-labour” and “pro-welfare” liberals as “class warriors”; but the fact it is that the conservative offensive that began in the 1980s was a remarkably one-sided “class war” in which anti-labour Republicans and Democrats played “hard-ball” against labour and the poor, while the labour movement responded with astonishing passivity. Such is the strength of anti-union prejudice in American culture, however, that, despite this, significant sentiment persists that organized labour remains altogether too powerful and that the American economy would perform better if it were completely union free.

In Europe, where union density is generally much higher than in the United States, anti-union sentiment exists, but it tends to be confined to the propertied classes. In the Scandinavian countries in particular, union density is extremely high – between 60 per cent and 80 per cent, and even relatively privileged professionals in countries such as Sweden and Norway not only belong to unions but are also often supportive of a strong labour movement.

Canada presents a situation that is midway between that of Europe and the USA. With union density of over 30 per cent, Canada has one of the stronger labour movements in the world. At the same time, however, anti-union sentiment seems to be almost as strong in Canada as in the United States.

Various suggestions have been made as to why North American society remains more

³⁸ Fernando Gapasin and Michael Yates, “Organizing the Unorganized: Will Promises Become Practices?” *Monthly Review* 49:3 (July-August, 1997) 47.

resistant to trade unions than other parts of the world, and in particular Europe. The fact that both the United States and Canada had “open frontiers” until relatively recently is cited to explain the pervasiveness of an ethos of “rugged individualism.” True, the social basis for such an ethos has been largely destroyed in the course of twentieth-century capitalist development. Even so, ideas, cultural attitudes and their accompanying prejudices are known to persist long after the conditions that nurtured them have disappeared. Many North Americans are only one or two generations removed from the traditional “petty-bourgeoisie” – the class of self-employed small-property owners that operated farms and small businesses and that comprised a majority of the North American population just a few generations ago. Even though the petty-bourgeoisie has dwindled to about 10 per cent of the population, many people still dream of starting their own businesses and becoming their own bosses. Such people often mistakenly perceive “big government” and “big labour” as the driving forces behind changes in the economy and social structure that have made such aspirations difficult to realize.

A strong resistance to “collectivism” is also rooted in this “petty-bourgeois” legacy of North American society, and it accounts for the extreme and irrational forms of anti-socialism and anti-communism that characterize much of its political culture. Such cultural influences pose a problem to the labour movement for a variety of reasons. Where private property rights are consecrated and considered absolute, the rights of workers to organize and bargain collectively with their employers are perceived as a threat to individual liberty. The collective withholding of labour during a strike — the most fundamental weapon of working people seeking redress of their grievances — is depicted as a form of blackmail directed against propertied interests and as a “monopolistic” impediment to the optimal functioning of labour markets. Faced with the intransigence of business interests to negotiate “fairly” with an atomized workforce, however, such notions have been firmly rejected by the great majority of wage earners employed by large corporations and governments. The principle of free collective bargaining is one that capital and the state has had to acknowledge, however grudgingly, despite the strength of cultural currents that promote nostalgia for a community of small farmers and business owners.

Nevertheless, cultural factors that tend to reinforce the myth of free enterprise have undoubtedly discouraged the labour movement from playing an independent role in the political arena, and this, in turn, has prevented organized labour from developing a more comprehensive program that can speak to the interests and concerns of broader sectors of the population, including those who are not unionized. An important difference between the Canadian and American labour movements is that the former — through the labour-based New Democratic Party — has been involved in a project of “independent labour political action” for the past forty years, whilst the latter has remained tied to the twin parties of American big business, and in particular the Democratic Party. An

understudied factor in the decline of the American labour movement over the past twenty years has been the unwillingness of the union officialdom to break in any substantive way with the parties of Big Business, in particular the Democratic Party. As the novelist Gore Vidal has noted, only one significant political party exists in the United States, the Property Party, and it has two right wings. By refusing to break politically with the Property Party of Democrats and Republicans, the leadership of the American labour movement reveals its commitment to a program of class-collaboration, not class struggle. In particular, the support that the labour movement gave to America's global crusade against "communism" during the Cold War was undoubtedly a major factor accounting for its inability to wage a serious fight for working-class interests on the home front.

The upshot is that American unions have remained much more tied to a narrowly "sectoralist" vision of their role in society than have Canadian or European unions. To the extent that the American labour movement involves itself in political life, its outlook is formally class-collaborationist, super-patriotic, and often unsympathetic to demands for social justice raised by African-Americans, women, Hispanics, and other oppressed groups. The tendency of the manufacturing sector unions to advocate a policy of trade protectionism to "save jobs" illustrates just how willing the trade union bureaucracy is to deflect attention away from the need for militant action against the anti-labour offensive of the big corporations and the state by blaming foreign workers. This "business unionism" – one is tempted to call it "pro-business unionism" – has hobbled and handicapped American workers as they have faced a concerted drive by the capitalist class to roll back many of the hard-won past gains of the labour movement.

Business unionism is, to a certain extent, endemic to the labour movement of all capitalist countries — for at the core of all trade unionism is the attempt to improve the terms and conditions of the sale of labour power for particular groups of workers in particular firms or industries *within the framework of the capitalist system*. Its credo was summed up by pioneer American union leader Samuel Gompers who, when asked what labour wanted, answered with the single word "More." Fundamentally, business unionism accepts the framework of capitalist class relations and seeks primarily to improve the wages, benefits and working conditions of those sectors of the working class that are organized into unions.

The narrowness of the business unionist outlook was always most obvious with the "craft unions." Organized on the basis of craft or skill specializations, the craft unions, while making demands upon the employers for better wages and working conditions, sought also to preserve the privileges of their skilled members against unorganized and unskilled workers. Indeed, "craft consciousness" not class consciousness was what originally motivated the unionization of many of the "skilled trades." The organization of industrial unions — which embraced all non-managerial employees within a particular industry,

regardless of skill or occupational differences — created the potential for a more “class conscious” and politicized unionism. But as the leadership of the industrial unions thrown up by the tumultuous class battles of the 1930s and 1940s passed to more conservative elements who wielded the strike weapon in an economic environment of post-war prosperity, many of the lessons of North American labour history were swept under the rug, forgotten, or, in the case of a new generation of workers, never learned at all. With the change in economic climate in the 1970s and 1980s, and a renewed offensive by capital against labour to restore higher levels of profitability, unions were confronted with the need to “rediscover” the social vision that had played such a key role in labour’s forward march a generation earlier. By then, however, they were saddled with conservative bureaucratic leaderships and apparatuses that were not at all inclined to adopt the militant tactics (such as plant occupations and solidarity strikes) that had allowed for the rise of industrial unions in the first place. Leo Panitch and Donald Swartz’s observations about the Canadian labour movement in this connection apply with equal if not greater force to the American scene:

During the 1960s and early 1970s, union leaders occasionally joined their members in defying the law as it applied to a given dispute, but they very rarely questioned the general framework of legal regulation. This conservatism must be attributed in part to the effects of the Cold War on the labour movement... The anti-communist crusade after World War II was directed against socialist ideas and militant rank-and-file struggle, as much as at members of the Communist Party who then symbolized, albeit imperfectly and not exclusively, that tradition. As a result, control of the labour movement was assumed by people who were characterized, as David Lewis delicately put it, ‘by the absence of a sense of idealism’.³⁹

Long-time AFL-CIO president George Meany actually *boasted* that he had never walked on a strike picket line!

The result of the bureaucratic conservatism of the trade union leadership was that a number of key strikes were lost in the United States in the 1980s; unions made significant concessions on wages and benefits in return for promises (often later broken) of “job security”; and the labour movement became paralyzed in the face of corporate downsizings that decimated its ranks in many key industries. The “restructuring” of unionized firms and the failure of most unions to even defend the past gains of their members, much less fight for new ones, combined with governmental assaults on trade union rights and a concerted effort by employers to block the organization of new unions

³⁹ Leo Panitch and Donald Swartz, *The Assault on Trade Union Freedoms* (Toronto: Garamond Press, 1988) 26.

and “bust” established ones. Given all this it is hardly surprising that union density in the United States has fallen as far as it has.

While conservative anti-union forces celebrate this decline, however, more sober analysts are voicing the concern that it spells trouble for the long-term health and stability of American capitalist society. In a comprehensive review of the literature on the impact of unionization on working life and the economy in the U.S., Richard Freeman concluded that unions: reduce the probability that workers will quit their jobs, thereby increasing the tenure of workers with firms; alter the compensation package toward ‘fringe benefits’, particularly deferred benefits such as pensions; reduce the inequality of wages among workers with measurably similar skills; and promote the operation of workplaces under explicit and well-defined rules. Freeman also concluded that the view that unions harm productivity is erroneous, and that to blame unionism for national macroeconomic problems, such as wage inflation or aggregate unemployment, is unwarranted. Indeed unionized firms introduce technological innovations at least as rapidly as nonunion firms, while union pension plans are a major form of savings among blue-collar workers and a substantial contributor to the overall national savings rate.⁴⁰

But if all this is true, what accounts for the strong hostility toward unionism on the part of propertied interests in the United States? Freeman identifies the reason, but fails to give it the attention it deserves: “Union wage gains reduce the rate of profit of unionized firms, motivating considerable anti-union activity by employers.” Like many liberals, Freeman fails to recognize that, within a capitalist economy, the average rate of profit is the fundamental regulator of economic growth and investment. He is therefore unable to recognize that capitalist hostility toward unions stems from the fact that they are a potential obstacle to the *reduction* of real wages as a “solution” to problems of low profitability. Such profitability problems are rarely the result of wage rates that are growing faster than productivity; rather, they are rooted in the competitive dynamic between capitalist firms and in the displacement of living labour from production through technical innovation – that is to say, in the irrational and anarchic nature of capitalist production.

The American experience provides an illuminating case study in the limits of business unionism. Indeed it shows that the more tenaciously a labour movement is committed to a narrow “bread and butter unionism” the less prepared it is to defend its positions during a

⁴⁰ Richard Freeman, “Is Declining Unionization of the U.S. Good, Bad or Irrelevant?” in *The Sociology of Labour Markets: Efficiency, Equity, Security*, ed. A. Can Den Berg and J. Smucker (Scarborough: Prentice-Hall, 1997) 203-204. See also Richard Freeman and J. Medoff, *What Do Unions Do?* (New York: Basic Books, 1984).

period of economic crisis and restructuring. The “social unionism” that tends to typify the outlook and practice of Canadian and many European unions involves an attempt to present the labour movement as the champion of all sectors of society that are victimized by large corporations and pro-business governments. By projecting an alternative vision to the so-called “corporate agenda” and insisting upon the need for labour political action that is independent of the parties of capital, social unionism wins allies for the labour movement even amongst those who are not presently organized into unions. Even so, there are many signs today that even social unionism – which, after all, is committed merely to the reform of the existing capitalist system and not its replacement by socialism — is running up against many unforeseen obstacles. The destruction of the Soviet bloc, the economic dislocations and crises of the past twenty years, and intensified trade rivalries between the major capitalist powers — all in the context of on-going “globalization” — have combined to undermine the post-war settlement between capital and labour that gave “social unionism” and a reformist form of independent labour political action their temporary viability. Arguing from a left socialist perspective, Canadian labour historian Bryan Palmer has made the following trenchant case against contemporary social unionism:

Social unionism...might be seen as simply a progressive facade behind which a wing of the labour hierarchy adroitly masks its traditional business unionist refusal to use and extend the class power of the unions to launch a struggle for social change. It actually understates working-class power by accepting the current conventional wisdom that class as the central agent of socio-economic transformation has been undermined, and new social movements of women, ecologists, and peace advocates are more potent than class because they can more easily mobilize masses of supporters... A real social unionism would indeed link up with these sectors, but it would rightly stress the extent to which only mobilizations led by the working class and backed by the working-class capacity to stop the productive forces of advanced capitalist society in their tracks have the actual power to transform social relations. Yet this is precisely *not* what the much-vaunted current social unionism is about...The call for social unionism and the promotion of progressive coalition-building thus demands putting class politics at the centre of such mobilization, confronting, at the same time, the troubling issue of leadership.⁴¹

As capital presses its demands for higher rates of profit at the expense of working class living standards, the labour movement will soon be confronted everywhere with the need to rediscover the principles of *class-struggle unionism* that inspired some of the

⁴¹ Bryan D. Palmer, *Working Class Experience*, 2nd ed. (Toronto: McClelland and Stewart, 1992) 372, 415.

movement's greatest victories. These principles, however, are inseparable from a vision of building a new social order free of exploitation and of all class antagonisms. So long as the trade unions are saddled with bureaucratic leaderships that refuse to consider any policies, demands or tactics that pose a significant challenge to the existing system, the labour movement's decline can only continue. Yet in presiding over the decline of the very movement that provides its material basis, the trade union bureaucracy is undermining itself as well, and inviting the emergence of militant alternative leaderships that, consciously or unconsciously, will put the interests of working people ahead of respect for the economic, political, and juridical framework of capitalist society. It was the presence of such a breed of new labour leaders — typically socialists, Communists, and Trotskyists — during the labour upsurge of the 1930s and 1940s that ensured the success of North American industrial unionism and that forced even some of the more politically conservative union leaders to strike a militant pose. It remains to be seen if history will repeat itself in this respect.

VIII

“Vote for the candidate of your choice, but vote” — The “democratic” prejudice (Ch. 38)

Here is a slogan that is frequently repeated during election campaigns in Western democratic countries, one often accompanied by the message: “If you don’t vote, you have no right to complain about government policy.”

Why are politicians, mass media pundits, educators and other purveyors of the conventional wisdom so eager to convince everyone – including large numbers of people who have little knowledge of or interest in politics – that they must “exercise their franchise”? At some level, no doubt, the eagerness is motivated by a sincere belief that every citizen has a sacred civic *duty* to vote. We are brought up to believe that the right to vote should never be taken for granted; that people have fought and died to win or defend this right over the past century; and that widespread indifference to the electoral process could lead to an erosion of all our democratic rights and freedoms. From this mainstream perspective, voting is not only a way of affirming a preference for one or another candidate or party in an election; it’s a way of safeguarding and signaling support for prevailing “democratic institutions.”

There is, however, another important reason why the opinion-makers in Western societies bend every effort to “get out the vote.” The reason is that a low voter turnout may call into question the popular mandate of a government. As is well known, a party can easily form a government with well under 50 per cent of the vote, if that vote has been split amongst several parties. Indeed, a candidate or party can even win election with fewer popular votes than those received by an electoral rival, as the U.S. presidential election in 2000 demonstrated. Low voter turnout *compounds* this problem by allowing the possibility that a government could be formed by candidates or parties who have received the support of as little as 20 to 30 per cent of the *potential* electorate (as was certainly the case in the election of George W. Bush in 2000). Clearly, opponents of an unpopular government can more persuasively deny that it has a mandate for its policies if it has received the active electoral backing of only a quarter of adult citizens than if it has received the backing of 40 or 50 per cent of those citizens.

What is at stake, then, is nothing less than the *perceived legitimacy* of a government and its policies. Can it be said with a reasonable degree of plausibility that a particular government policy expresses the “will of the people” if the party implementing that policy won election with the backing of a relatively small minority of voting-age citizens? If a government pursuing an unpopular policy can only claim to have received

25 per cent of the potential vote, does not the “democratic principle” demand that the policy in question be vigorously questioned and even actively opposed? The perceived *illegitimacy* of a government creates a real opportunity for large numbers of ordinary people to mobilize against its policies and to even engage in acts of resistance.⁴² In other words, it provides an opportunity to *politicize* a population that might otherwise remain passive, apathetic, and paralyzed by the idea that the government has a “right” to implement unpopular policies on the grounds that it was “elected by the people” and possesses a mandate. The active participation of large numbers of people in politics – in questioning, challenging, and resisting government policies – is the last thing that the guardians of the status quo want to encourage; far better to “get out the vote” so that the victor in an election has a clear mandate to carry out policies which, almost inevitably in a capitalist society, will run counter to the interests of the majority. Some “democracy”!

Radical critics of capitalist democracy sometimes counter the conventional mantras with the aphorism “If elections could change anything they’d be illegal.” Of course, this is an overstatement in some respects. Elections can bring about important changes, not only by putting a different party in power, but also by changing the political climate and the “balance of forces” in a country. Nevertheless, this saying expresses an important truth: elections alone cannot bring about a *fundamental* change in the social, economic and political order. The early twentieth-century fears of elitist critics of democracy, such as Vilfredo Pareto and Gaetano Mosca, as well as the hopes of socialist critics of modern capitalism that the extension of the right to vote to working-class people would lead inevitably to the election of governments committed to the eradication of social inequality, have proven to be misplaced. Arguably, the universal franchise, in the long run, has had a basically conservative effect on the dynamics of social change by drawing into nominal political decision-making whole layers of the population who are as likely to base their votes on prejudice, fear or superficial impressions as they are on a rational calculation of their own interests. The participation of “all citizens” in the selection of a government confers legitimacy on the forms of domination imposed by it, as the German sociologist Max Weber recognized. From the point of view of dominant class interests, the beauty of representative democracy, whether in parliamentary or other forms, is that it permits real decision-making to remain in the hands of a tiny minority. Meanwhile, mass actions on behalf of majority interests can be portrayed as lacking the popular legitimacy that a “duly-elected government” has acquired by winning a mandate from “the people.”

The Austrian economist Joseph Schumpeter once wrote that “[democracy is] that institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people’s vote.” In such a

⁴² For a stimulating discussion of general problems of legitimacy in advanced capitalist societies, see Jürgen Habermas, *Legitimation Crisis* (Boston: Beacon Press, 1976).

definition of democracy, which is actually the prevailing definition within western capitalist societies, the original democratic idea of “rule by the people” disappears. The idea of majority rule is effectively replaced by the concept of *rule by a minority with the consent of the majority*. However, the credibility of this concept is severely undermined when large numbers of people express their disdain for or disinterest in the electoral charade by not voting, for this tacitly calls into question the illusion of “majority consent.” Just as “voting for the sake of voting” (whether or not the voter approves of any of the candidates or understands any of the issues) affirms support for institutions based on the concept of “minority rule with the consent of the majority,” the act of not voting subverts the notion that citizens have a “duty” to confer legitimacy upon “duly-elected governments” in circumstances where those citizens do not approve of the policies of any of the major parties and where they lack confidence in the existing political structures, however nominally “democratic,” to represent their interests.

Substantial grounds exist for viewing the kinds of representative democracy that prevail in capitalist societies as little more than a shell game: a choice between Tweedledum and Tweedledee. The policy choices available to any government that has come to power through a conventional electoral process are severely constrained. Even if that government is formed by a political party that has strong ties to organized labour (like the British Labour Party or the New Democratic Party in Canada) and even if that party had been elected on the basis of a platform calling for the socialization of the economy under workers’ control (a platform that no mass social-democratic labour party anywhere has advanced in decades), radical change is an unlikely outcome. First, to the extent that such a government is committed to playing by the rules of existing constitutions (which everywhere permit only exceedingly gradual change), the measures taken to bring about socialism would inevitably lead to capital flight, massive resistance from the business classes, and a general disorganization and paralysis of the existing (still-capitalist) economy. Not only would the active agents of capital do everything in their power to block incremental moves toward the “socialization of the economy”; the very “structures” and “logic” of the economy would tend to force a reformist socialist government to water down its program and transform itself into a “responsible administrator” of the capitalist order.⁴³ This has been the fate of social-democratic parties almost everywhere that they’ve been able to form governments. Not surprisingly, the “maximum program” of social democratic parties around the world is no longer the abolition of capitalism and the socialist transformation of society; it has become “the

⁴³ For an elaboration of “structuralist” and “capital-logic” approaches to a Marxist theory of the state, see Nicos Poulantzas, *Political Power and Social Classes* (London: New Left Books, 1973); Bob Jessop, *The Capitalist State* (Oxford: Martin Robertson, 1982); and John Holloway and Sol Piccioto, eds. *State and Capital: A Marxist Debate* (Austin: University of Texas, 1978). Elements of such approaches are also suggested in Vladimir Ilyich Lenin, *The State and Revolution* (Moscow: Progress Publishers, 1969).

administering of a capitalism with a human face” – and even this modest goal has proven to be beyond the reach of most social-democratic regimes.

The second reason that even an ostensibly socialist government committed to abiding by existing constitutional arrangements is not likely to be brought about radical change is that such a government would necessarily preside over a pre-existing state apparatus – including a civil service bureaucracy, a judiciary, a standing army, and a police force – that has been consciously shaped to serve the interests of capital, not labour.⁴⁴ To the extent that such a government would make serious in-roads into the power and prerogatives of the propertied classes it would almost certainly invite resistance and sabotage from various branches of the state. When the Popular Unity government of Salvador Allende sought to implement a program of nationalizing foreign-owned multinational corporations in Chile in the early 1970s, while leaving more than 90 percent of other firms in private hands, even this essentially left-nationalist program was too much for the top officers of the Chilean military. Under the leadership of General Augusto Pinochet, and with the connivance of the U.S. government, these officers staged a brutal coup in 1973, murdering Allende and thousands of other Chilean leftists, and destroying the organized labour movement in Chile for a generation.

All of this points to the real limits of “democracy” under capitalism. Democracy is something that is tolerated and even valued by the ruling class of a capitalist society – so long as it poses no serious threat to its long-term class interests. If those interests are seriously imperiled, however, the “democratic” capitalists are quite prepared to resort to authoritarian methods to maintain their property, their power and their dominance. They will back a Hitler, a Franco, a Suharto, or a Pinochet as the last line of defense of their social order.

Representative democracy is nevertheless the *preferred* political form of governance in wealthy capitalist countries. This is true for a number of reasons. First, such countries can afford to make the kinds of material concessions to its working populations that is a necessary consequence of a multi-party competition for the “people’s vote.” These concessions typically include government programs aimed at promoting “social welfare,” such as health, education, unemployment, and social assistance programs. Such concessions have the effect of politically stabilizing societies that are otherwise characterized by extreme forms of material inequality. In particular, they tend to attenuate class conflict. In the absence of a multi-party system and the forms of representative government, capitalist societies display a tendency toward extreme forms of plutocracy

⁴⁴ This more “instrumentalist” approach to a theory of the state is associated with Lenin’s *The State and Revolution*, as well as Ralph Miliband’s *The State in Capitalist Society* (New York: Basic Books, 1969).

(undisguised rule by the wealthy). In a sense, representative government and the universal franchise *disciplines* the capitalist class to subordinate its short-term drive to maximize profits to its longer-term interest in safeguarding social cohesion and perpetuating its social order.

The second reason that representative democracy is the preferred form of governance is that it encourages the masses of people within society to *identify* with the state and to view the existing social order as just. Those lacking significant property or wealth in a capitalist society understand quite viscerally that “he who pays the piper calls the tune” and that economic clout is easily converted into political influence and power. In the absence of the forms of representative democracy, it is all too easy for the poor, the working class and middle class strata to conclude that the state is controlled by the rich and serves only their interests. The presence of “democratic institutions” modifies this perception to an important degree. Ordinary people are persuaded to believe that the state is funded by their tax dollars and that as “taxpayers” with the right to vote they can exercise at least some influence on government officials, even when those officials remain beholden to various “special interests.” In other words, representative democracy encourages people to believe that political influence and power is “plural” and diffuse, not concentrated or class-based. The state can then more effectively present itself as the mediator of contending interests in society and as an institution that “stands above” class divisions, promoting an overarching “national interest.”⁴⁵

This brings us to a third consideration. Democratic forms of rule in capitalist societies encourage the inculcation of nationalist ideology – the idea that what distinguishes the population of a given country in terms of class, race, gender or age is less important than the “national interest” and “common values” uniting that population. Not only does nationalism discourage working people from pursuing independent forms of political action (especially of an explicitly anti-capitalist sort) and from recognizing that their fundamental interests converge with those of workers in far off lands; it also makes it easier to mobilize their support for the foreign policy and military adventures of their own ruling class. Chest thumping about how “our democratic way of life” was threatened by “totalitarian” governments was an effective means to rally mass support for a “hard line” against “communism” both at home and abroad during the Cold War. Today, with rivalries heating up between the United States and China, many would-be “democrats” and “human rights” activists, including many active in the “anti-globalization movement,” seek to pressure their “democratic” governments to take a strong stand against the neo-Stalinist rulers of China. In so doing, however, they may actually be helping prepare public opinion for a future military confrontation between the West and

⁴⁵ For a theoretical elaboration of the mainstream “pluralist” theory of political power and the state in a capitalist society, see the many works of the American political scientist Robert Dahl.

China – one that almost certainly would be waged under the banner of “democracy” and “human rights” even though its real aim would be the neo-colonial subjugation of China by the dominant capitalist powers.

For all their avowed anti-capitalism, anti-globalization activists who urge sanctions against China and other “human rights violators” sow enormous illusions in the moral and democratic rectitude of the advanced capitalist countries. Yet even a rhetorical commitment to “human rights” is something that most of these states have come to only quite recently, while the real practice of these democracies, both at home and abroad, remains one of defending a manifestly unjust social order. Human rights activists should understand that the democracies of the capitalist West are not merely “hypocritical” on the question of human rights; they are the mainstays and chief beneficiaries of a world order that perpetuates the misery, oppression and exploitation of billions of people. It is sobering to recall, for example, that the “democratic” United States of America has been responsible for spilling more blood on the soil of foreign lands than any other country since the end of the Second World War. Its direct military interventions in Korea, South-East Asia, and the Persian Gulf (Iraq) have claimed the lives of at least five million people. Furthermore, America’s Central Intelligence Agency was instrumental in the overthrow of nationalist regimes perceived to be “too left wing” in Iran, Iraq, the Dominican Republic, Indonesia, Chile, Nicaragua and Afghanistan, resulting in the loss of many more lives as well as the ascendancy of viciously reactionary and anti-democratic regimes. The U.S. State Department has poured huge amounts of money into subverting elections wherever and whenever “communists” seemed likely to form or participate in governments, including the Italian election of 1948 and the Russian election of 1996. It is remarkable -- and a striking testament to the power of ideology -- that, despite this record, most Americans persist in believing that the United States is a force for good in the world. How could it be otherwise? America, after all, is a “democracy”-- as well as the “land of the free” and the “beacon of liberty”!

The fourth reason that representative democracy serves ruling class interests so well is that it deflects attention away from the operations of a crisis-prone and exploitative economic system to the “policies” of governments. Governments in capitalist societies routinely take credit for “prosperity” and are just as routinely blamed for any downturn in the economy. The illusion is cultivated that the performance of a capitalist economy depends primarily on how well it is administered by a particular governing party (a notion that absurdly exaggerates the capacity of the state to “plan” a capitalist economy). This encourages people to blame politicians for economic bad news rather than to see the contradictions and irrationalities of the capitalist mode of production as the underlying cause of unemployment, economic insecurity, falling living standards, and poverty.

Are other forms of democracy possible? In the English-speaking democracies, some on

the political left have sought to popularize the idea of a system of proportional representation, whereby political parties would receive seats in parliament or other legislative bodies based on the percentage of the popular vote they received.⁴⁶ This would allow even very small parties, with as little as three to five per cent of the popular vote, to be represented in legislative assemblies, to publicize their policies, and even to participate in coalition governments. In countries where such a system is already in operation, voter turnouts tend to be higher because a vote for a “fringe party” is not perceived to be a “wasted vote.” Such a system has both advantages and disadvantages from the point of view of the capitalist ruling class. On the negative side, it can lead to considerable political instability, with shifting alliances between parties producing a succession of short-lived coalition governments that are unable to pursue a consistent and effective policy over the medium to long term. On the positive side, however, it can reinforce faith in the institutions of “representative democracy” among segments of the population seeking radical change, while pressuring small parties of the left to participate in broader coalitions (“popular fronts”) that may include “progressive” capitalist parties. Participation in governmental coalitions (whether formally or informally) makes it virtually impossible for radical parties of the left to pursue a consistently anti-capitalist policy. The larger the constituency for anti-capitalist change is in a country the more useful the system of proportional representation could be in diverting parties on the “far left” from leading serious struggles against the existing social order, by “co-opting” them into the parliamentary process.

Ultimately, a truly democratic form of governance is impossible to envision within the framework of a capitalist society. On the other hand, a vibrant system of socialist self-administration, based on council democracy and a socialized economy, is quite easy to imagine (if not to achieve). In a society where the means of production and distribution are collectively owned and where no huge inequalities in material wealth are present, people would exercise political influence only through rational persuasion, and not through intimidation or privileged access to the mass media or policy makers. Citizens would not vote every few years in “general elections” designed to confer legitimacy on the arbitrary decision-making powers of the party sufficiently well funded, cunning or lucky to win election. They would exercise their right to vote as one aspect of their participation in deliberative bodies (councils) that would address a range of concrete issues and problems of economic and social planning. Indeed, active participation in the deliberations of work-based and community-based councils would be a prerequisite for being able to vote at all. Under such conditions, the ancient ideal of democracy – that is,

⁴⁶ See Michael Dummett, “Toward a More Representative Voting System: *The Plant Report*,” *New Left Review* 194 (1992); Judy Rebick, *Imagining Democracy* (Toronto: Stoddart Publishing, 2000).

of *rule by the people* – could at last be fully realized.⁴⁷

⁴⁷ The hollowness of capitalist democracy is no more plainly revealed than in the fact that it does not even allow for a discussion of alternatives to it. Many “blueprints” for a socialist democracy have been elaborated, and some in great detail. Yet most people are unaware of their existence due to the deliberate efforts of the mass media, conventional politicians, and the educational system to ignore, conceal, and divert attention from them.