

WORKERS OF ALL COUNTRIES, UNITE!

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Unemployment and the lack of job creation — causes and effects

The following research paper was contributed by comrade Jason of Seattle.

The overall picture

Of all the features of the present, and possibly fading, recession, one of the most persistent and damaging to the working class has been the high rate of unemployment. And in spite of the fact that a recovery has been proclaimed repeatedly, job creation has been minor. This is of increasing concern, even to the capitalists. One constant hallmark of any capitalist recovery is a new cycle of job creation. The unemployment rate goes down overall, though which sectors of the workforce gain will be different. Companies increase their investment, part of that being the addition of new workers. In the eighties, for instance, the service sector grew by millions, though these were not necessarily high-paying jobs. And it should be noted that every time a recession has ended since World War II, the overall unemployment rate has crept upward, not quite erasing the rise from the last recession.

The situation has deteriorated considerably during the most recent downturn. An astonishing number of jobs have disappeared during the recent recession. Worse yet, there is every indication that layoffs will continue, even as the recovery arrives. At the very least most companies, by their own admission, will hold off new hiring as long as possible.

What has happened so far? Currently, the unemployment rate stands at 7.4%, which is 3.4 points below the 1982 high of 10.8%. That's about nine million people, yet it does not even include two other very important categories. There are also about six million people who are working part-time but would work full-time if they could, and another million people who have given up looking for work.¹ In addition, taking a look not at the rate, but the actual net amount of job losses between the two recessions provides a much bleaker look. According to government statistics, in the '82 recession, 4.2 million jobs were lost in two and a half years. In this one, 4.5 million jobs were lost in two and a half years, or 300,000 more.²

On top of this, the statistics themselves are extremely suspect. A vast discrepancy opened up in early '91 between

the government's estimates of job losses, based on spot surveys, and actual payroll-tax filings taken later. In Calif. alone, the difference was 500,000; in N.Y., it was 400,000. Extrapolating over the country, the disparity was somewhere on the order of 2 million, possibly twice that.³ The statistics on unemployment conceal this because they balance out job losses and the size of the labor force. The latter has undergone a tremendous shrinkage in this recession, 1.2 million less people, versus only 125,000 in the '82 recession.⁴ No cogent explanation has been offered for this so far. There has been some adjustment of the figures themselves since the original discrepancy, but whether it is enough is unknown.

Types of unemployment

There are four types of unemployment. Two of them, frictional and seasonal, are temporary and limited in nature, and do not really concern us. The other two, cyclical and structural, are what is at issue here. Cyclical unemployment

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And you say Marx was wrong? The rich get richer. The poor get trashed.

From the Feb. 9 issue of *Chicago Workers' Voice*, paper of the MLP-Chicago.

In April the Congressional Budget Office released a report on wealth in America. Was its news shocking? Well, not really! The rich are getting richer. The poor are still getting poorer. The richest 1% of Americans have more personal wealth than the combined worth of the other 90% of us.

The richest 1% own a large amount of many types of assets—49% of publicly owned stock, 62% of business assets, 78% of bonds and trusts, 45% of nonresidential real estate.

In 1983 the richest 1% had 31% of total worth. By 1989 they had 37%

As well during the 1990s the pay of chief executives, top professionals and entrepreneurs soared while the purchasing power of the average household in America fell \$1,100 [by] 1991. The official poverty rate [by] 1991 grew to 14.2%. This was an increase of 2.1 million people.

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The bourgeoisie loves to sing the praises of capitalism. They claim that no other system brings people such "opportunity."

But we beg to differ. We would say that "opportunity" means the opportunity for the few to get rich off the poverty and despair of the many. The rich can count their stocks and bonds while the many have to struggle day by day. Opportunity under capitalism means the opportunity to be poor, to face layoffs and plant closings, to lack health insurance, to be subject to racism.

With the fall of the state capitalist regimes in the former Soviet Union and Eastern Europe, the bourgeoisie loves to proclaim that "communism is dead." They claim that communism never had anything to say to the working classes.

Again, they lie. Socialist theory and the experience of the socialist movement has a lot to offer to the working class movement. It helps to show how to build a powerful working class movement and for what kind of changes we need to fight.

Over 100 years ago the working class and the oppressed revolted in Europe against the monarchist and despotic regimes. To express the aims and program of the working class in these revolts, Marx and Engels wrote *The Manifesto of the Communist Party*. In this work they explain that capitalism brought an enormous increase in the productivity of social labor and in scientific breakthroughs.

"The bourgeoisie, during its rule of scarce one hundred years, has created more massive and more colossal productive forces that have all preceding generations together. Subjection of nature's forces to man, machinery, application of chemistry to industry and agriculture, steam-navigation, railways, electric telegraphs, clearing of whole continents for cultivation, canalization of rivers, whole populations conjured out of the ground—what earlier century had even a presentiment that such productive forces slumbered in the lap of social labor?" [Sec. I]

Marx and Engels also show that the bourgeoisie, the rich are the ones who really benefit from all this. The increases in productivity, scientific achievement, industry do not mean that the conditions of the majority get better. This is even more true today that it was 140 years ago. A few have fabulous wealth while homelessness increases, unemployment rises and more of us fear being thrown on the street or going to bed hungry.

"In proportion as the bourgeoisie, i.e., capital, is developed, in the same proportion is the proletariat, the modern working class, developed

—a class of laborers who live only so long as they find work, and who find work only so long as their labor increases capital. These laborers, who must sell themselves piecemeal, are a commodity, like every other article of commerce, and are consequently exposed to all the vicissitudes of competition, to all the fluctuations of the market.” [Sec. I]

And they make the point that

“You are horrified at our intending to do away with private property. But in your existing society, private property is already done away with for nine-tenths of the population; its existence for the few is solely due to its non-existence in the hands of those nine-tenths. You reproach us, therefore, with intending to do away with a form of property, the necessary condition for whose existence is the non-existence of any property for the immense majority of society.” [Sec. II]

Isn't this true today? The government's own figures show that 90% don't own as much as the richest 1%. The wealth

gap continues to grow. The majority can't live unless they can sell their labor power, while most of the benefit produced by this labor go to the richest few.

Can we expect Clinton to change this situation? Well, he sure hasn't suggested eliminating profit-taking, nor does he have any way to eliminate wage labor. He hasn't even proposed a single thing that would reverse over a decade of the capitalists pigging out at the concessions trough. What of other reforms that he does propose? Ask those on fixed incomes what [Clinton's proposal would have meant] that just [called for] a cap on Social Security cost-of-living increases. Ask working women what Clinton's Family Leave law will mean for them when it provides no benefits and does not even cover places with fewer than 50 employees. Even this shabby gesture raises the cry from the capitalists that “we can't afford it”.

The hope for change today rests not on Clinton but on the prospect of anew movement of working people recognizing the need for independent mass politics and putting forward a socialist alternative to this profit-driven mad society. To build such a movement we need to learn from socialist theory and the experience of the socialist struggles.

□

For the liberation of women! Build the movement! A review of selected writings

From the Jan. 20 issue of Chicago Workers' Voice:

The liberation of women is one of the decisive questions for the working class. The fight against women's oppression, now and historically, has been a vital component of the revolutionary movement against capital. This front covers many fights that must be waged against the capitalist system which maintains women in a superexploited status: equal rights, abortion and reproductive rights, equal pay for equal work, equal job opportunities, child care, the struggle against abusive treatment of women and cultural degradation, and others. But it is not just on “women's issues” and in a women's movement that women must fight. Women must participate and organize on all fronts of the revolution and the class struggle.

Over the last two years *The Workers' Advocate Supplement* has published a series of articles which elaborate some issues facing the women's movement. They elaborate socialist theory and practice towards the liberation of women and discuss some of the experience of the revolutionary movement in the early Soviet Union towards the liberation of women.

*The Workers' Advocate Supplement,
December 15, 1990, Vol. 6, #10*

“The clinic defense movement and the working class trend”

This article discusses the issues that led up to a fight to defend the clinics from the anti-abortion fanatics, the history of the movement and the political trends which exist in it. It also discusses how to strengthen the working class trend in this movement.

“The women's movement in the 1960's and 70's”

The movement of the 60's and 70's brought many gains to working women and played an important part in the revolutionary movement. Today, when women's rights are under attack, it is useful to review the history of the women's movement. This article takes up such a review and draws lessons for the fight against women's oppression. It points strongly to the road of revolutionary struggle against the capitalist system.

***The Workers' Advocate Supplement,*
June 15, 1991, Vol. 7, #5**

**"On some questions with regard to
women's liberation"**

The Marxist-Leninist Party organized a national study that looked into the Marxist-Leninist classics to get a deeper theoretical grasp of the question of women's liberation. This article summarizes our answer to some important questions. What is the basis of the oppression of women? Is full equality for women at least theoretically possible under the capitalist system?

**"Marx, Engels, and Lenin on the
emancipation of women"**

This article is a collection of significant quotations regarding the fight for women's liberation from these theorists of scientific socialism.

***The Workers' Advocate Supplement,*
May 20, 1992, Vol. 8, #5**

**"The Bolshevik revolution and the
emancipation of women"**

This article is the first in a series on the struggle to emancipate women in revolutionary Russia. The Bolshevik revolution showed that the initial victory over capital opens up a broad fight for women's liberation and that the emancipation of women is inseparably bound up with the struggle to radically transform society from capitalism to socialism. The revolution is not the end of the fight but

the beginning of a new round. This article outlines some of the early successes in the fight for women's liberation in Soviet Russia and how this fight was given up with the turn towards the consolidation of state capitalism.

***The Workers' Advocate Supplement,*
December 20, 1992, Vol. 8, #7**

**"Women's commissions in the revolutionary
movement in Soviet Russia:
• Zhenotdel, 1919-1930"**

This article also concerns the early revolutionary period of the Soviet Union, and some of the later process of degeneration. It concentrates on the work of Zhenotdel, the women's section of the Secretariat of the Central Committee of the Communist Party, formed in 1919 and disbanded in 1930.

In Soviet Russia the emancipation of women meant a fight to break down the barriers to women participating in the workforce and in the politics of society. It meant developing the conditions for women to be educated. It meant breaking down the patriarchal relations prevalent in the countryside and the authority of the church. It meant carrying out a broad social and economic transformation which would include developing conditions where the family was no longer the economic unit of society. This article looks at the history of Zhenotdel in the light of these tasks.

In addition to these articles, *The Workers' Advocate* and *The Workers Advocate Supplement* carry numerous articles on the struggles for women's liberation and how to develop them. These national periodicals of the MLP and the writings of Marx, Engels and Lenin are available at Marxist-Leninist Bookstore, 1640 S. Blue Island Ave. □

At the workplace

Coal miners killed in explosion

Eight miners were killed December 7 near Norton, Virginia in a methane explosion.

This small nonunion mine—Southmountain Coal Company #3—opened in 1990 and employed 35 workers in three shifts. Ten men were working the morning of explosion. Eight miners were caught below the surface. One man near the entrance to the mine suffered second degree burns before he was able to crawl to safety, and one worker outside escaped injury.

As soon as the Mine Safety and Health Administration (MSHA) began to investigate the blast, the cause became crystal clear—the device that detects unsafe levels of methane gas (mandatory in all coal mines) had been disconnected!

In the two years since the mine opened, the MSHA gave the mine operator 77 citations. And the mine's injury rate has been three times the industry average. As recently as September, two more violations were found in the last inspection of the mine. Obviously the death of these miners was no accident. It was murder. And MSHA is partly to blame since it failed to shut down the mine. Mine safety can only be guaranteed by organization among the miners and their right to walk out whenever conditions are unsafe. □

UAW helps GM cut jobs

General Motors has been shutting factories and slashing jobs left-and-right. It plans to eliminate at least 74,000 jobs by 1995. And the heads of the UAW are helping them.

On December 14, the UAW leaders signed the 'Accelerated Attrition Agreement' with GM. It will give early retirees who are 62 or older a \$10,000 voucher towards a new GM car. And workers aged 51 to 61 can retire if they have 10 years credited service, with no restrictions on outside earnings.

Money to finance this early retirement comes from a \$600 million fund that was previously set up to retrain laidoff workers. Thus while some 20,000 laidoff workers are losing pay and being dumped in the bankrupt SUB fund, maybe some 7,000 early retirees may get some small benefit. But even that may not last too long. GM's pension fund now faces a mammoth \$11 billion deficit. If it defaults, the Federal Pension Guarantee Board will only pay a fraction of current pension benefits.

But the UAW leaders seem unconcerned with these dangers. Basking in the glow of a new love affair with the auto bosses, they have co-sponsored with GM an inaugural party for Bill Clinton. □

More concessions demanded of Boston transit workers

The January 11 issue of the *Boston Worker* reports that John Haley, the General Manager of the Transit Authority, has proposed

- a) to force workers to pay 50% of health insurance,
- b) to reduce sick days from 10 to 6 per year,
- c) to take away one week of vacation from all workers, and
- d) to freeze wages for the duration of the contract.

Haley, as well as Massachusetts Governor Weld, justify such demands on the claim that they are in a financial crisis. Of course they never say "tax the rich," but instead demand sacrifices from the workers.

The *Boston Worker* says that "It is unlikely that the arbitrator who begins hearings this month will grant Haley and Weld all they wish. But a recent change in the state law governing arbitration procedures for 'T' contracts requires the arbitrator to choose between the last best offers from each side on each issue. If Haley wins even one point it will be a major setback for the workers."

The paper also points out that "The upcoming contract may turn out to be a bitter pill that will signal that the old method of deals and relying on politicians and arbitrators no longer works, even for the better situated workers.... A new outlook is needed. One of mass struggle, of fighting, of an independent movement of the workers." □

Solidarity with L.A. teachers!

Below are excerpts from the December 15 issue of the Bay Area Workers' Voice, paper of the local branch of the Marxist-Leninist Party.

The Los Angeles teachers have voted by an almost 4 to 1 margin to strike on February 22. This action deserves full support from their fellow teachers as well as all working people. Solidarity with the L.A. teachers is a way to strike a blow against the attacks on all of us.

The L.A. school board is demanding that teachers take a 12% wage cut, cuts in health insurance, forced furloughs, and as a special holiday bonus, to take the Christmas holidays off with pay.

This is the latest in a wave of attacks on the working people of California. In the name of solving the budget crisis, Republican Governor Wilson and the Democratic legislature have gutted social programs and the educational system. \$6 billion has been cut from state funding for

health and welfare, education, and aid to local governments. 50,000 public employees are expected to lose their jobs and others will soon face wage cuts like the L.A. teachers. Social services will be cut further for all working people.

The rich have caused the budget crisis

The politicians would like us to believe that because California has a budget deficit, the shortage has to come out of the workers' pockets. That's because the politicians are in the rich man's pocket. But the fact is that the huge tax giveaways to corporations and the wealthy are a part of the reason for the current budget shortfalls. Income taxes alone, for the wealthiest Californians, have been cut almost in half in the last decade.

Union leaders weaken the fight

Solidarity with the L.A. teachers is particularly needed because the policy of their union leaders has isolated and weakened their fight. The leadership of the United Teachers of L.A. (UTLA) and of the other unions representing L.A. school employees, have told their members that if they contribute to and vote for this or that Democratic politician or liberal school board member, everything will be OK. This has proven to be a deadend for the struggle. For years the Democratic politicians in (the state capital of) Sacramento have gone along with the Republicans in gutting funding for public education.

But that's not all. When the budget crisis hit, the union leaders called for their politician friends to steer the cuts towards other state workers or onto the backs of the people on welfare. When the ax finally fell on the school budget, these same union leaders called for other school workers to take the cuts, all in the name of saving education and protecting their own members, of course. Instead of unity of all the school district workers they promoted backstabbing and division. As a result of these divisive politics most of the L.A. School District workers have had devastating takeback contracts shoved down their throats and the teachers and other certified employees are left to fight on their own.

Defend education for the workers and poor!

The working class has fought long and hard for the right of our children to a decent education. That fight is not over. The children of the workers and poor cannot be educated without the public school teachers. These attacks by the rich and their politicians on the livelihood of the teachers are part of their plan to curtail education for the workers. The devastation of the teachers, the increasing class sizes, the cuts in classes, books and supplies — the gutting of public education must be fought. □

Fight 1992-1993 school cuts!

Excerpted from the leaflet of the L.A. Supporters of the Marxist-Leninist Party, January 19.

Democratic Party Assembly Speaker Willie Brown [leading Democratic Party politician in the lower house of the California legislature] is holding a series of sessions with the L.A. School District officials Superintendent Sid Thompson and School board Head Leticia Quezada, as well as UTLA (United Teachers Los Angeles) chiefs Helen Bernstein and Day Higuchi. Their admitted aim is to prevent a mass teachers' strike set to commence on February 23rd, but at whose expense?

Caving in on this year's cuts

The way these sessions are rigged up, 32,000 L.A. Unified [School District] teachers and other UTLA members, working class parents and 642,000 students will get shafted. Last month 79% of the teachers voted to reject the District's final 1992-93 'final contract offer' of December 4 with its 12% pay cuts, plus increased deductibles, visitation and prescription charges on employee health plans, and larger class sizes, etc. These huge cuts and other takebacks have now been imposed by the District bosses and the Board. The Brown negotiations are NOT for reducing these 1992-93 cuts! In other words, a 79% rejection vote concerning these cuts is being circumvented, and a bogus agenda is being put on the table; a debate over only the cuts planned for next semester 1993-94.

As concerns Mr. Brown's mediation, UTLA President Helen Bernstein has admitted that her main stumbling block is only the absence of a package of items (placebos) she can present to the membership to ease the pain of this year's pay cuts, and she is only 'enraged' that the District's last offer did not include more incentive (read cheap palliatives). See *L.A. Times* (Metro edition), Jan. 13, page B-4.

In this rigged-up Brown mediation the main obstacle to be negotiated is whether teacher salaries (note: no mention of other takebacks. Hmmm!) will be cut again next year (1993-94). (*L.A. Times Metro*, Jan. 13)

Strike action can roll back cuts

Even if a promise of no cuts in pay for next year is agreed to, we should remember what happened last year, when a promise to pay us back a 3% 'loan' was turned into an added pay cut. [It is already being said by a number of Democratic and Republican politicians that there may be a new California budget crisis in May, or certainly by July, and hence the next budget will have new cuts in health, welfare, and also education, especially in higher education but also in K-12.]

The Democrats, Republicans, their Board and District officialdom want to stop the strike because they know that

a mass strike in today's political-economic climate in L.A. is potentially explosive. If a unified strike commences on schedule, the uproar of working class parents, students, and other exploited workers against the Establishment would force the District through Sacramento to give back most, if not all, that they took in the cuts. The politicians and their big corporate backers also fear that workers in 57 other California School Districts are in support of the L.A. teachers, materially and in spirit, and many will rally around the courageous example of an L.A. teachers' strike as it rolls back the cuts. This is why they all oppose an L.A. teachers' strike.

Tax the rich--make the rich pay!

Drive back the district imposed cuts!

Parents, students, classified workers, rally behind the L.A. teachers' strike! □

Contract struggle at Acme Steel

From the Feb. 9 issue of Chicago Workers' Voice:

Workers need job security, wage guarantees

Workers at Acme Steel's plants in Chicago and Riverdale are getting angry. Their contract expired five months ago and still the company hasn't proposed any acceptable terms for a new contract. On top of this their union has been keeping them in the dark about the negotiations. Since Sept. 1, Acme workers have been working under contract extensions. Just as the previous extension was getting ready to expire on Jan. 31, Acme made a partial concession and the union negotiating committee accepted a 12-day extension through Feb. 12. The next day, at the first union informational meetings since October, the workers voted for the second time to authorize their negotiating committee to call a strike if the company does not offer a satisfactory contract by Feb. 12.

Two new developments at Acme make this contract negotiations especially serious for the Acme workers. One is that Acme has announced that it is planning and seeking financing for major new equipment at its Riverdale steel-producing plant. The company wants to put in a brand new continuous caster/rolling mill combination to replace two whole departments and part of a third. The Primary Mill and the Hot Strip Mills would be replaced as well as the mold preparation section of the Melt Shop. The other is that Acme has reorganized its corporate structure into a holding company with a number of subsidiaries. Acme Steel is now just one subsidiary of Acme Metals, Inc. Workers have a very justifiable fear that Acme Metals could suck money out of their steel operations and then shut down Acme Steel and get out of paying pensions and other benefits that are in the contract.

The number one contract demand by the workers has been that the parent company, Acme Metals, guarantee

any new contract. Workers declared that they were ready to strike on this issue at meetings last August. Acme has apparently given in on this. However, the company waited up to the last minute on Jan. 31 before stating that the parent company would sign whatever contract is negotiated.

The Acme workers want, at the very least, for their wages to keep even with inflation. Steelworkers have gotten sick and tired of wage cuts over the last ten years. The Steelworkers Union says that it has a new national policy to re-establish a common rate of pay for steelworkers in all the basic steelworking plants. Parton (USWA District 31 director) claims to be standing firm for this in the Acme negotiations.

For workers, obviously this is a just and desirable goal. We all need a living wage. We all suffer when companies are able to "whipsaw" workers at different plants or different companies. But steelworkers used to have a single basic steel contract with a single pay scale for all workers in basic steel. During the concessions drives by the steel companies of the 1980s, the top leadership of the USWA gave this up. Now we have a huge fight on our hands to try to get this back.

In the negotiations up through Jan. 31, Acme has been demanding outrageous concessions. On wages the company seems determined to make its workers fall behind inflation so that every year they get a cut in their real pay. Furthermore the company is not willing to commit itself to paying the same rate as the other steel mills in the area. Acme is also demanding that workers pay \$400 to \$600 a year for their medical benefits.

These demands for concessions by Acme amount to asking workers to help fund their caster project. In other words, Acme workers are supposed to help Acme put in new equipment that will eliminate jobs and speedup the pace of work for those who are left.

NO! This is crazy. Acme is planning this caster because they think it will bring them more profits, not out of concern for their workers. We workers need to look out for our own interests. We need to protect our jobs, our working conditions and our pay. We need to make sure either that jobs are not eliminated or that, at the very least, anyone who loses a job gets full pay and benefits. We need to make sure that reasonable working conditions are established at the new facilities so that workers don't have to run around like crazy men from the time they come in until they go home.

These are the things that workers need. Acme Steel, on the other hand, needs the caster if it is going to have any long-term possibility of competing in the steel business. In order to get this caster the company is going to need a huge loan. It also needs a long-term contract with the union. The company can not afford to let its workers go on strike if it really wants the caster. Thus Acme workers are in a relatively strong position to force the company to meet their demands if they stand firm.

The question is how the union leadership is handling this situation. Workers have a lot of justified skepticism

about whether their union leaders are going to stand up for them the way they should. The union meetings on Feb. 1 were the first report to the union members since October by the negotiating committee. Jack Parton stated that he had asked the negotiating committee not to report anything to the membership while negotiations were continuing. This created a lot of anger among the workers who do not like being kept in the dark about what is happening to their jobs. The only thing the union leaders want the members for is to back them up in their game with the company.

Furthermore workers should remember that it wasn't very many years ago that Jack Parton and the whole international leadership of the USWA were pushing concessions down workers' throats. The leadership of the USWA has always been more concerned with the financial health of the steel companies that with the workers they supposedly represent. True to form, at Acme, Jack Parton has repeatedly stated how anxious he is for Acme to succeed financially.

As Acme workers get ready to fight the greedy fat cats

who run Acme, we have to remember the history of betrayal from the bureaucrats who run the Steelworkers Union. These hacks have proved more than once that their first loyalty is to the profits of the steel companies. For workers to make real progress in their struggles, they have to get themselves organized separately from their sold-out union leaders.

Acme workers need to focus clearly on their main demands. Number one is serious provisions for job security. We need to have the parent company guarantee all the provisions of the contract. We need to make sure that when the caster goes in that workers jobs are protected or that they get full pay and benefits. Secondly we need to keep our wages and benefits at least at the level they are today. We need working conditions that won't put us in an early grave. We shouldn't be made to pay for the caster.

To get these things we have to get ready to fight. Acme is not going to give us anything we are not ready to fight for. Only through our unity and our struggle do we have any chance to defend ourselves. □

Correspondence: A transitional program

Below is a letter from comrade Rhomie of Detroit we received last year. It helps explain his viewpoint put forward in his article on workers' communism in the December 1992 issue of the Supplement.

Hello:

Enclosed is something I think you may find interesting. I compiled it recently and think that what is put forward therein will aid in our fight for workers' communism.

Sincerely,

A transitional program

Now is the time at which we must set down the fundamentals of workers' communism in a program for its implementation. Of course we are counterposed to the revisionists of many hues, especially state capitalist revisionism.

The fundamentals of Marxism-Leninism guide us in our theoretical work, and our program must reflect this. Therefore we must do away with the bureaucratism of the state-capitalist model and its accompanying high wage differentials.

Our first point is that the nation can not exist in socialism as it does in capitalism: There should and must be regional development of the socialist economy so that it can grow over into communism. We should combine states where necessary to create a greater diversity of products and industries among localized populations. As the midwest is the greatest producer of automobiles and steel why not combine these industries within one region, eliminating state borders and taxes? The former industry relied on the latter, so why not aid this relationship? The point is that states with heterogenous industries should be combined and inter-state taxes eliminated to facilitate the development of trade between different regions of this country.

Furthermore, regionalization would cut down on the number of governmental units within the nation and that eliminates bureaucracy.

Of no less importance is the mobilization of the masses; without the active participation of the masses the revolution will degenerate into state capitalism (the former Soviet Union is a grand example of this phenomenon). To mobilize the masses it will be necessary to create new trade unions to replace those controlled by the sold-out UAW and AFL-CIO; to mobilize the masses it will be necessary to create party subsections that concern themselves with the special problems of women, blacks, Latinos, Native-Americans and others. Job training facilities will have to be initiated which offer more than just a quick-fix solution, low-skill training, and actually place the unemployed in jobs

that will be created by the new rebuilding of this country's industrial base and shortened hours.

We must also create new conditions of labor. The over-large, cumbersome, and hard to re-tool factory should be replaced by smaller, easier to re-tool plants. No longer should industry be separated from the masses by its size alone: no, industry should be made to fit into the cracks that exist in this nation's economy at the present time. Yes, factories are being introduced in regions of the country where they did not exist before. But, while this is happening, and for purely economic reasons, other regions are rapidly losing jobs, the midwest, for example.

Communalization is not inimicable to socialism, socialism itself is only the first step toward communism; rather, the two go hand in hand. Every region of the country should contain as much industry as possible; and, industry which is related to its cash crop or indigenous metal or mineral.

Of course, we favor soviet-style government. But not a soviet that is subservient to the whims of autocratic dictators or our party or any other party. The soviets should have veto power over the ruling party. The masses should be able to decide which law is to their advantage and which is not. Of course we must push for the implementation of our program in its entirety, but all that depends on the political consciousness of the masses. There will be mistakes made but the masses must learn from their mistakes and not from ours.

On the style of soviet government. We must keep in mind the conclusions reached by Marx in his *The Civil War in France*. Firstly, that the revolution can not succeed if it is not properly financed; secondly, that the soviet should be executive and legislative; thirdly, that the soviet receive no more than is necessary for its maintenance; fourthly, that soviet power is an armed proletariat.

1. Marx made the point that soviet-style government cannot succeed if it does not have funds at its disposal. The main reason for the failure of the Paris Commune was not that it was poorly armed or strategically outmaneuvered by the counterrevolution, no. The Commune failed to seize the state bank, it was too poor to defend itself.

Therefore let us not make the mistake of nationalizing the banks or making them state property, no. Let us propose that the banks be put under the control of the soviet and as the state withers away, the state as the soviet, so will the state's concern with [anything] but the economic maintenance of the state, and, of course, soviet law.

2. The soviet should be executive and legislative at all of its levels. Eliminated by the revolution should be mayors, governors, presidents, in short, all petty career-minded politicians. The soviet should have the power to enact laws and order their enforcement. This makes the soviet a policy-making body. Of course an interesting sub-point to

this is that all soviet members should be subject to recall and paid workmen's wages. Furthermore let us propose that the terms in office be short: 1-2 years so that a great number of the masses can participate in the law-making process.

What was missing in the former Soviet Union was a strong soviet, a real soviet—executive and legislative at the same time. The CPSU simply declared the country socialist after a certain level of development and weakened soviet power. The CPSU took power unto itself and maintained the soviet form simply as a subordinate form of government—file clerks. Of course the President of the Soviet enjoyed certain powers but this position was subject to appointment by the CPSU!

3. As has been previously stated the soviet members should receive workmen's wages, but Marx also says that this government should be cheap. Therefore, give the soviet only enough money, or what is better, only money that is needed to maintain an army, the armed workers, and pay its bills. The soviet must initiate a law, and have control over funds, that entitle it to funds that are necessary for the maintenance of national order. This does not mean huge outlays for defense, which inevitably go into the pockets of bureaucrats, no; what this means is providing the necessary funds to pay the laborers, the soldiers. The only way to eliminate military-industrial complexes is to make such a sub-division of the soviet, in which only the cost of labor is paid, managerial as well as labor proper.

4. Soviet power is an armed proletariat. A militia proper must be formed and trained before and after the revolution. The most important thing being not the pointing and shooting of a rifle but the political motives of this. Preferably laborers will volunteer for such duty, they will have to for the revolution to be successful, after the revolution has succeeded.

It must be remembered that an armed proletariat is not only a prerequisite for a revolution and for its defense against counterrevolution but also for the maintenance of the revolution itself. Even when communism becomes the economic system the proletariat will have to be armed to maintain order.

The revisionist parties never stress this point, economic power is equated with political power. In one of its principal works, I forget which, Lenin quotes Clausewitz, a political-economist and philosopher; "War is a continuation of politics by other means." This quote was used by the Bolsheviks as part of their agitation. We must keep this quote in mind and use it dialectically: an armed proletariat is the only way we can triumph in a class war and prevent other class wars. Classes will exist—under socialism as well, we should never declare a "state of the whole people" as the Soviet revisionists did. Classes will exist so long as there are wage differentials, the main reason for classes under socialism. (Our wage differentials should be low, token at best, with, perhaps, token bonuses for more productive laborers.

Other points of interest. We must fundamentally change

the structure of society and agitate on the above and points below:

1. Introduction of 20 and 30 hour work weeks.
2. Free abortion on demand for all women.
3. Denial of the franchise to the bourgeoisie and their agents.
4. Seizure of all large estates and capitalist-owned farms.
5. Seizure of all bank accounts over \$10,000.
6. Separation of church from state and church from school.
7. Introduction of collective farming on a voluntary basis.
8. The forgiving of all foreign debts and the cancellation of all American debt.
9. Armed forces to be disbanded and a laborer's militia to be set up.
10. State monopoly on foreign trade.
11. Business-paid child care for families.
12. Business-paid health care. (In essence, business pays hospital salaries)
13. Business-paid college tuition and free education at all levels
14. Elimination of income taxes, all taxes to be paid from business revenue.

The struggle against bureaucracy and state capitalist tendencies. This is most important. Local and regional governments must be given broad powers to guard against the concentration of too much power in the central government. At the same time there must be a balance of power between local and regional government, soviets, to safeguard against abuses by either side. Firstly, both should have the same code of laws; secondly, their law should be based on the central code of law. What all the above means is that each level of government should be based on the same principles, of course, and that there should be not just a constitution but a national code of law.

To guard against careerism let each level of government be a stepping stone to another: from the local soviets delegates should be sent to the regional soviet, from the regional soviets send delegates to the central, national, soviet. Doing such avoids massive electoralising and enhances the involvement of the masses, they would have the chance to enact law as well as safeguard its enforcement.

Of course while the involvement of the masses is from bottom to top, the enactment of law should be from top to bottom: the center should predominate.

Even that is not enough, though. The soviets must be given control over the police and the armed forces. Our party should not try to position ourself as power broker, that was the biggest mistake of the CPSU.

Wage differentials must be kept low. Perhaps it would be best to classify workers as performing either basic or advanced labor, with a 10-15% differential in wage. Let it be now proposed that labor be paid a percentage of a businesses revenue, with minimums and maximums, bi-weekly (to allow for accounting) with allowances for

dependents.

Furthermore, it would be best to allow local and regional and central government to divide the duties of paying out funds, certain taxes on business should be local, some regional, very few national. The short-term payments, such as health care, should be handled by the local soviet; the long-term payments handled predominately by the regional government with the central soviet handling only those payments which concern its maintenance.

This means that there will have to be soviet agencies at the local, regional and national level; this does not mean that these agencies should have an existence separate from the soviets: the soviets should put forward economic experts, health care experts, etc. as candidates for administrations. The masses should have the vote on which of these candidates attain a particular office and the soviets and the masses should have the vote to recall any of these officials. Terms in office should be kept short (2-3 years) and salaries should be no higher than a workingman's wage.

The state units of government.

1. Local: What is meant by local government is the restructuring of the population into administrative units of from 50,000-2,000,000. This means that some cities and rural areas will be combined to form more efficient units; and, that a few metropolitan areas will be divided into two or more parts. The size, in terms of square miles, of these units is not the main barometer of efficiency (some local administrative units will be larger than others), the main barometer of efficiency should be the economic autonomy of these units: are these units able to provide jobs and other necessities for the masses:

In some local administrative units there will have to be more industry, in others more job training and placement in jobs... And, let us not forget housing, there will have to be suitable apartments and homes built throughout the nation, particularly in large urban areas, and apartment buildings and homes will have to be rehabilitated to house the homeless.

(Socialist development will have to differ greatly from capitalist development. Heavy industry must be built first, then small; apartment buildings should predominate over homes as the heating of an apartment building is more efficient than the heating of a home.)

Of course the funds for redevelopment and localization should come from above and below. The regional and local units of government should split the cost of redevelopment and localization while the center supplies the blueprint and, if necessary, some of the funding.

Certain of the local governmental units will be richer than others, this should be combatted at the regional level with increased (unequal) taxing. This approximates to levelling, but such is necessary to compensate for uneven development.

2. Regional: As was said above the nation must be

regionalized to make it socialist and more efficient. Regional autonomy is not what should be striven for, regional concentration should be the primary objective. Each region should specialize in a certain industry (automotive, farming, hi-tech, etc.) that had come to predominate under capitalism and diversify into the various branches of that industry. Regionalization should be a catch-word for the spread of industry and its strategic placement in certain localities. Regionalization should also be a catch-word for the combination of industries and their new concatenation.

Regionalization will also be a more efficient method of running the national economy. Gone will be the hindrance of crossing state lines: toll roads, etc. Gone will be the incessant competition of industry for tax breaks in certain localities and the search for lower wages. Creating different economies of scale will allow the infusion of moneys into impoverished regions as industry is revitalized within this country.

3. Center: This portion of government should be most concerned with the implementation of socialism, it will be the planning center.

At first it will have to seize all assets and gradually relinquish them to the regions and localities, only holding the most vital for itself—armed forces, finance. Cost accounting will have to be used, only labor should be paid for! Gone should be incentive and capital payments, pay as you go should be the norm.

Other considerations:

We must work hard to overcome the revisionist tendencies of other left parties. We must show that our reluctance to back various regimes is not detrimental and whimsical, it is much better to side with the laboring masses and poor.

Our program seeks to involve not parties but the masses themselves in the political arena. Our idea of revolution, communist revolution, is not simply seizing power, rather it is the masses who actually seize power with us at their head. We must take the vanguard position to politicize the masses and imbue them with a communist perspective, we must work even more fervently among the masses.

At the present time the dialectic of our society reflects its ever-increasing polarization: capitalist enrichment of an ever-decreasing strata and increasing mass impoverishment of the workers and poor. We can not allow this dialectical antithesis to develop further without us proposing a method of struggle in this unity of opposites. It is true: the rich are getting richer and the poor are getting poorer, even while deficit spending is pumping new billions into this economy.

The main reason for this is the parasitic nature of private ownership, we have to oppose this phenomenon of capitalism to socialism, in which the masses themselves own the means of production. And we must be sure to stress that this will be popular ownership and not simply state ownership in which a few parasites and a political party enrich themselves at public expense. □

Visions of the future: Bellamy's 'Looking Backward'

Edward Bellamy was an American, educated partly in Germany where he came into contact with social conflict, who lived from 1850 to 1898. His *Looking Backward, 2000-1887*, is a utopian novel about Julian West, a privileged young Bostonian of 1887, who falls asleep and wakes up in the year 2000. He finds himself in a society which is run on completely different lines than anything he is familiar with. It is the classless society, without money, and without petty commerce; without mass conflict, without politicians and political parties, and with hardly much of a government to speak of. It is a society based on largescale production and on the cooperative labor of all its members, and yet it provides more individual freedom than a citizen of a class society could ever believe possible. It is a society that has solved the social problems not by changes in budgetary priorities, but by the elimination of private control over production and distribution of material goods.

In these days where capitalism gloats over its victory in the cold war, and cynicism reigns over the possibility of any fundamental change in human society, it may be refreshing and restore some sanity to look back at the pictures of change drawn by the best visionaries of the past. The economists, historians and psychologists of today join in a chorus presenting capitalist institutions as eternal, and the behavior of people in the face of money and dog-eat-dog competition as human nature, and the reformist politicians join in, painting "socialism" as simply capitalism with some social programs. The only difference between one political program and another is supposed to be a bit more or less money for this or that priority, and socialism is likely to be presented as simply a more effective technique for solving the equations of bourgeois economics.

Yet nothing is further from the truth. Human society has proceeded through one great revolution after another, changing the very nature of the production of food and shelter and material goods, the ways people react with each other, and the knowledge people have of themselves and the world around them. In our day and age, at the very moment when everything looks stationary and stagnant, change is continuing at the frenzied pace typical of the twentieth century, although the changes are mostly of the most painful sort, as befits a class society based on the exploitation of many by the few.

At such a time, it may be useful to step back and take a look at the larger picture.

Below we present excerpts from Bellamy's novel, which consists mostly of an intellectual of the future, Dr. Leete, explaining the new world to Julian West. It is not our intention to present every word of Bellamy's as golden. Nor do our excerpts attempt to give a balanced view of Bellamy's strengths and weaknesses, but mainly go into some points of interest to us in his novel. Examining the visions of the future from a number of different perspec-

tives helps open up the mind to the problems of social transformation. And, after considering different visions of the future society, one may perhaps understand more what motivates the Marxist materialist approach: its reasons for sticking to scientific examination of the trends arising from present development as opposed to simply painting the society as having whatever good thing one thinks desirable, its boldness in basing itself on the oppressed masses, and its ability to comprehend the complex and contradictory phenomena of the development of society, rather than simply extrapolating one feature mechanically.

Bellamy's novel itself seems to show some influence of Marxism, in its emphasis on the role of large-scale production and on the utter transformation of society wrought by the destruction of private interests. On the other hand, it has the conventional ideas of the time on certain subjects. And it is especially weak on the methods of social transformation, where Bellamy rejects the class struggle, labor organization, revolutionary political organization, and so forth in favor of above-class utopianism. It also says nothing about the transitional socialist society leading to the classless communist society of human harmony; the problems of transition from one system to another, which by necessity preoccupy us and which would immediately face any socialist revolution, are simply not dealt with.

Bellamy believed that eventually the rational necessity of social reorganization would be clear to all, especially the educated, and this would bring transformation. Bellamy's vision inspired, at one time, "nationalist clubs" throughout the country; the name mainly referred to the nation taking over all the means of production, but also reflected a certain patriotic cast of Bellamy's views. This is perhaps also reflected in his repeated use of the army as an example of a national institution.

Bellamy believed the year 2000 would have already seen the new society in effect for generations. This is not to be so. Not the year, but the sketch of radical change as the result of industrial development, is the interest of his look into the future.

* * * * *

Extracts from *Looking Backwards*

No money, no commerce, no wages

'I saw very little that was not new [in walking around Boston], I replied. 'But I think what surprised me as much as anything, was not to find any stores on Washington street, or any banks on State. What have you done with the merchants and bankers? Hung them all, perhaps, as the anarchists wanted to do in my day?'

'Not as bad as that,' replied De. Leete. 'We have simply

dispensed with them. Their functions are obsolete in the modern world.'

'Who sells you things when you want to buy them?' I inquired.

'There is neither selling nor buying nowadays; the distribution of goods is effected in another way. As to the bankers, having no money, we have no use for those gentry.'

.....

'You were surprised,' he said, 'at my saying that we got along without money or trade, but a moment's reflection will show that trade existed and money was needed in your day simply because the business of production was left in private hands, and that, consequently, they are superfluous now.'

'I do not at once see how that follows,' I replied. 'It is very simple,' said Dr. Leete. 'When innumerable, unrelated, and independent persons produced the various things needful to life and comfort, endless exchanges between individuals were requisite in order that they might supply themselves with what they desired. These exchanges constituted trade, and money was essential as their medium. But as soon as the nation became the sole producer of all sorts of commodities, there was no need of exchanges between individuals that they might get what they required. Everything was procurable from one source, and nothing could be procured anywhere else. A system of direct distribution from the national storehouses took the place of trade, and for this money was unnecessary.'

'How is this distribution managed?' I asked.

'On the simplest possible plan,' replied Dr. Leete. 'A credit corresponding to his share of the annual product of the nation is given to every citizen on the public books at the beginning of each year, and a credit card issued him with which he procures at the public storehouses, found in every community, whatever he desires whenever he desires it. This arrangement you will see totally obviates the necessity for business transactions of any sort between individuals and consumers. Perhaps you would like to see what our credit-cards are like.'

'You observe,' he pursued as I was curiously examining the piece of pasteboard he gave me, 'that this card is issued for a certain number of dollars. We have kept the old word, but not the substance. The term, as we use it, answers to no real thing, but merely serves as an algebraical symbol for comparing the values of products with one another. For this purpose they are all priced in dollars and cents, just as in your day. The value of what I procure on this card is checked off by the clerk, who pricks out of these tiers of squares the price of what I order.'

.....

'...But, with all its defects, the plan of settling prices by the market rate was a practical plan; and I cannot conceive what satisfactory substitute you can have devised for it. The government being the only possible employer, there is, of course, no labor market or market rate. Wages of all sorts must be arbitrarily fixed by the government. I cannot

imagine a more complex and delicate function than that must be, or one however performed, more certain to breed universal dissatisfaction.'

'I beg your pardon,' replied Dr. Leete, 'but I think you exaggerate the difficulty. Suppose a board of fairly sensible men were charged with settling the wages for all sorts of trades under a system which, like ours, guaranteed employment to all, while permitting the choice of avocations. Don't you see that, however unsatisfactory the first adjustment might be, the mistakes would soon correct themselves? The favored trades would have too many volunteers, and those discriminated against would lack them till the errors were set right. But this is aside from the purpose, for, though this plan would, I fancy, be practicable enough, it is no part of our system.'

'How, then, do you regulate wages?' I once more asked.

'Dr. Leete did not reply till after several moments of meditative silence. 'I know, of course,' he finally said, 'enough of the old order of things to understand just what you mean by that question; and yet the present order is so utterly different at this point that I am a little at loss how to answer you best. You ask me how we regulate wages: I can only reply that there is no idea in the modern social economy which at all corresponds with what was meant by wages in your day.'

'I suppose you mean that you have no money to pay wages in,' I said. 'But the credit given the worker at the government storehouse answers to his wages with us. How is the amount of the credit given respectively to the workers in different lines determined? By what title does the individual claim his particular share? What is the basis of allotment?'

'His title,' replied Dr. Leete, 'is his humanity. The basis of his claim is the fact that he is a man. [Or woman, as is clarified elsewhere—ed.]'

.....

'How can you do that, I should like to know, when no two men's powers are the same?'

'Nothing could be simpler,' was Dr. Leete's reply. 'We require of each that he shall make the same effort; that is, we demand of him the best service it is in his power to give.'

'And supposing all do the best they can,' I answered, 'the amount of the product resulting is twice greater from one man than from another.'

'Very true,' replied Dr. Leete; 'but the amount of the resulting product has nothing whatever to do with the question, which is one of desert. Desert is a moral question, and the amount of the product a material quantity. It would be an extraordinary sort of logic which should try to determine a moral question by a material standard. The amount of the effort alone is pertinent to the question of desert.'

(Chapter IX)

Incentives to work and initiative and heroic effort

'But what inducement,' I asked, 'can a man have to put forth his best endeavors when, however much or little he accomplishes, his income remains the same. High characters may be moved by devotion to the common welfare under such a system, but does not the average man tend to rest back on his oar, reasoning that it is of no use to make a special effort, since the effort will not increase his income, nor its withholding diminish it.'

'Does it then really seem to you,' answered my companion, 'that human nature is insensible to any motives save fear of want and love of luxury, that you should expect security and equality of livelihood to leave them without possible incentives to effort? Your contemporaries did not really think so, though they might fancy they did. When it was a question of the grandest class of efforts, the most absolute self-devotion, they depended on quite other incentives. Not higher wages, but honor and the hope of men's gratitude, patriotism and the inspiration of duty, were the motives which they set before their soldiers when it was a question of dying for the nation,... And not only when, but when you come to analyze the love of money which was the general impulse to effort in your day, you find that the dread of want and desire of luxury were but two of several motives which the pursuit of money represented; the others, and with the more influential, being desire of power, of social position, and reputation for ability and success. So you see that though we have abolished poverty and the fear of it, and inordinate luxury with the hope of it, we have not touched the greater part of the motives which underlay the love of money in former times, or any of those which prompted the supream sorts of effort. The coarser motives, which no longer move us, have been replaced by higher motives wholly unknown to the mere wage earners of your age. Now that industry of whatever sort is no longer self-service, but service of the nation, patriotism, passion for humanity, impel the worker as in your day they did the soldier.' (Ch. IX)

'Apart from the grand incentives to endeavor afforded by the fact that the high places in the nation are open only to the highest class men, various incitements of a minor, but perhaps equally effective, sort are provided in the form of special privileges and immunities in the way of discipline, which the superior class men enjoy. These, while not in the aggregate important, have the effect of keeping constantly before every man's mind the desirability of attaining the grade next above his own.

'It is obviously important that not only the good but also the indifferent and poor workmen should be able to cherish the ambition of rising. Indeed, the number of the latter being so much greater, it is even more essential that the ranking system should not operate to discourage them than that it should stimulate the others. ... The result is that those under our ranking system who fail to win any

prize, by way of solace to their pride, remaining during the entire term of service in the lowest class, are but a trifling fraction of the industrial army, and likely to be as deficient in sensibility to their position as in ability to better it.'

.....
'As for actual neglect of work, positively bad work, or other overt remissness on the part of men incapable of generous motives, the discipline of the industrial army is far too strict to allow much of that. A man able to do duty, and persistently refusing, is cut off from all human society.'

.....
'But do not imagine, either, because emulation is given free play as an incentive under our system, that we deem it a motive likely to appeal to the nobler sort of men, or worthy of them. Such as these find their motives within, not without, and measure their duty by their own endowments, not by those of others. ... To such natures emulation appears philosophically absurd, and despicable in a moral aspect by its substitution of envy for admiration, and exultation for regret, in one's attitude toward the success and the failures of others.

'But all men, even in the last year of the twentieth century, are not of this high order, and the incentives to endeavor requisite for those who are not, must be of a sort adapted to their inferior natures. For these, then, emulation of the keenest edge is provided as a constant spur. Those who need this motive will feel it. Those who are above its influence do not need it.'

'I should not fail to mention,' resumed the doctor, 'that for those too deficient in mental or bodily strength to be fairly graded with the main body of workers, we have a separate grade, unconnected with the others,—a sort of invalid corps, the members of which are provided with a light class of tasks fitted to their strength. ... The strongest often do nearly a man's work, the feeblest, of course, nothing; but none who can do anything are willing quite to give up. In their lucid intervals, even our insane are eager to do what they can.'

(Ch. XII)

Different trades, mental and manual work

'Surely,' I said, 'it can hardly be that the number of volunteers for any trade is exactly the number needed in that trade. It must be generally either under or over the demand.'

'The supply of volunteers is always expected to fully equal the demand,' replied Dr. Leete. 'It is the business of the administration to see that this is the case. The rate of volunteering for each trade is closely watched. If there be a noticeably greater excess of volunteers over men needed in any trade, it is inferred that the trade offers greater attractions than others. On the other hand, if the number of volunteers for a trade tends to drop below the demand, it is inferred that it is thought more arduous. It is the business of the administration to seek constantly to equalize the attractions of the trade, so far as the conditions of

labor in them are concerned, so that all trade shall be equally attractive to persons having natural tastes for them. This is done by making the hours of labor in different trades to differ according to their arduousness. ... There is no theory, no *a priori* rule, by which the respective attractiveness of industries is determined. The administration ... simply follows the fluctuations of opinion among the workers themselves as indicated by the rate of volunteering. The principle is that no man's work ought to be, on the whole, harder for him than any other man's for him, the workers themselves to be the judges.'

.....
'How is this class of common laborers recruited?' I asked. 'Surely nobody voluntarily enters that.'

'It is the grade to which all new recruits belong for the first three years of their service. It is not till after this period, during which he is assignable to any work at the discretion of his superiors, that the young man is allowed to elect a special avocation. These three years of stringent discipline none are exempt from.'

'As an industrial system, I should think this might be extremely efficient,' I said, 'but I don't see that it makes any provision for the professional classes, the men who serve the nation with brains instead of hands. ... How, then, are they selected from those who are to serve as farmers and mechanics? That must require a very delicate sort of sifting process, I should say.'

'So it does,' replied Dr. Leete, 'the most delicate possible test is needed here, and so we leave the question whether a man shall be a brain or hand worker entirely to him to settle. At the end of the term of three years as a common laborer, which every man must serve, it is for him to choose in accordance to his natural tastes whether he will fit himself for an art or profession, or be a farmer or mechanic. If he feels that he can do better work with his brains than his muscles he finds every faculty provided for testing the reality of his supposed bent, of cultivating it, and if fit, of pursuing it as his avocation. The schools of technology, of medicine, of art, of music, of histrionics and of higher liberal learning, are always open to aspirants without condition.'

'Are not the schools flooded with young men whose only motive is to avoid work?'

'Dr. Leete smiled a little grimly.

'No one is at all likely to enter professional schools for the purpose of avoiding work, I assure you,' he said. 'They are intended for those with special aptitude for the branches they teach, and any one without it would find it easier to do double hours at his trade than try to keep up with the classes. Of course many honestly mistake their vocation, and, finding themselves unequal to the requirements of the schools, drop out and return to the industrial service; no discredit attaches to such persons, for the public policy is to encourage all to develop suspected talents which only actual tests can prove the reality of. ...

'This opportunity for a professional training,' the doctor continued, 'remains open to every man till the age of

thirty-five is reached, after which students are not received, as there would remain too brief a period before the age of discharge [45 years old] in which to serve the nation in their profession. In your day young men had to choose their professions very young, and therefore, in a large proportion of instances, wholly mistook their vocations.

'...I should add that the right of transfer, under proper restrictions, from a trade first chosen to one preferred later in life, also remains open to a man till thirty-five.'

(Ch. VII)

.....
...As the youth [working as a waiter] left the room, I said, 'I cannot get over my wonder at seeing a young man like that serving so contentedly in a menial position.'

'What is that word "menial": I [have] never heard it,' said Edith.

'It is obsolete now,' remarked her father. 'If I understand it rightly, it applied to persons who performed particularly disagreeable and unpleasant tasks for others, and carried with it an implication of contempt. ...'

.....
'To understand why Edith is surprised,' he said, 'you must know that nowadays it is an axiom of ethics that to accept a service from another which we would be unwilling to return in kind, if need were, is like borrowing with the intention of not repaying, while to enforce such a service by taking advantage of the poverty or necessity of a person would be an outrage like forcible robbery.'

.....
'Do the waiters, also, volunteer?'

'No,' replied Dr. Leete, 'The waiters are young men in the unclassified grade of the industrial army who are assignable to all sorts of miscellaneous occupations not requiring special skill. Waiting on table is one of these, and every young recruit is given a taste of it. I myself served as a waiter for several months in this very dining-house some forty years ago. Once more you must remember that there is recognized no sort of difference between the dignity of the different sorts of sort required by the nation.'

(Ch. XIV)

.....
That evening I sat up for some time ... talking with Dr. Leete about the effect of the plan of exempting men from further service to the nation after the age of forty-five, a point brought up by his account of the part taken by the retired citizens in the government.

'At forty-five,' said I, 'a man still have ten years of good manual labor in him, and twice ten years of good intellectual service. To be superannuated at that age and laid on the shelf must be regarded rather as a hardship than as a favor by men of energetic dispositions.'

'My dear Mr. West,' exclaimed Dr. Leete, beaming upon me, 'you cannot have any idea of the piquancy your nineteenth century ideas have for us of this day, the rare quaintness of their effect. Know...that the labor we have to render as our part in securing for the nation the means

of a comfortable physical existence, is by no means regarded as the most important, the most interesting, or the most dignified employment of our powers. We look upon it as a necessary duty to be discharged before we can fully devote ourselves to the higher exercise of our faculties, the intellectual and spiritual enjoyments and pursuits which alone mean life. ...

'Of course not all, nor the majority, have those scientific, artistic, literary, or scholarly interests which make leisure the one thing valuable to their possessors. Many look upon the last half of life chiefly as a period for enjoyment of other sorts; for travel, for social relaxation in the company of their lifetime friends; a time for the cultivation of all manner of personal idiosyncrasies and special tastes, and the pursuit of every imaginable sort of recreation; in a word, a time for the leisurely and unperturbed appreciation of the good things of the world which they have helped to create. But whatever the differences between our individual tastes..., we all agree in looking forward to the date of our discharge as the time when we shall first enter upon the full enjoyment of our birthright,...."

(Ch. XVIII)

Large-scale production

'The fact that the desperate popular opposition to the consolidation of business in a few powerful hands had no effect to check it, proves that there must have been a strong economical reason for it. The small capitalists, with their innumerable petty concerns, had, in fact, yielded the field to the great aggregations of capital, because they belonged to a day of small things and were totally incompetent to the demands of an age of steam and telegraphs and the gigantic scale of its enterprises. To restore the former order of things, even if possible, would have involved returning to the day of stage-coaches. Oppressive and intolerable as was the regime of the great consolidations of capital, even its victims, while they cursed it, were forced to admit the prodigious increase of efficiency which had been imparted to the national industries, the vast economies effected by concentration of management and unity of organization, and to confess that since the new system had taken the place of the old, the wealth of the world had increased at rate before undreamed of. To be sure this vast increase had gone chiefly to make the rich richer, increasing the gap between them and the poor; but the fact remained that, as a means merely of producing wealthy, capital had been proved efficient in proportion to its consolidation. The restoration of the old system with the subdivision of capital, if it were possible, might indeed bring back a greater equality of conditions with more individual dignity and freedom, but it would be at the price of general poverty and the arrest of material progress.

'Was there, then, no way of commanding the services of the mighty wealth-producing principle of consolidated capital, without bowing down to a plutocracy like that of Carthage? As soon as men began to ask themselves these

questions, they found the answer ready for them. The movement toward the conduct of business by larger and larger aggregations of capital, the tendency toward monopolies, which had been so desperately and vainly resisted, was recognized at least, in its true significance, as a process which only needed to complete its logical evolution to open a golden future to humanity.

'Early in the last century the evolution was completed by the final consolidation of the entire capital of the nation. The industry and commerce of the country, ceasing to be conducted by a set of irresponsible corporations and syndicates of private persons at their caprice and for their profit, were intrusted to a single syndicate representing the people, to be conducted in the common interest for the common profit. The nation, that is to say, organized as the one great business corporation in which all other corporations were absorbed: it became the one capitalist in the place of all other capitalists, the sole employer, the final monopoly in which all previous and lesser monopolies were swallowed up, a monopoly in the profits and economies of which all citizens shared. In a word, the people of the United States concluded to assume the conduct of their own business, just as one hundred odd years before they had assumed the conduct of their own government, organizing now for industrial purposes on precisely the same grounds on which they had then organized for political ends. At last, strangely late in the world's history, the obvious fact was perceived that no business is so essentially the public business as the industry and commerce on which the people's livelihood depends, and that to entrust it to private persons to be managed for private profit, is a folly similar in kind though vastly greater in magnitude, to that of surrendering the functions of political government to kings and nobles to be conducted for their personal glorification.'

(Ch. V)

'...In my day, I know that the total annual product of the nation, although it might have been divided with absolute equality, would not have come to more than three or four hundred dollars per head, not very much more than enough to supply the necessities of life with few or any of its comforts. How is it that you have so much more?'

'That is a very pertinent question, Mr. West,' replied Dr. Leete, 'and I should not blame your friends [back in 1887], in the case you supposed [if transported back to 1887], if they declared your story all moonshine, failing a satisfactory reply to it. ...

'Let us being with a number of small items wherein we economize wealth as compared with you. We have no national, state, county or municipal debts, or payments on their account. We have no sort of military or naval expenditures for men or materials, no army, navy, or militia. We have no revenue service, no swarm of tax assessors and collectors. As regards our judiciary, police, sheriffs, and jailers, the force which Massachusetts alone kept on foot in our day far more than suffices for the

nation now. We have no criminal class preying upon the wealth of society as you had. The number of persons, more or less absolutely lost to the working force through physical disability, of the lame, sick, and debilitated, which constituted such a burden on the able-bodied in our day, now that all live under conditions of health and comfort, has shrunk to scarcely perceptible proportions, ...

'Another item wherein we save is the disuse of money and the thousand occupations connected with financial operations of all sorts, whereby an army of men was formerly taken away from useful employment. Also consider that the waste of the very rich in our day on inordinate personal luxury has ceased, though, indeed, this item might easily be over-estimated. Again, consider that there are no idlers now, rich or poor,—no drones.

'A very important cause of former poverty was the vast waste of labor and materials which resulted from domestic washing and cooking, and the performing separately of innumerable other tasks to which we apply the co-operative plan.

'A larger economy than any of these,—yes, of all together,—is effected by the organization of our distributing system, by which the work done once by the merchants, traders, storekeepers, with their various grades of jobbers, wholesalers, retailers, agents, commercial travellers, and middlemen of a thousand sorts, with an excessive waste of energy in needless transportation and interminable handlings, is performed by one tenth the number of hands and an unnecessary turn of not one wheel. ... Our statisticians calculate that one eightieth part of our workers suffices for all the processes of distribution which in your day required one eighth of the population, so much being withdrawn from the force engaged in productive labor.'

'I begin to see,' I said, 'where you get your greater wealth.'

'I beg your pardon,' replied Dr. Leete, 'but you scarcely do as yet. The economies I have mentioned thus far, in the aggregate, ... might possibly be equivalent to the addition to your annual production of wealth of one-half its former total. These items are, however, scarcely worth mentioning in comparison with other prodigious wastes, now saved, which resulted inevitably from leaving the industries of the nation to private enterprise.

.....
'The wastes which resulted from leaving the conduct of industry to irresponsible individuals, wholly without mutual understanding or concert, were mainly four: first, the waste by mistaken undertakings; second, the waste from the competition and mutual hostility of those engaged in industry; third, the waste by periodical gluts and crises, with the consequent interruptions of industry; fourth, the waste from idle capital and labor, at all times. Any one of these four great leaks, were all the other stopped, would suffice to make the difference between wealth and poverty on the part of a nation.'

.....
'Now, Mr. West,' continued Dr. Leete, 'I want you to

bear in mind that these points of which I have been speaking indicate only negatively the advantages of the national organization of industry by showing certain fatal defects and prodigious imbecilities of the system of private enterprise which are not found in it. These alone, you must admit, would pretty well explain why the nation is so much richer than in your day. But the larger half of our advantage over you, the positive side of it, I have yet barely spoken of. ... Supposing these evils, which are essential to the conduct of industry by capital in private hands, could all be miraculously prevented, and the system yet retained; even then the superiority of the results attained by the modern industrial system of national control would remain overwhelming.

'You used to have some pretty large textile manufacturing establishments,' even in our day, although not comparable with ours. ... Would you think it an exaggeration to say that the utmost product of those workers, working thus apart, however amicable their relations might be, was increased not merely by a percentage, but many fold, when their efforts were organized under one control? Well now, Mr. West, the organization of the industry of the nation under a single control, so that all its processes interlock, has multiplied the total product over the utmost that could be done under the former system, even leaving out of account the four great wastes mentioned, in the same proportion that the product of those mill-workers was increased by co-operation. The effectiveness of the working force of a nation, under the myriad-headed leadership of private capital, even if the leaders were not mutual enemies, as compared with that which it attains under a single head, may be likened to the military efficiency of a mob, or a horde of barbarism with a thousand petty chiefs, as compared with that of a disciplined army under one general—such a fighting machine, for example, as the German army in the time of Von Moltke.'

(Ch. XXII)

Socialization of household labor

'Who does your house-work, then?' I asked.

'There is none to do,' said Mrs. Leete, to whom I had addressed this question. 'Our washing is all done at public laundries at excessively cheap rates, and our cooking at public kitchens. The making and repairing of all we wear are done outside in public shops. Electricity, of course, takes the place of all fires and lighting. ...

'The fact,' said Dr. Leete, 'that you had in the poorer classes a boundless supply of serfs on whom you could impose all sorts of painful and disagreeable tasks, made you indifferent to devices to avoid the necessity for them. But now that we all have to do in turn whatever work is done for society, every individual in the nation has the same interest, and a personal one, in devices for lightening the burden. This fact has given a prodigious impulse to labor-saving inventions in all sorts of industry, of which

the combination of the maximum of comfort and minimum of trouble in household arrangements was one of the earliest results.'

(Ch. XI)

'Perhaps Mr. West would like to dine at the Elephant, to-day?' said Edith, as we left the table.

'That is the name we give to the general dining-house of our ward,' explained her father. 'Not only is our cooking done at the public kitchens, as I told you last night, but the service and quality of the meals are much more satisfactory if taken at the dining-house. The two minor meals of the day are usually taken at home, as not worth the trouble of going out; but it is general to go out to dine.'

(Ch. XIII)

We now entered a large building into which a stream of people was pouring. ...

'You seem at home here,' I said, as we seated ourselves at table, ...

'This is, in fact, a part of our house, slightly detached from the rest,' he replied. 'Every family in the ward has a room set apart in this great building for its permanent and exclusive use for a small annual rental. For transient guests and individuals there is accommodation on another floor. If we expect to dine here, we put in our orders the night before, selecting anything in market, according to the daily reports in the papers. The meal is as expensive or as simple as we please, though of course everything is vastly cheaper as well as better than it would be if prepared at home. ... Ah, my dear Mr. West, though other aspects of your civilization were more tragical, I can imagine that none could have been more depressing than the poor dinners you had to eat, that is, all of you who had not great wealth.'

(Ch. XIV)

Individual freedom

'...The newspaper press is organized so as to be a more perfect expression of public opinion that it possibly could be in your day, when private capital controlled and managed it primarily as a money-making business, and secondarily only as a mouthpiece for the people.'

'But,' said I, 'if the government prints the papers at the public expense, how can it fail to control their policy? Who appoints the editors if not the government?'

'The government does not pay the expense of the papers, nor appoint their editors, nor in any way exert the slightest influence on their policy,' replied Dr. Leete.

'The people who take the paper pay the expense of its publication, choose its editor, and remove him when unsatisfactory. You will scarcely say, I think, that such a newspaper press is not a free organ of popular opinion.'

...

(Ch. XV)

'One point occurs to me,' I said, 'on which I should think there might be dissatisfaction. Where there is no opportunity for private enterprise, how is there any assurance that the claims of small minorities of the people to have articles produced, for which there is no wide demand, will be respected? An official decree at any moment may deprive them of the means of gratifying some special taste, merely because the majority does not share it.'

'That would be tyranny indeed,' replied Dr. Leete, 'and you may be very sure that it does not happen with us, to whom liberty is as dear as equality or fraternity. As you come to know our system better, you will see that our officials are in fact, and not merely in name, the agents and servants of the people. The administration has no power to stop the production of any commodity for which there continues to be a demand. Suppose the demand for any article declines to such a point that its production becomes very costly. The price has to be raised in proportion, of course, but as long as the consumer cares to pay it, the production goes on. Again, suppose an article not before produced is demanded. If the administration doubts the reality of the demand, a popular petition guaranteeing a certain basis of consumption compels it to produce the desired article. A government, or a majority, which should undertake to tell the people, or a minority, what they were to eat, drink, or wear, as I believe governments in America did in your day, would be regarded as a curious anachronism indeed. Possibly, you had reasons for tolerating these infringements of personal independence, but we should not think them endurable. I am glad you raised this point, for it has given me a chance to show you how much more direct and efficient is the control over production exercised by the individual citizen now than it was in your day, when what you called private initiative prevailed, though it should have been called capitalist initiative, for the average private citizen had little enough share in it.'

(Ch. XVII)

'It would seem to follow, from what you have said, that wives are in no way dependent on their husbands for maintenance.'

'Of course, they are not,' replied Dr. Leete, 'nor children on their parents either, that is, for means of support, though of course they are for the offices of affection. ... The account of every person, man, woman, and child, you must understand, is always with the nation directly, and never through any intermediary, except, of course, that parents, to a certain extent, act for children as their guardians. ... That any person should be dependent for the means of support upon another, would be shocking to the moral sense, as well as indefensible on any rational social theory. What would become of personal liberty and dignity under such an arrangement? I am aware that you called yourselves free in the nineteenth century. The meaning of the word could not then, however, have been at all what

it is at present, or you certainly would not have applied it to a society of which nearly every member was in a position of galling personal dependence upon others as to the very means of life, the poor upon the rich, or employed upon employer, women upon men, children upon parents.'
(ChXXV)

Social splendor

'...We might, indeed, have much larger incomes, individually, if we chose so to use the surplus of our product, but we prefer to expend it upon public works and pleasures in which all share, upon public halls and buildings, art galleries, bridges, statuary, means of transit, and the conveniences of our cities, great musical and theatrical exhibitions, and in providing on a vast scale for the recreations of the people.'

(Ch. XXII)

Government dissolves

'Leaving comparisons aside,' I said, 'the demagoguery and corruption of our public men would have been considered, in my day, insuperable objections to any assumption by government of the charge of the national industries. We should have thought that no arrangement could be worse than to entrust the politicians with control of the wealth-producing machinery of the country. ...'

'No doubt you were right,' rejoined De. Leete, 'but all that is changed now. We have no parties or politicians, ...'
(Ch. VI).

'We have no such things as law schools,' replied the doctor, smiling. 'the law as a special science is obsolete. It was a system of casuistry which the elaborate artificiality of the old order of society absolutely required to interpret it, but only a few of the plainest and simplest legal maxims have any application to the existing state of the world. Everything touching the relations of men to one another is now simpler, beyond any comparison, than in your day. ... What, indeed, could possibly give a more powerful impression of the intricacy and artificiality of that system than the fact that it was necessary to set apart from other pursuits the cream of the intellect of every generation, in order to provide a body of pundits able to make it even vaguely intelligible to those whose fates it determined. The treatises of your great lawyers, the works of Blackstone and Chitty, of Story and Parsons, stand in our museums, side by side with the tomes of Duns Scotus and his fellow scholastics, as curious monuments of intellectual subtlety devoted to subjects equally remote from the interests of modern men. Our judges are simply widely informed, judicious, and discreet men of ripe years.'

.....
'It occurred to me, as Dr. Leete was speaking, that in all his talk I had heard much of the nation and nothing of

the state governments. Had the organization of the nation as an industrial unit done away with the states? I asked.

'Necessarily,' he replied. 'The state governments would have interfered with the control and discipline of the industrial army, which, of course, required to be central and uniform. Even if the state governments had not become inconvenient for other reasons, they were rendered superfluous by the prodigious simplification in the task of government since your day. Almost the sole function of the administration now is that of directing the industries of the country. Most of the purposes for which governments formerly existed no longer remain to be subserved. We have no army or navy, and not military organization. We have no departments of state or treasury, no excise or revenue services, no taxes or tax collectors. The only function proper of government, as known to you, is the judiciary and police system. I have already explained to you how simple is our judicial system as compared with your huge and complex machine. ...'

'But with no state legislatures, and Congress meeting only once in five years, how do you get your legislation done?'

'We have no legislation,' replied Dr. Leete,—that is, next to none. It is rarely that Congress, even when it meets, considers any new laws of consequence, and then it only has power to commend them to the following Congress, lest anything be done hastily. If you will consider a moment, Mr. West, you will see that we have nothing to make laws about. ...'

'Fully ninety-nine hundredths of the laws of that time concerned the definition and protection of private property and the relations of buyers and sellers. There is neither private property, beyond personal belongings, now, nor buying and selling, and therefore the occasion of nearly all the legislation formerly necessary has passed away.'

(Ch. XIX)

The national party, and above-class utopianism

'The national party!' I exclaimed. 'That must have arisen after my day. I suppose it was one of the labor parties.'

'Oh no!' replied the doctor. 'The labor parties, as such, never could have accomplished anything on a large or permanent scale. For purposes of national scope, their basis as merely class organizations was too narrow. It was not till a rearrangement of the industrial and social system on a higher ethical basis, and for the more efficient production of wealth, was recognized as the interest, not of one class, but equally of all classes, of rich and poor, cultured and ignorant, old and young, weak and strong, men and women, that there was any prospect that it would be achieved. Then the national party arose to carry it out by political methods. It probably took that name because its aim was to nationalize the functions of production and distribution. Indeed, it could not well have had any other name, for its purpose was to realize the idea of the nation with a

grandeur and completeness never before conceived, not as an association of men for certain merely political functions affecting their happiness only remotely and superficially, but as a family, a vital union, a common life, a mighty heaven-touching tree whose leaves are its people, fed from its veins, and feeding it in turn. The most patriotic of all

possible parties, it sought to justify patriotism and raise it from an instinct to a rational devotion, by making the native land truly a fatherland, a father who kept the people alive and was not merely an idol for which they were expected to die.

(Ch. XXIV) □

Unemployment and the lack of job creation — causes and effects

Continued from the front page

can be defined as the kind of unemployment associated with the "bust" phase of the boom/bust capitalist cycle. It is simply a reflection of business reducing its demand for inputs, including labor, as demand for its output falls. It is the typical type of unemployment people focus on during a recession. Indeed, structural unemployment may mask itself as cyclical if it occurs, as it often does, during a recessionary period. Nonetheless, it is quite different, with causes that have more normally to do with shifts in the economy than its relative health. The classic textbook explanation for structural unemployment is "changing demand and changing technology reduce the demand for certain skills." For instance, the loss of jobs in the airline industry over the last year, or in Wall St. brokerages over the past several years.

Obviously, at the present time there is a cyclical factor at work. With the economy limping out of recession, there is a fairly direct relationship between cyclical unemployment and lack of consumption, which in turn holds down aggregate demand. If this were all that was occurring, the problem would take care of itself. Although the "natural" rate of unemployment has risen over the last two decades, nonetheless, the economy would eventually return to what is referred to as "full employment". As inventories fell below demand, companies would start increasing production to make up for that, naturally leading to more hiring. Eventually, growth of the GDP [Gross Domestic Product] would return to a rate of 2.5-3% annually, which normally is the magic figure for creating new jobs.

However, the effects of structural unemployment are pulling the economy in the opposite direction. The next

section of this paper explores the nature of this structural component.

Structural unemployment: manufacturing, services, and the military

In the sphere of manufacturing, a distinct example of structural unemployment can be seen. In the 50's 33% of workers were engaged in manufacturing, by 1980, it was down to 23%. And during the decade of the eighties, the proportion fell even further, to 18%, as this sector lost another 300,000 jobs. During the recession, blue collar jobs were eliminated at five times the rate of white collar jobs, and unemployment rates were double that of white collar workers.^{1,2} And it is expected another million more jobs could be lost over the course of the next decade.

The reasons for this are not hard to see. One relates to poor consumer demand in businesses like the auto industry, when consumers began to buy more imports. This shift also took place in electronics, and other industries. But the major reason is simply the high wage rates of American workers in manufacturing and assembly, versus those of other countries. In the last ten years, countries like Mexico, Korea, and Malaysia, to name a few, have become havens for U.S. corporations seeking to lower labor costs.

In the early eighties, painful as this was to the American workers, it was not a complete disaster. Part of the shock of this transition was eased by the largest peacetime military build-up in U.S. history. Paid for by budget deficits, the Reagan Administration embarked on a spending spree on military contracts to oppose the "Evil Empire". Ironic, in that a president supposedly a devotee of "free markets", actually engaged in the biggest Keynesian pump-priming

schemes ever carried out for the military.

But what really drove the job creation engine for the U.S. economy in the eighties was the service sector. This sector added a total of 21 million jobs during the 80's. Almost four out of every five new jobs were in this sector, which includes everything from banking to fast-food restaurants.³ It was this sector which cushioned, to some extent, the ravages of Reaganomics on other sectors of the employed. Certainly, it was only a partial cushion, since wage rates in much of this sector were extremely low compared to manufacturing. Many of the industrial workers who formerly earned \$13 to \$16 dollars an hour, counting benefits, were suddenly earning half as much, \$6 to \$8 an hour. But they were working.

Now this sector is badly faltering. Partly this is due to particular sectors in trouble, such as banking, Wall St. brokerages, real estate and insurance. But employers, having expanded too fast and too inefficiently, are trying desperately to increase their productivity, which has fallen from 2.8% in the 60's to .8% in the eighties.⁴ And to do so means wage cuts, hiring freezes and layoffs, and increased use of job cutting technology and job combination. For example, AT&T's long distance network increased the number of business calls it could handle per day from 110 million in 1989 to 135 million in 1991. But it was done at the expense of their operators, who they cut by one-third, from 16,800 to 11,600.

In general, the current recession is roughly four times as severe as the '81-82 recession in terms of private service sector jobs lost.⁵ In fact, even white collar workers are being laid off at twice the usual rate as previous recessions. And the service sector is expected to add jobs in the nineties at less than half the rate of the '80's. Overall, as the *New York Times* puts it, "hardest hit by restructuring are the young, the low paid, the least educated: clerks, office workers, cleaning, security, and food workers."⁶ Statistically, the unemployment rate among managers and other professionals is 3%, other service workers average 5-10%.

On top of these two sectors, there is the effect on the economy of cuts in the military, due to the end of the Cold War. If Clinton's call for a 30% cut in military spending is taken at face value, 880,000 jobs alone will be lost in the twelve states highest in defense jobs by 1997.⁷ Of course, most of these jobs will be in manufacturing, which will be on top of cuts previously mentioned for this sector. Orders for factories have already been falling at around 12% a year since 1990. And employers have been responding. Hughes Aircraft, 10,000; General Dynamics, 17,000; Raytheon, 7,000 and McDonnell-Douglas, 10,000.⁸

In summation, we can see the effects of structural unemployment showing up in the manufacturing sector, starting in the 50's, and accelerating in the eighties, with the growth of the so-called "Rust Belt". In addition, cutbacks in military spending are adding to this problem as cuts in the defense budget take their toll on military manufacturers. And now the job engine of the eighties, the

service sector, is also losing steam. Structural unemployment is being felt in this section, due to particular components like banking and real estate running into trouble, and a general productivity drive.

This structural unemployment has exacerbated the cyclical unemployment associated with the typical boom/bust cycle of capitalism. Depending on the particular sector, different solutions may be found to this, depending on Clinton's policy, the whim of individual capitalists, and the inexorable though random march of new technology.

At the same time, something new is showing up.

The second phase of structural unemployment

The second phase is different in cause from the first in that it is not limited to a particular industry, and does not represent a shift in employment from one sector to another. Instead, you have an orgy of restructuring going on across the board in all businesses. But one hallmark appears to be that it's being led by some of the largest corporations. A recent survey by the American Management Association of 800 large corporations found one in four planning significant work force reductions by the middle of 1993. This is the largest percentage since the research group began its survey six years ago.⁹ Various labels have been applied; sometimes it's called rationalization, or downsizing, or improving productivity. But as the chairman of the research group put it, "The cuts began as a competitive drive, but they seem to have become a way of life for many companies."¹⁰ The new capitalist logic appears to be that layoffs automatically increase productivity, and therefore profits. But do they?

Perhaps, in some instances, it is indeed just deadwood accumulated from the type of bureaucracy endemic to corporate America. In the service sector, though it is still the minority of layoffs, a section of white collar middle management has been hit sharply by the latest crunch. For instance, Burke Stimson, a spokesman for AT&T said, "The white collar contingent aren't in demand. People who pass memos back in forth aren't in demand."¹¹ But obviously, there are many more layoffs than just this thin layer.

In manufacturing, the rise in production since the bottom of the recession has been so gradual even in well-off firms, that companies simply phase in productivity improvements instead of hiring new workers. In some areas, like auto, newspapers report production techniques have been or are being revolutionized, resulting in a much higher output of cars per worker. This drive towards productivity is added on to the previously long-term trend of losses from the general attrition from the U.S.'s shift from a manufacturing economy.¹²

Yet often, companies simply lay off workers in a simple-minded approach to declining profits, or to make an effort to show disgruntled stockholders that they are taking action. "The traditional meat-cleaver approach of just cutting people is a strategy for decline...most companies are just shrinking, not changing how they do work," one

consultant said.¹³ And sometimes the companies even cut further than they can afford, given their level of output. One survey noted that out of 1,000 companies that cut back in the last five years, two-thirds simply cut payrolls without trying to eliminate the amount of work or change the way they accomplished it. The result was that more than 80% had to hire back at least 10% of the workers laid off.¹⁴ What is missed in this orgy of layoffs is actual improvements that large corporations could be doing. Measures like improved tracking of shifts in customer demand, new technologies, and new distribution methods are ignored.

At this point, it might be good to stop and examine the issue of productivity, since in its name so many layoffs are happening. Is it in fact a problem? Yes and no. As it turns out, America does rather well on that score in comparison to other countries. In 1990, a full-time American worker produced \$49,600 of goods and services a year. In Germany the figure is \$44,200 and in Japan its only \$38,200. General retailing is more than twice as efficient here than in Japan, telecommunications more than twice as productive as Germany.¹⁵

At the same time, productivity has been falling. From 1948 to 1973, productivity expanded at a brisk 2.9% annual rate. But it started to slip in the mid-seventies, falling to 1% annually. The higher rate approximately doubled wages in the 25 year span. from '48 to '73. Wages have since largely stagnated or shrank, while most of the continuous gain in living standards that did take place has been attributed to women putting in more hours and a declining savings rate.¹⁶ In the last year, and particularly in the last few months, productivity has risen sharply, but it is too soon to know whether this is any sort of permanent trend.

The capitalists are simply baffled by this. Economists offer various explanations, depending on their attachment to Keynesian or neo-classical schools: increased government regulation, lack of public spending, deteriorating infrastructure, dumbing down by American workers, lack of investment; even the previously mentioned entry of women into the workforce. Perhaps it's one of those feminist conspiracies! Or maybe it's sunspots.

In the meantime, Wall St. continues to applaud every axing of "excess" workers as a step towards the mysterious Holy Grail of productivity. Industry after industry is either getting more production out of the same amount of workers, or getting the same amount out of less workers. Of course, on the surface, for the owners of particular firms, that looks good. Stockholders come home from their annual meetings of the board convinced that their particular company has become more productive, and therefore able to compete better, and make better profits. Sometimes it's even true. And overall productivity grew at a robust rate of 2.7% for the last quarter. A big jump in productivity is typical of an economy coming out of a recession, and this is one reason that there have been a spate of reports recently that the recovery is "finally here." Unfortunately, there's a big black cloud sitting on top of this silver lining.

The effects of massive layoffs and lack of hiring

The restructuring going on in so many different sectors at once has led to an orgy of layoffs in one sector of the economy after another. If the recovery were typical, 1.6 million jobs would have been added since the trough of the recession; instead only 200,000 have been.¹⁷ And for the economy to grow, approximately 200,000 jobs have to be added *a month*, much higher than the present rate. One way to look at this process is as a good example of the "fallacy of composition." If one employer lays off, his profits rise as he gets more output from his workers than his competitors. But if *everyone* is laying off their workers, overall demand simply decreases. A vicious circle develops, where with so many companies laying off workers at once, demand falls, as the workers' overall level of disposable income drops. This in turn causes revenues at companies across the board to fall. As that results in a fall in profits, companies respond with a new round of layoffs. A downward spiral results. Ironically, Lee Iacocca, the CEO responsible for introducing the word "concessions" to the vocabulary of the working class, may have put it best. "I worry, because as we all re-structure, if we lay off enough people, there'll be nobody to buy the cars or the houses."¹⁸ Yeah, Lee, like your cars, maybe, eh?

Of course, to a certain extent, this happens in any recession. But with hardly any new job creation going on, the cycle is much more vicious than normal. In addition, the layoffs take place among the more affluent sections of the working class. The jobs lost are high-paying manufacturing jobs, or in some cases, higher-paying service sector positions, in middle management. And the jobs being created are in low-wage sectors. Combined with lay-offs, the overall effect is to prolong the recession.

The capitalists are aware of this, and they realize what effect their actions have had in causing this. What they don't or won't realize is how to stop. Some of them are hoping Clinton will be able to pull a rabbit out of his hat, perhaps some short-term stimulus that won't play too much havoc with the budget deficit. Others still hang on to the hope that the recovery will simply arrive like Santa Claus, and every momentary uptick in the economy is proof of this for them. Still others are hoping the recent improvement in productivity will encourage corporations to eventually expand. It is this hope that lies behind every proposal from increasing public investment in infrastructure to investment tax credits to reforming the educational system.

In the meantime, they are currently trying to figure out how the working class just spent enough money to raise the GDP in the last quarter and over the Christmas season. There seem to be three sources. One is the fact that workers are once again going into increased debt, after paying off some of the overextended credit lines the last few years. One is that workers are dipping into their savings. And the last is that workers who are working are taking home more pay, by putting in longer hours and gaining wage increases.¹⁹ Regardless of which source is

the stronger, the fact remains that without substantial job creation, at least two of these sources will be cut short, and the third will not matter much in the long term.

How much would the economy have to grow to pull out of a recession for an appreciable period of time? How much does increased productivity help? Here's the figures: The economy has to have a sustained growth rate of at least 3.7% to actually maintain hiring at levels high enough to ensure the country would not slip back into recession. Why? Here's how it adds up. The economy needs to grow 1% a year to absorb the new arrivals into the labor market, about 1.2 million people. Then it has to grow another 2.7% to match the 2.7% increase in productivity over the last year. In addition, there are another sixteen million workers who are in effect stockpiled from past layoffs and eliminations. This figure includes those working part-time who want full-time; those that grew too discouraged to look for work; and of course the nine million unemployed. So we have to come up with something over 3.7% growth for a while, and hope like hell any productivity improvements involve come from higher capital investment, not more layoffs. Otherwise, although it is supposed to help the economy to grow, it will only cut consumption, further weakening any recovery.²⁰ □

Notes:

1. L. Uchetelle, *New York Times*, 12/29/92
2. Charles McMillion, *New York Times*, 2/23/92
3. *Seattle Times* (source *Los Angeles Times*), 2/4/92, with the exception of the four million figure, which is my own extrapolation.

4. Same as 2.
5. "Accepting the Harsh Truth of a Blue-collar Recession", *New York Times*, 12/25/91
6. *1991 U.S. Statistical Abstract*
7. "Employment in Service Industry, Engine Boom for the 80's, Falters" *New York Times*, 1/2/92
8. *Ibid.*
9. "Services: A Boom Area Goes Bust", *New York Times*, 10/6/91
10. Same as 8.
11. "A Business Plan for a Peace Economy", *New York Times*, 8/12/92
12. "Cutback in Military Spending: No Help for Ailing Economy", *New York Times*, 8/12/92 Times, 9/27/92
13. "Big Companies Cloud Recover by Cutting Jobs", *New York Times*, 12/17/92
14. *Ibid.*
15. "Source of Jobs in 80's Fizzles in 90's", *New York Times*, 8/24/91
16. "America Isn't Creating Enough Jobs, and No One Seems to Know Why", *New York Times*, 9/6/92
17. Same as 13.
18. Same as 13.
19. "Study Calls U.S. Worker Output No.1 in World", *New York Times*, 10/13/92
20. "What Counts is Productivity and Productivity", *New York Times*, 12/13/92
21. Same as 16.
22. *Nightline*, 11/92.
23. "Rise in Consumer Spending Is Debated by Economists", *New York Times*, 12/28/92
24. "New Jobs Depend on Fast Economic Growth, Experts Say", *New York Times*, 12/29/92 □

