The Anti-Samuelson

BY MARC LINDER

VOLUME ONE

Macroeconomics:

BASIC PROBLEMS OF THE CAPITALIST ECONOMY

URIZEN BOOKS / NEW YORK



Original from UNIVERSITY OF MICHIGAN

A four-volume edition of this book was first published in a German translation in 1974 by Politladen, Erlangen, under the title Der Anti-Samuelson. The joint decision of the publisher and author to condense the work was dictated by the desire to reduce costs and thus bring its price within reach of both students and teachers. Inevitably, in so radical a scaling-down, a great deal of textual elaboration, annotation, and bibliographical data had to be sacrificed. Those who wish to pursue the author's ideas and argumentation in greater depth are referred to the unabridged Germanlanguage edition.

Library of Congress Cataloging in Publication Data

```
Linder, Marc.
Anti-Samuelson.

Bibliography.
Includes index.
1. Samuelson, Paul Anthony, 1915- Economics.
I. Sensat, Julius, 1947- joint author. II. Title.
HB119.S25L5 330 76-20796
ISBN 0-916354-14-8 (v. 1)
ISBN 0-916354-15-6 (v. 1) pbk.
```

Copyright © 1977 by Marc Linder

All rights reserved

Manufactured in the United States of America



3 Income Distribution and Poverty S's Chapters 5, 39, 40

I / INTRODUCTION

The various changes made in the title of this chapter in the various editions reflect the relationship of bourgeois economics to poverty in the post-World War II era. The first edition (1948) contained two chapters which more or less covered the same material presented here. They were entitled "Individual and Family Income," and "Individual and Family Income: Earnings in Different Occupations." In subsequent editions some of the material was dropped and other portions shifted around until one chapter remained: "Individual and Family Income." And there matters rested until the 7th edition (1967), when three words, "Affluence and Poverty," followed by a colon, were inserted in front of the old title. Substantive change was minimal: it consisted in the addition of two relatively vapid and brief sections with the headings "Affluence for Whom?" and "Definition of Poverty." The 8th edition retained "poverty" and "affluence," but not in the title; rather, they were banished to Chapters 39 and 40, where they are treated separately. That is the reason for our decision to lump Chapters 39 and 40 together with Chapter 5.

S, as we know, is not only an ideologist but also an entrepreneur. This felicitous combination finds clear expression in these two "new" chapters that grace the 8th and 9th editions dealing with poverty, racism, and sexism, a transparent gesture with obvious commercial overtones.

The various superficial changes bespeak of an inability and/or disinclination to give serious consideration to the subject of poverty in capitalist society. S's basic position has not changed significantly over the past quarter-century, and the fact that he continues to repeat certain assertions even though they have been refuted empirically—in part unwittingly by S himself—points to the very sort of dogmatism he claims to be fighting: "Obviously, the present approach cannot avoid controversial problems and would not if it could. What it can try to do is avoid indoctrination and propagandizing" (1st ed., p. vi).

II / S's CRITIQUE OF MARX

The "dogma" which S so vigorously castigates is, of course, the alleged Marxist variety, and thus naturally Marx comes in for mention right at the start. (In the first edition the urgency was not quite so great, and so he could wait a few pages before dragging Marx in.) S loses no time in distorting Marx's position, but before we look at this let us examine the real differences he has with Marx.

Repeated throughout nine editions is the introductory presentation of income as the single most relevant "fact" to know about a "man" (79). By income, S means "a steady stream of money," i.e., a quantity flowing to others. On that basis S then proceeds to adduce various figures concerning income levels, distribution, etc. It is doubtless true that in capitalist society the size of one's income tends to color one's personality. However, if political attitudes, education, health, and related factors can be "correlated" with income, this does not really exhaust the possibilities for causal explanation. Income can hardly be the only dimension. It is barely possible that income in turn is related to other basic phenomena of capitalism.

Both the classical economists and Marx found such a causal origin in the qualitative distribution of income among workers, capitalists, and landowners. But before we pursue this point any further, we would like to note that

I ANTI-SAMUELSON, VOLUME I

although S ignores this particular aspect, still his "macroeconomic" approach bars him from going beyond the sort of superficial journalistic treatment characteristic of the first nine chapters. On this level it is only possible to compare various quantities without understanding the underlying social qualities. As to Marx, S says that his "assertion that the rich will become richer and the poor will become poorer cannot be sustained by careful historical and statistical research" (80). Instead "there has been a steady secular improvement in minimum standards of living. . ." (80). But contrary to S's assertion, Marx did not develop an "iron law of wages." What Marx did was to show how a "moral and historical element" enters into wages, so that the value of the worker's labor power varies over time and place. In addition, Marx explained how wages can in fact rise during a period of intensive accumulation, although "its increase at best means but a quantitative decrease of the unpaid labor, which the worker must perform. This decrease can never proceed to the point at which it would endanger the system itself." As far back as 1849, in Wage Labor and Capital, and also in Value, Price and Profit (1865), Marx stressed what he called the relative wage—that is the wage as compared to the surplus value appropriated by the capitalist.

Although S is certain that Marx's predictions about the future of capitalism have been refuted, he himself is not able to offer an accurate picture of the reality of present-day capitalism. Thus he conveys the erroneous impression that the putting-out system (homework) and child labor belong to a remote past (80). But according to a report in the Wall Street Journal of March 30, 1971, child labor, though a violation of law, is on the increase, and as to the putting-out system, it too lingers on. According to Der Spiegel of March 22, 1971, approximately 300,000 people in West Germany, mostly women, children, and the physically handicapped, slave at home for a fraction of the wages paid in industrial plants.

S's misunderstanding of Marx's concept of classes and their relations in capitalism finds expression in another interesting section (one no longer included in the current edi-



tion) entitled "The So-called 'Class Struggle." As is to be expected, S can give us Marx only in an "oversimplified version," because it is "an oversimplified doctrine" to begin with (1st ed., p. 71). Thus according to the "economic or materialistic determination of history theory . . . the job makes the man, and a man's economic interests determine his political opinions. The well-paid college professor of economics writes textbooks that are apologies for capitalism; the newspaper editor, supported indirectly by advertisers' contributions, inevitably takes on a conservative slant" (1st ed., p. 70).

The irony here lies in the fact that S previously held that income levels determine political opinions. Apparently he did not think that ridiculous. Now he merely changes the content and ascribes the principle, though the wrong content, to Marx and omits all the links between objective economic condition and subjective consciousness.

We do not know who formulated the theory that the job makes the man, but in any event, in the form in which S presents it, this "theory" contradicts Marx. After S's slanted digression on jobs, we are told that Marx like Smith and Ricardo "came to attach importance to the nature of a man's income" (1st ed., p. 70). Thus Marx "was not simply" interested in wealth or poverty but also in its class origin (1st ed., pp. 70 f.). But S is disturbed by this class approach (here it is no longer clear whether he attributes this to Marx or Smith or Ricardo). Marx speaks of the bourgeoisie "(a 2-bit word for the businessman-capitalist)" as "'the ruling class' " succeeding the feudal landowners. S recounts all this with the apparent condescension of a "modern." He fails to inform the reader that Marx did not originate the concept of class—either for capitalism or any previous society; he fails to explain that Marx did not invent the term "bourgeoisie" (it had also been used by John Stuart Mill). All S can say is that "the old-fashioned economist liked to work with the classifications land, labor, and capital. Consequently, he divided property incomes into land and capital, or into rent and interest" (1st ed., p. 73). This constitutes a perfect example of "the modern ap-

/ ANTI-SAMUELSON, VOLUME I

proach . . . that insists on the irreducibly subjective element of our perception of facts depending upon the theoretive system *through* which we look at those facts" (7th ed., p. vi).

Now if S wishes to be one of those "moderns" who commit themselves to this methodology that is his business, but this in no way gives him the privilege to ascribe this approach to the "old-fashioned economists." They certainly did not proceed as they did because they "liked to"; their concepts were not arbitrary "classifications" devised by them. They were the scientific observers of objective changes taking place in Europe. The bourgeois class itself proudly and self-importantly spoke of its rise and its differences with the class above (landowners, aristocracy, feudal nobility) and the class below (proletariat and peasantry); and neither did the outgoing ruling class mince its words.

But ironically S himself again provides the refutation of his argument. Thus immediately after his remark about the old fashioned economists he continues: "But it does not seem crucially important to us today that the Astor fortune is invested in New York real estate while the Marshall Field fortune comes from capital holdings" (1st ed., p. 73). It does not seem crucial because it no longer is; with the development of capitalism, the remnants of feudal society are progressively eliminated by being transformed. Initially the land monopoly of the noncapitalist classes, a social phenomenon inherited by capitalism, was a carry-over from another society, another mode of production which capital had to adopt and adapt to. (The monopoly itself was needed to prevent the peasants from staying on the land and out of the factories.) With time, however, capital itself invaded landownership, and income from land became "fruits" of "investment" like any other (although it is determined by different laws than those governing profit formation).

Again S furnishes support for the opposing view when he admits that the incomes of a clerk at Woolworth's and of the owner "differ in character": "The clerk is paid for her personal effort or labor: for standing on her feet all day, for

desisting from robbing the cash register, and for waiting on infallible customers. Miss Hutton receives her income from *property*" (1st ed., p. 72).

This would seem to be more in line with the class analysis attributed to Marx and Co. (aside from the fact that S has determined wages according to labor and effort as opposed to the value of labor power, that is to the value of the commodities necessary to sustain the worker and produce the next generation); and such an analysis would also seem to make sense in connection with the shaping of "political opinions." If he alleges that this is the sense in which Marx meant that the job makes the man, then the clerk might well form views that differ from those of the occupant of the "job" property-income-recipient.

But this promising approach is dropped. Subsequently we are only given information about income differences within the working class or the decline of the pensioner.

III / THE DISTRIBUTION OF "WEALTH"

The discussion on the distribution of "wealth" appears as an interesting aside, to be included after one has disposed of income distribution. Unfortunately, however, this approach stands causality on its head, and in his own backhanded fashion S admits this in a most significant parenthetical statement: "(Of course, the character of the resulting distribution of income is highly dependent upon the initial distribution of property ownership. . .)" (45). S assumes the initial distribution of property as given, yet this is precisely what needs to be explained here. Instead of trying to find out why wage income leads to relatively little wealth, S makes the totally irrelevant suggestion that "if labor could be ignored, the distribution of incomes would tend to be that determined by the distribution of wealth. . ." (88). At this point S drops the whole matter and diverts the reader by saying that income from capital is more unequally distributed than income from labor. This is of no interest here. The question is why wealth should be

/ ANTI-SAMUELSON, VOLUME I

associated with one form of income and not with the other, why capitalist income is greater and increasing considering the diminishing proportion of the population making up this class. But instead of comparing the two classes S divides them in order to investigate the secondary problem of distribution within labor and capital.

Although bourgeois economists on occasion like to indulge in "chicken or the egg" debate, when it comes to reality of income redistribution they are very quick to leave the realm of fantasy. It is generally recognized that income redistribution is simply an indirect method of confronting inequality: the expropriation of capital at its productive source would be a much more direct assault. If we accept that laissez faire capitalism will continue to produce income inequalities on an ever increasing scale, then it is clear that any attempt to compensate for this which does not intervene in the production of capital itself is bound to be a Sysiphean labor: income would have to be redistributed on an ever wider scale simply to maintain a fairly constant relative level between rich and poor.

This is "inefficient." Why then don't bourgeois economists suggest direct intervention into the sphere of production and ownership? Oddly enough for reasons of "efficiency"! S claims that regardless of the social ownership of the means of production, laws regulating production remain unchanged. Implicit in this theory is a disclaimer of any scientific determination of the relative merits of socialism and capitalism, because basically they are the same and questions of who should own the means of production belong in the sphere of ethics, not economics. Yet he nevertheless rules out any discussion of state or popular ownership of the means of production as a serious alternative to the so-called welfare state. Thus in a section entitled "Ethical Aspects of Income Distribution" he says:

The questions are discussed repeatedly in Congress. Whether incomes should be completely determined by a competitive struggle . . . is an ethical question that goes beyond the mere mechanics of economics. In the modern mixed economy, the electorate insists on providing minimum standards when the





INCOME DISTRIBUTION AND POVERTY /

market fails to do so. Economics teaches how interventions can be accomplished at least costs in terms of efficiency [47].

In the seventh edition the last two sentences instead centered on the price system and how it works "to cause resources to flow toward goods which people with money and ability to earn wages will pay for" (45). The "and" ought to read "or."

Efficiency here means that given the Sisyphean method I have chosen with the help of a value judgment not known to you, my theory will tell you the most efficient way of pretending that effect is cause. It is interesting to learn that a competitive struggle takes place in the economic sphere, but outside of it there are only discussions and questions. Since S fails to present any data on the distribution of wealth we feel it incumbent upon us to refer the reader to helpful statistical sources.³

In view of the extremely vague and indistinct conceptual approach that characterizes this section, an explanation of the phenomenon under study becomes very difficult. Nowhere is wealth defined. Wealth can be divided into two categories: consumptive and income-yielding. In the first we would find houses, TV sets, yachts, etc. In the second, capital (both tangible, like factories, or paper, like shares or bonds,) as well as land and other rentable properties like houses). The first is a dead end as far as further amassing of wealth is concerned: watching television or sailing a boat will not make anyone richer. Thus in discussing the origin and development of such wealth, causality runs in one direction: to find out which population groups had large enough incomes to permit them to "indulge" in so-called consumer and more highfalutin forms of conspicuous consumption, one apparently must look at the size of income. But at the same time—at least according to Samuelsonian ledger causality—one would have to consider assets and liabilities or savings and debts to determine the influence of income on both kinds of wealth. According to a Federal Reserve Board study for 1950 on the percentage of total savings for certain income groups and the percentage of



/ ANTI-SAMUELSON, VOLUME I

spending units accounted for by each income bracket, the lowest 73.3 percent of the spending units accounted for minus 0.4 per cent of savings, or, in other words, about three-quarters of the population had no savings whatsoever, for their debts balanced assets.⁴

Statistical groupings say nothing about social classes, but in all likelihood the working class is well represented in the bottom three quarters and the capitalist class at the top. S, who of course knows all this, finds it difficult to admit it because it does not accord with the Keynesian psychological "laws" which allegedly determine saving "propensities." The most S manages to concede is this parenthetical remark: "(Workers, however, have generally seemed to save less than the self-employed)" (211). Yet even this is not an explicit reference to classes, since the self-employed encompass doctors, lawyers, small businessmen, farmers, etc.

We know that the higher one's income the more likely one is to accumulate wealth of any kind, and that basically it is the capitalists who have high incomes. Thus from the vantage point of income it should be obvious that capitalist incomes rather than workers' wages favor the accumulation of wealth. But what are the links between wealth and income? We already know that consumption-wealth and income are not linked. On the other hand, only capitalists (or landowners) possess income-yielding property (we will not consider stocks, etc., owned by noncapitalists which in the aggregate are negligible). Evidently, here possession will lead to still greater possession—and this within one social class. It thus is obvious that the possession of productive wealth—capital—leads to the creation of greater wealth both in the form of income directed toward consumption and of additional capital which will lead to another round ... etc. If we look at this process from the point of view of capitalism as an aggregate functioning system rather than from the point of view of an individual with savings, primary causality must be attributed to productive wealth in the production process itself, for it is here that all income is created prior to any subsequent distribution. Money income



in itself will not lead to wealth in the absence of a system of capitalist production in which this money can function as capital. In this respect a would-be individual capitalist is merely re-enacting the historical origins of capitalism, whereby an individual with money becomes a capitalist by hiring workers and providing them with machines and raw materials.

IV / EMPIRICAL MATERIAL CONCERNING INCOME DISTRIBUTION IN THE U.S.

The balance of this chapter is devoted largely to an attempt to prove Marx wrong and to show that equality is on the rise. Yet notwithstanding all this, S gives a rather realistic notion of the relative level of poverty in the U.S. Thus he points out that 90 percent of the population cannot afford a Mercedes (in previous editions it was a Buick) "and all the other good things that go to make up comfortable living" (82). This realistic appraisal is in answer to those who would promise Americans pie in the sky under capitalism, and to this extent S is critical. Of course, the potential impact of this is lost since it is embedded in a theory that denies the possibility that capitalism can be superseded. What he is saying in effect is that in the world's richest nation 90 percent of the population is condemned to second-rate economic citizenship in perpetuity.

In any event, S's emphasis serves apologetic ends insofar as he tries to convince the reader that poverty, if not the fault of the individual, is a permanent feature of any society, since there will always be a lowest 20 percent. This view corresponds to that enlightened modern position according to which "fault" is to be found in the mechanics of human society rather than in individual psyches. Thus in the first edition, before human capital qua education had become a fashionable concept and before it met empirical refutation, S focused on the eternal nature of the human division of labor:

_ Digitized by Google

/ ANTI-SAMUELSON, VOLUME I

This does not mean that everyone should aspire to or achieve a high-paid job at the top or that everyone ought to go on to take the highest college degree possible. Somebody must perform the humble tasks of hewing wood and drawing water [op. cit., p. 87].

Granted, so long as the performance of certain tasks demanded by some people of wealth are not automated they will be performed by human beings. But that one person should spend his life operating an elevator or cleaning somebody's toilet while another does nothing except "supervise" the micro or macro projects he owns can only be asserted by someone who believes in the static theory of comparative costs according to which bankers should bank and not clean their own toilets even if they can do a better job than the "natural" toilet cleaners.

Let us now look at S's empirical findings on income distribution. The method he follows is the logical outgrowth of his undifferentiated quantitative approach. Earlier we mentioned the failure of statistics to spell out the class distribution of income. Still these statistics are not without interest, for from them we can deduce which class is safely ensconced on top and which hovers at the bottom. S is primarily interested in the very poor at the lowest end of the distribution who through nine editions "have drawn a blank in life" (85). How have these unfortunates fared over the years?

One way of looking at S's empirical material on income distribution would involve the comparison of the data he himself has presented throughout the various editions to see whether they bear out his contention that "inequality is definitely less in America than it was back in 1929, but little different today from 1945" (86).

In the 1948 edition S gave the following figures for the years 1935-36:

Percent of people	0	10	25	50	<i>7</i> 5	100
Percent of income	0	1.7	6.8	20.5	43.1	100
(op. cit., p. 66)						



Unfortunately he does not reveal his source and so we cannot check on it. Since the population percentages here do not conform to the deciles or quintiles now published, we were able to find comparable figures only for the 10 and 50 percent categories. For 1966, we find that the corresponding income percentages are 1.2 and 21.4 respectively. This would indicate that the poorest 10 percent of the population received an even smaller share of the national income thirty years after the Keynesian revolution, while the bottom half received a slightly higher share. 6 Taking another comparison, we can see the development of the percentage of the population "earning" a certain sum of money. Thus in the 7th edition (p. 109) the data for 1964 indicate that 11 percent of all families had an annual income of less than \$2,000, and these families accounted for 2 percent of all income. By the 8th edition (p. 109), with figures for 1967, 13 percent of all families had incomes of less than \$2,000, and they still accounted for a mere 2 percent of all income. Now these figures are not very meaningful for an overview of a number of years since with inflation the number of people below a certain income level will shrink regardless of real wages. Yet nonetheless the percentage in the lowest group, those with less than \$2,000 per year, increased, and still accounted for the same total share of income, a clear indication of rising poverty.

Another way of presenting distribution statistics is to concentrate on the relative shares of equal percentages of the population. Since S admits that nothing much has changed since World War II, there is no need to go into this except to say that he does not seem to realize that this refutes the entire theory of the mixed economy as a "modern" institution, and it also refutes his views on the progressive attrition of concentrated wealth and power.

S's discussion of income distribution is ambiguous. Thus in the text he contends that inequality is "definitely less" today than in 1929 (85), but in the summary at the end of the chapter this is modified to "the modern distribution of American income appears to be less unequal than in 1929" (98). In a footnote he asserts that the past seventy-five

years, have seen the refutation of Pareto's law on the universal and inevitable distribution of income along a constant pattern (86 n. 5). However, the "experts" are no longer quite so certain about that.⁷

S maintains that "within the affluent society the public war against poverty goes unceasingly on. As each rampart is slowly conquered, higher standards of performance must be by society for itself. The vicious circle by which poverty is environmentally inherited has to be broken if the antipoverty war is to claim victories" (98; our emphasis).

Apparently society is not at war with itself but with its environment. And what is that environment? According to bourgeois economics it is the structure of "market incomes" which by its own admission cannot be permanently changed, at least not without decreasing the size of the whole pie, but can only be continuously rearranged via taxation.

But the question of whether or not Pareto's "law" has a rational kernel remains. To begin with, is it really true that "society itself" is on the warpath? If pressed, S himself would probably agree that by and large those whose incomes are to be reduced in order to supplement those of others will not fight for income redistribution. But let us not jump to the conclusion that what we have in mind are the large capitalists, for it is by no means certain that it is they who will bear the burden of redistribution, or even that they nurse such fears. In fact, it is largely the middleincome brackets—workers and small capitalists—who are called upon to subsidize the working poor and the jobless.

Two aspects here must be kept apart. On the one hand, a political struggle is taking place, and within certain limits it is possible for the working class to increase its share of the national income either by direct attacks on profits through wage settlements or indirectly through taxation. Yet on the other hand, there are certain limits beyond which capital could not function profitably, and if this did not manifest itself immediately on the domestic scene it would rather quickly on the world market.

Thus there is "something to" Pareto's so-called law in



INCOME DISTRIBUTION AND POVERTY /

the sense that immanent laws of capital formation exist which class struggle override within capitalism. That is to say, although the political overthrow of capitalism is possible at some point, economic demands become incompatible with profitable production and will be resolved through political means—strikes, factory takeovers, the smashing of trade unions, the use of the army, civil war, etc.

V / INTERNATIONAL COMPARISONS OF INCOME DISTRIBUTION

S's treatment of income distribution in other societies is important for two reasons: first, because it underlines his sovereign disregard of the prerequisites for any scientific undertaking (in this instance, reference to statistical sources), and secondly, because it sheds light on his neglect of the essential differences between modes of production (precapitalist, capitalist, postcapitalist).

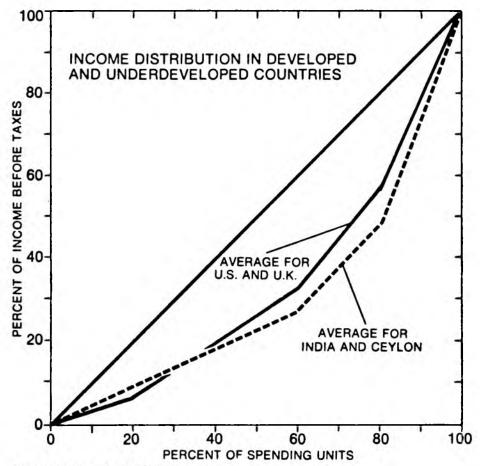
A / "UNDERDEVELOPED" COUNTRIES

To begin with, S claims that a Lorenz curve "will show greater inequality" for "a country like Ceylon" than for the U.S., U.K., and Holland (87). The only proof for this assertion is a graph (87) with no source given showing concentric curves for Sweden, the U.S., and Ceylon. We are not told how they were constructed in the absence of data on income distribution for Sweden and Ceylon.

We will attempt to supply the missing data (with sources), but before doing so we should point out that the social content of statistics differs in different societies. The income-distribution statistics on which the Lorenz curve is based are most widely used in the U.S.; most other capitalist countries do not use it. The Lorenz curve distribution is a very superficial category, dealing as it does with "statistical groupings" of the population without any class content. This emphasis on so-called personal as opposed to functional distribution (labor versus capital) is characteristic of a society in which conscious class struggle has not played the same role as in Western Europe.

Digitized by Google

To get back to Ceylon: S presumably chose it because some years ago, in a debate on income distribution, bourgeois economists used Ceylon as an example of an "underdeveloped" country.8 The graph reproduced here9 shows two combined income-distribution Lorenz curves, one for the U.S. and U.K. and one for Ceylon and India. It is of interest here that the curves are not concentric; at some point they intersect. This in concrete term means that the poorest 30 percent or so of the Ceylonese population receives a larger share of the income than the correspond-



ing 30 percent in the United States. Without attaching too much important to these figures we nonetheless believe that the *relative* position of the poorest and most exploited classes takes on significance in any political-economic study of a class society.

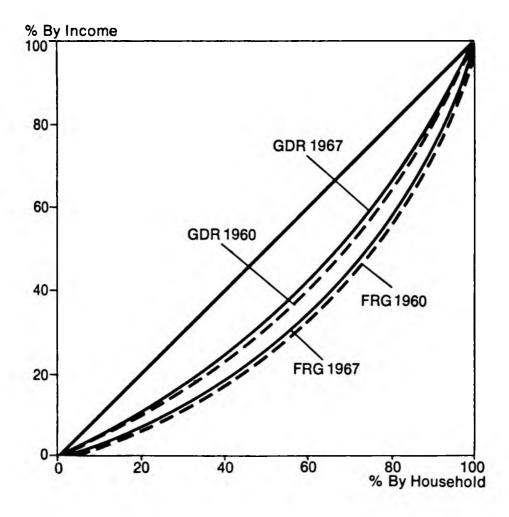
B / SOCIALIST COUNTRIES

Bringing his analytical powers to bear upon the issue of income distribution in socialist societies, S denies their comparability with capitalist countries: "No one knows how to compare the inequality in the Soviet Union with that in mixed economies" (86). The reason for this assertion remains unclear until we note the qualitative incommensurability mentioned by S in the 1st edition—namely that "the inequalities and dispersions" of the wage structure in the Soviet Union "were not accompanied by further inequality resulting from unequal property incomes" (pp. 81 f.). This being so, any comparison of the distribution of wage income alone becomes invalid, since wage income in capitalist countries is distributed more equally than is total or capital income.

S, again without giving his source, claims that a 1965 study showed employment incomes to be more equally distributed in Australia and Sweden than in Poland (86 n.6). But this comparison is not very meaningful since even S's own data puts Poland into the category of "intermediate" development, and Australia and Sweden are "highly developed" (767). If, instead, we consider two "highly developed" countries both historically and socially more comparable than Australia and Poland—i.e., the Federal Republic of Germany and the German Democratic Republic—we find that even on the basis of the factor most favorable to capitalism, namely the distribution of wages and salaries, income distribution in the socialist country is considerably more equal. The following table and Lorenz curves (based on official West German sources) show the distribution of after-tax net income accruing to statistical groupings of wage and salary recipients in 1967 (the curves also show the development from 1960 to 1967):

/ ANTI-SAMUELSON, VOLUME i

Househo	lds	Federal Republic	GDR
poorest	20%	8.7%	10.5%
next	20%	13.0%	15.8%
next	20%	17.1%	19.7%
next	20%	23.0%	23.6%
richest 20%	38.2%	30.4%	
		100.0%	100.0%10



The greater equality in the GDR can be seen especially in the higher shares of the "poorest" groups and the lower shares of the "richest."



C / "MIXED ECONOMIES"

S singles out Israel and Sweden as mixed economies with low inequality of income. Let us therefore look at some of the available statistical data (which S once again has failed to provide). Israel's pattern of income distribution in the past two decades resembles that of the U.S. Thus between 1950-51 and 1968-69, the share of the "lowest" 20 percent of the population declined from 12.4 to 4.7 percent, while that of the "highest" 20 percent rose from 31 to 42.7 percent. 11

With respect to the other of these two "welfare states" (804), we find that according to U.N. statistics Sweden does not head the list of West European capitalist countries. The following table shows the Gini coefficient for selected West European countries in the 1960s:

Norway	.36
Denmark	.39
UK	.40
Sweden	.40
Netherlands	.44
Finland	.47
W. Germany	.47
France	.6212

Thus we can see that not only is Sweden out-"equaled" by Denmark and Norway, but that it rests on an even level with the U.K. with its "peers and tycoons" who "own tremendous concentrations of land and other property" (87 f.).

S attaches great importance to the alleged redistributional effects of Swedish "socialism" (872), but there, as in most other countries, it is not the very rich who bear the greatest burden with respect to the income that does get redistributed. Rather, it is the average-income groups who defray the cost of distribution, 14 a development strengthened by the imposition of a value-added tax in 1969 (in fact, a continuation in another form of the former general sales tax), which accounts for 19 percent of national tax revenues. It is not our intention to deny the obvious advances made by

the Swedish working class in comparison to the U.S. worker, but rather to document S's uncritical approach.

VI / "HUMAN CAPITAL": **SLAVES AND WAGE SLAVES**

The failure of human-capital theory to take into account the relations specific to certain classes and societies is made painfully obvious by S when he states that "modern economists have analyzed the problem of putting capital into people through education and training, in much the same way that one puts money capital into plant or equipment" (807). Who is "one"? A capitalist could put capital into people the same way he "puts" it into machines only if he owned slaves, which of course would make him a slave owner rather than a capitalist. A wage worker in capitalist society does own his labor power and thus could conceivably be seen as "investing" in himself when he spends money to refurbish it. Unfortunately, however, he does not control the exercise of that labor power—its translation into labor—and thus he does not gain control over the value he produces above and beyond the "compensation" of the costs that go to make up his labor power. For him, then, "investment" in his education is merely an example of equivalent exchange within the sphere of circulation. 15

A / SLAVERY

In his very first paragraph on the slave trade S reveals his ahistoricity: "We do know how the profit motive led to the slave trade: pursuing maximum profit—equating maximum revenues and costs, so to speak-merchants used bribery and force to abduct Africans in order to export and sell them in the New World" (788). Apparently the profit motive and marginal analysis—"so to speak"—are valid also for societies in which plunder and robbery prevail, where "the market society" does not even exist. Presumably the





INCOME DISTRIBUTION AND POVERTY /

same psychological "laws" governing consumption and investment "propensities" that Keynes "discovered" are also valid for pirates.

Equally enlightening is a passage that apparently is meant to be critical of the working conditions in capitalist wage-slavery: "So long as a plentiful supply of replacement imports could be counted on, each slave was regarded as an exhaustive resource: just as a vein of copper can be worked to depletion, a slave could be worked to death without regard for natural reproduction or old-age incapacity" (788).

S does not specify which New World societies he has in mind (South America, Caribbean, U.S., etc.) nor the era, and therefore it is difficult to be specific in answering him, yet one would think that U.S. slaveholders, for instance, would have had some interest in treating their slaves as well as they did their tools (to the extent that they were under some competitive pressure on the world cotton market): He does not tell us how that treatment differs from that of "free" workers for the simple reason that S does not touch upon that area of capitalist life. After his ahistorical review of the development of slavery, S treats us to a masterpiece of childish nonsense: "When conscience led to legal abolition of slave importation, around 1800, the economics rapidly adjusted" (788). Does he really think that anyone still believes that the struggle between the ruling classes of the North and the South was a matter of conscience? Wouldn't it seem more appropriate to look for the reason in the expansionist needs of two systems in a limited

At this juncture S turns to a subject that allows him to unfold his special brand of scientific method. Contemptuously critical of (nameless) historians who ignorantly propagate the "myth" that antebellum slavery was becoming unprofitable and would have "collapsed under its own weight" even had there been no Civil War, S mentions two men who allegedly "convincingly utilized econometric analysis to show how unfounded this idea was" (789). The work referred to by him is probably *The Economics of Slavery in the Antebellum South*. ¹⁶ The two issues at stake are prof-



/ ANTI-SAMUELSON, VOLUME I

itability and vitality, in other words, whether or not slavery would and could have survived. Whether or not slavery was profitable in the accounting sense (that is, whether revenues exceeded outlay) is still a matter of controversy. Even on this level the evidence is by no means as convincing as S would have us believe. Many authors have argued that slavery was a moribund mode of production despite its profitability. But in order to understand this paradox, one must first see slavery as a mode of production; S lacks this insight. Thus he wonders how "anyone but an economic illiterate" could believe in the economic decline of slavery at a time when labor productivity was increasing (789). Neither S nor his authorities seem to understand that by its very nature slavery stood opposed to and resisted the sort of "productivity increases" characteristic of capitalism: namely, the increase of the amount of means of production (constant capital) a worker could operate (or rather, in capitalism, be operated by). Slaves worked poorly and could be made to work "well" only under prohibitively expensive supervision. Unable to handle tools properly, they were given the crudest possible implements, which in turn lowered their productivity. Not only did they work below capacity, their capacity itself was below the level they might possibly have attained under different conditions. Their nutrition was poor, not necessarily because their owners were trying to starve them but because the slave system itself ruled out essential crop diversification.

In their desire to use universally valid concepts like the profit motive, marginal productivity, etc., authors like S and his authorities seem to forget that slavery was not subject to the same laws of motion as is capitalist production. Thus to the extent that the world cotton market did exert competitive pressure on the slave-owning producers, their mode of production placed severe restrictions on their ability to respond. For instance, increased production demanded more slaves and more land, yet the amount of available land was limited, as was the number of slaves who could be properly supervised without undue cost. Consequently, although the slaveowners did definitely "ac-

UNIVERSITY OF MICHIGAN

cumulate," they did not do so in typical capitalist fashion, i.e., by increasing the organic composition of their productive "inputs" (or, for that matter, the technical composition).

If a slaveowner did accumulate in the characteristic capitalist manner, certain contradictory processes developed which S and others seem to be unaware of. S contends that with the depletion of the soil in the upper South, and the higher marginal productivity of land in the lower South, the "Invisible Hand of competition" brought about a specialization of slave production in the former and slave labor in the latter (788 f.). This is demonstrably false. Virginia and Maryland (upper South) saw an antebellum movement toward "reform" or diversification which presupposed the better utilization of means of production to make the slaves more productive; this in turn would have obviated the necessity for more slaves. The production and export of slaves to the lower South seemed to solve a dual problem: it financed the purchase of needed means of production and got rid of surplus slaves.

However, all this was contingent on slaves being purchased in the lower South. But by the 1850s the same pressures that had brought on the "reform" in the upper South began to make themselves felt there.

The point here is that once the slaveowners were beginning to accumulate, slavery was already on the way out: the increased productivity made the old system irrational in comparison with Northern competition.

This does not mean to say that all slaveowners wanted to become industrial capitalists. On the contrary: this stood in direct contradiction to their whole mode of production. It is of course possible that the slaveowners would have been willing to carry on even if they "earned" less than the prevailing rate of interest. But if they wanted to compete with the Northern capitalists they would have to accept certain processes that spelled the demise of slavery. The fact that the slaveowners as the protagonists of a dying order put up a fight does not mean that slavery was a thriving mode of production.

B / "HUMAN CAPITAL"

In order to understand the alleged connection between education and income, we must examine the thesis underlying the notion of "human capital," according to which the cost of education is a value-creating factor (quasi independent of the total process of capital accumulation). The commercial advantages of education were extolled at a time when the U.S. economy demanded more literate workers in a variety of positions. The basic error of S's presentation lies in his failure to see the connection between capitalism's need for a certain degree of literacy and the subjective desire of people to go to school and improve their earning potential. As Galbraith put it quite succinctly: "Had the economic system need only for millions of unlettered proletarians, these, very plausibly, are what would be provided."¹⁷

S's enthusiastic endorsement of education qua socialism grows out of his inability to understand either the origin or development of the phenomenon he is describing. The concept of the "meritocracy" or social mobility he speaks of (807) refers to one of the mechanisms of capitalist society to find the best minds, as it were, of the exploited class and channel them into jobs that seem less baldly exploitative. It is by no means coincidental that the first flood of studies correlating income rewards of education appeared at approximately the same time that this mechanism was being introduced:

Educators and social reformers at the turn of the century were not insensible to the accumulation of a large, heavily immigrant industrial proletariat in the cities; they feared the prospect of class warfare, and found in educational opportunity a ready formula for the remedy. The academic meritocracy was thought to promise a remedy for poverty and inequality. Schools would provide a mechanism whereby those who were qualified could rise on the basis of merit.¹⁸

Aside from all the factors blocking the realization of such an equalizer, it should be borne in mind that even if the program were to succeed, it would inevitably lead to an in-



tensification of the relative educational impoverishment of the non-"elite." S voices a common view when he says "There has long been social mobility in America: all the cream rose to the top some time ago, leaving naturally less-gifted people at the bottom" (93). "Society" obviously has not compensated for the gifts nature failed to bestow; that is to say, although a larger share of the population have completed four years of college than in the past, this education has not been "wasted" on so-called blue-collar workers. Thus, while in the 25-29 year age group the percentage of those attending four or more years of college rose from 5.6 in 1947 to 16.9 in 1971, the average factory worker had completed or almost completed high school, as compared to junior high school in the immediate post-World War II period: the median years of school completed by "operatives" rose from 9.1 in 1948 to 11.4 in 1971; for nonfarm laborers and foremen, 7.8 and 8.8 respectively. 19

"This country," according to the Manpower Report of the President of March, 1972, "has a heavy investment in the education of its professional workers, and any underutilization of their talents and training represents a national loss." It is interesting that the Federal Government should be the one to issue this warning, for the "burden" of the "investment" did not originally fall on the individual capitals. That is to say, the large expansion in college and graduate education took place mainly in public institutions and was therefore financed by "general" taxation. And although corporations obviously have to pay higher salaries to those with superior training, this obligation ceases once they fire these people: the amortization of "human capital" becomes the problem of the individual and/or state in the form of unemployment "benefits," and some may begin to wonder whether all that education was worthwhile. The capitalist class is not, of course, totally uninterested in the problem, for if "every instance of joblessness or underutilization of doctoral training . . . represents the waste of a social investment which has been estimated at about \$50,000 per individual with the Ph.D.,"20 then this in part means a loss of surplus value. But perhaps more importantly, especially for those individual capitals and branches which have be-

Digitized by Google

come increasingly dependent on more highly trained scientific workers, a two-fold political-economic "problem" arises. The "recession" that began in 1969 marked the first deep penetration of the industrial cycle into the hitherto relatively protected sphere of nonproduction workers. As thousands of college graduates are beginning to find out, human capital is at a slight disadvantage vis-à-vis the ordinary run-of-the-mill capital: it cannot be divorced from the "human" and banked to "grow interest" when the "human" is "idle"; in other words, unemployed human capital gathers no interest. S's foresight was no better than that of many of his colleagues when he uncritically praised public education as a "socialism" that subverts privilege (807). A recent feature article in *Business Week* puts an end to this myth:

Ironically, the supply-demand gap has opened just when the nation has come to embrace the idea that everyone is entitled to a degree: rich or poor, black or white, male or female, clever or dull. Now, most educators and economists, as well as corporate executives concerned with the problem, agree that this premise will have to be rethought. . . .

Yet the balancing of jobs and job candidates may be more than any government can bring off. So there may be a rude awakening from the Great American Dream: that thanks to education, successive generations will advance from blue-collar to white-collar to executive pin-stripe.²¹

Business Week sees the origin of this change in the end of the "explosive growth" of the 1950s and 1960s. "Ironically," it finds the only hope in the reality of Marx's concept of abstract labor, for although theoretically bourgeois economists deny the existence of that phenomenon in practice they are confronted with it daily. Thus later on in his chapter on wages S asserts that "There is no single factor of production called labor; there are thousands of quite different kinds of labor" (581). But as Marx explained, in capitalist society a given portion of human labor is shifted from one branch of production to another in accordance with the changing direction of demand for labor.

The demand for nonproduction jobs fell off, and stu-



dents got the message in the form of news reports, fewer visits from corporation recruiters, fewer job openings, etc., and so they turned to driving cabs, planting marijuana, etc. However, this market savvy is not appreciated by the powers that be:

The welfare of the Nation, the quality of its life, and its protection within and without rest more heavily on the relatively small numbers of professional personnel than on any other occupational grouping. . . . Freshmen enrollments in engineering, for example, dropped sharply between 1970 and 1971. If the shift away from engineering education should continue—under the influence of the current job-market situation—the numbers of new graduates entering the profession could fall below those required to meet expected long-run needs for engineers, thus hampering future efforts to solve the country's urgent problems and speed economic growth.²²

The government reports calls the fact that people are leaving a field which may expand in the future an "anomalous" situation. But there is nothing anomalous about it. As a matter of fact, it is not a departure from the normal workings of capitalism but a return, or rather an introduction, to it after an atypical period. Nor can the reason for the great to-do that is being made lie in the crucial dependence of U.S. capitalism on these workers, for it holds equally true for manufacturing workers, soldiers, etc.

This brings us to the second aspect of the "problem," part of which has to do with the fact that these people have undergone comparatively long training and therefore represent a proportionately larger share of total social variable capital (i.e., that part of the total value of labor power of the whole working class paid for not by the individual capitalist but by "society" in the form of taxation) than do other "occupational groupings." The other side of this relates to the time needed to train such laborers. Since it takes longer to train a highly specialized worker like a nuclear physicist than an assembly-line operator, there is need for a certain level of "labor market" stability or predictability for these jobs to allow aggregate planning over a period of years.



I ANTI-SAMUELSON, VOLUME I

UNIVERSITY OF MICHIGAN

With respect to "ordinary" production workers, this need has not been nearly so pronounced in the U.S. because of the vast reserve army of unemployed "eager" to lend a helping hand to spur "recovery." Although it is impossible to train highly skilled workers in a short time, it is theoretically possible to allow a reserve army of them to accumulate who could then be "encouraged" to re-emerge at a moment's notice.

Business Week, commenting on the prospect of a surplus 1.5 million college graduates by 1980, agonizes:

It is hard to guess what sort of impact on society that would have—hard to measure the psychic damage to a generation that grew up amid the dislocation of the most controversial war in history and then was cast into a job market that could not use all its abilities.²³

Such considerations lead to conjuring up the horrible image of an academic proletariat on the rampage:

Unemployed scholars, either because they consider nonuniversity work beneath them or because they could not adapt to it, might turn into an alienated intellectual proletariat, ready to turn in anger on the society that does not use them in the style they have come to expect.²⁴



Generated for guest (University of Iowa) on 2012-04-16 19:11 GMT / http://hdl.handle.net/2027/mdp.39015001981532 Creative Commons Attribution-NonCommercial-NoDerivatives / http://www.hathitrust.org/access_use#cc-by-nc-nd

Digitized by Google

Original from UNIVERSITY OF MICHIGAN