The Anti-Samuelson

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VOLUME ONE

Macroecomics:

BASIC PROBLEMS OF THE CAPITALIST ECONOMY

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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 German-language edition.
6 The Capitalist State
S's Chapters 8-9

The Welfare State is often compared to Santa Claus, and that comparison is usually drawn by those who object to presents for poor people. But in fact the Welfare State resembles Santa Claus because he gives more to rich children than to poor ones.

**METHODOLOGICAL INTRODUCTION**

Inasmuch as these two chapters deal with the state in capitalism in a more explicit fashion than other parts of the book we believe that they should be treated together. It is obvious from the structure of these two chapters, if not from any programmatic remarks, that these two chapters form the final link in the so-called macroeconomic discussion of Big Business, Big Labor, and Big Government.

Unlike other chapters, including those on Business and Labor, these two offer a relatively large amount of information which could conceivably form the starting point for an introduction to the topic if it were presented within a theoretical framework conducive to an understanding of the historical development of the contemporary capitalist state. Instead, we are offered emphasis on "the facts" within an ideological context. More specifically, these two chapters are meant to bridge the gap between "the citizen's" general knowledge of the state and the Keynesian theory of state intervention of Chapters 11 through 14. To the extent that S is unable to transcend superficial common sense he is
violating his promise to “avoid indoctrination and propagandizing” (1st ed., p. vi), for these chapters are preoccupied with the preservation of an economic system which S’s science concedes cannot be justified in scientific terms but only via so-called value judgments. But more importantly, because he gives an ahistorical account of the evolution of the capitalist state and its functions, S fails to make clear that it is his intent to preserve a specific social system at a specific time in history. What we get instead is a highly abstract explanation that could apply to any society, plant, or animal:

Unyielding conservatism defeats its own purpose. Iron without “give” will break suddenly under strain; flexible steel will bend. Brittle economic systems without the flexibility to accommodate themselves in an evolutionary manner to accumulating tensions and social changes . . . are in the greatest peril of extinction . . . . If a system is to continue to function well, social institutions and beliefs must be able to adjust themselves to these changes [150].

Not only has S failed to offer any scientific reason for this salvaging operation but his analysis of why this overhauling has become necessary—assuming that certain powerful social interests will support such an undertaking—is also very weak. In order to focus on the chaotic methodology of S’s science and to bring order into the chaos we have decided to rearrange the sequences within the two chapters.

We will begin with S’s derivation of the general need for a state as a component part of “economic life,” which he has put at the end of Chapter 8. From there we will go to his analysis of the growth of government activity as well as of the specific functions attributed to the state in the so-called mixed economy. S’s conception of democracy and how he uses it within this theory will form an important aspect of both discussions. The remainder of our analysis will center on the distribution of income, allegedly the major characteristic of the welfare state, as well as on the types of taxation used to achieve that redistribution.

We consider our restructured outline deficient in one
major respect—namely in our failure to incorporate the dis-
cussion of national income that forms part of Chapter 10.
By putting these chapters on the state before that on na-
tional income, and by placing the state in the same series
with Business and Labor, S is able to prejudge the question
of whether the state contributes to national income or
whether it merely is a channel for income produced
elsewhere. This is not merely a procedural point but
touches on the very ability of the Keynesian programs to
salvage capitalism. We have elected to treat Chapter 10
separately, and to refer to it here only as necessary.

I / DERIVATION OF THE STATE

After ten pages of descriptive prose, S finally gets around
to posing the important question of "Why is governmental
use of goods and services ever required at all?" (158). His an-
swer to this rhetorical question consists of a rather con-
fused mixture of traditional bourgeois political-
philosophical derivative material on the state (e.g., Hob-
bes, Locke, Rousseau) and his own ahistorical concept of
the development of capitalism and its state.

He opens his argument by setting up the hypothetical, or
perhaps not so hypothetical conditions (the text is ambigu-
ous) under which "zero government" might prevail, when
"all commodities could be produced efficiently by perfectly
competitive enterprise at any scale of operations"; no "indi-
visible" commodities; neither altruism nor envy; "equal ini-
tial access to human and natural resources"; "activities"
could be carried on "independently" by each producer
(158).

S goes on to explain that if all these "idealized" condi-
tions actually existed there would be no "need" for a mixed
economy, or a government or society for that matter, "since
the world could then be regarded as an array of indepen-
dent atoms with absolutely no organic connection among
them" (158). He then proposes some modification to bring
the model closer to reality, such as division of labor and the
pricing system, which, he concludes, would lead to a laissez-faire government protecting private property within and without its borders (158). And finally he brings us back to "real life" by pointing out that "each and every one of the idealized conditions . . . is lacking in some degree in real life as man has always known it" (159). Therefore we will have to rethink "the important compromises that a free society must make" (159). The first part of this exposition is an attempt at an ad absurdum argument to demonstrate the internal contradiction of an assertion—in this case, that the conditions for zero government could not exist since they, if realizable, would be tantamount to societyless atoms and hence to "governmentlessness."

The fundamental error of S's argumentation lies in his unwitting identification of "government" with the capitalist state. If he were merely trying to postulate the reasons for the existence of the capitalist state, his argument would be tautological (since capitalism is characterized by such and such conditions, it cannot not have a state—a situation derivative of other conditions). S, however, is concerned with the reason for "governmental use . . . at all" (our emphasis).

For the time being let us confine our discussion to the differences between the capitalist state and other pre-capitalist class societies. In these societies the possession of the objective conditions of labor (human and natural resources) did not appear as private property but rather as property of a directly social nature. This means that all the activities which are necessary for the collective existence of the society (e.g., irrigation, roads, acquisition of new territory through war, reparation of reserves, etc.) are in essence a component part of the social reproduction of life through labor. Thus instead of being tasks which come to light after the work of private capitals has been completed and has proved unable to perform them they are, in pre-capitalist societies, the direct social activities of all members. (In this context it is irrelevant that in feudal and slave class societies the performance of these tasks may have been involuntary.)
The privatization of what in precapitalist societies were social activities led to the necessity of a state which then became the only political sphere and the only social organization with the power to compel the individual producers to contribute to the general social task. Whereas in previous societies this "contribution" took the form of direct labor, here it assumed the form of deductions from the primary appropriations of the national product—wages, profit, rent—transferred to the state as taxes.

This is the type of "government" S has presupposed in his argument. To prove his point he has simply selected certain characteristics of capitalism, turned them into what he sees as their opposite or negation, and then announced that such a society could indeed exist without a state—if at all.

The features he has selected for his nonexistent society represent a peculiar mishmash. The first, concerning perfectly competitive enterprises, accords with the common bourgeois conception of premonopoly capitalism; the "indivisibilities," or rather in this case their absence, relate, at least in the form presented here, to no society except perhaps a very primitive one in which nothing was done except to pluck fruit off trees and eat and sleep. But this fantastic image is either a tautology or a false identification of different phenomena. That is to say, either S has defined indivisibility in the specific capitalist sense of use value which cannot for various reasons be produced according to individual capitalist "principles," and which therefore must be produced or run by the only social organization not subject to the constraints of profitability and equal exchange (i.e., power of taxation)—namely the state—or he means any use value in any society which is consumed collectively. If he means the latter, then we would have to go to the Garden of Eden for an example of a society without indivisibilities. But then we would also have erased the essential distinction between capitalism and other societies. For in that case S is deriving the necessity of indivisibilities from the use-value aspect, from the technology of producing or consuming them; this in turn means that he will
characterize all societies possessing this particular use value as having a state. This view eradicates the distinction between the state in capitalist society as a necessity external to the basic social relation of private capital production and the direct social performance of these tasks in precapitalist societies. In other words, by concentrating on the use-value aspect, S is able to equate all societies producing so-called indivisibilities and ascribing to them all the specific social content associated with indivisibilities in capitalism. Thus it would be possible to have a society producing collectively consumed use values without a state in the sense in which S understands this.

To continue with the mixed bag of conditions for the absence of a state: “neither altruism nor envy” is yet another example of S’s inability to see the differences between modes of production. S, whose horizon does not extend beyond competitive capitalist egotism, apparently cannot understand that altruism is the obverse side of egotism, whereas societal solidarity, the product of the objective conditions of a society lacking the heterogeneity of class interests, has nothing to do with altruism. What he probably means is that altruism and envy would, for different reasons, lead to a “social contract.”

The last two conditions, equality of resources and independence, presumably refer to the early bourgeois myths of a simple commodity-producing society in which all men are property owners and none is a wage laborer. Why should S stress “initial” equality if the destruction of the initial equality allegedly brought on state intervention? In any event, we are offered a potpourri of several features from several societies. It is not clear what S is driving at since he has thrown in contradictory conditions: he speaks of perfectly competitive enterprises and of independence “much as in frontier days.” Does he have in mind independent producers (farmers who also met their own nonagricultural needs)? But this is obviously incompatible with any sort of competition.

The transition to laissez-faire capitalism is even more manipulative. Here he says “yet even in this case . . .” and
then adds the "if" clause with the introduction of division of labor and a pricing system. "Even" in this case can only refer to the retention of all the features just mentioned, plus some; yet division of labor plus "a pricing system such as that described in Chapters 3 and 4 in Part Three" must include capital and wage labor, which would destroy equal opportunity and independence. There then follows the traditional description of the state as the protector of private property.

In saying all this, S is merely repeating the 300-year-old myths of bourgeois political philosophers on the founding of the capitalist state by free and equal property holders. But if the state is a specific social development relating to the deficient sociality of capital, it is also subject to the same vicissitudes of capitalist society, not in the sense that it can only act like an individual capital but rather in the sense that as the ideal aggregate capitalist, as the social organization taking care of the general needs of capital, it must operate to preserve the contradictory system of capitalism. As Marx explains: "What then is the power of the political state over private property? Private property's own power, its essence brought into being. What is left to this political state in contrast to this essence? The illusion that it determines where it is determined."

In other words, there are limits to the "activities" of the state. It is not, as it were, a compensation for the contradictions of the individual capitals but merely a further expression of them.

The transition from laissez-faire capitalism to the mixed economy takes place as mysteriously as that from the regime of small commodity producers to capitalism. The only difference we can see among the conditions enumerated between the two periods of capitalism relates to the rise of monopolies and the decline of "perfect competition." Although we do not agree with this distinction in the form it is presented by S, this might be an important point of departure for understanding the transition if there were one. But S does not pursue this point; he is just as interested in "biological" disparities with respect to abilities, shaky
ground indeed for the derivation of the mixed economy. In fact, he ends up discussing two points—military spending and external economies. We fail to understand how these two factors define the specific differences of the mixed economy.

"National defense" is of course also put under the heading of external economy or indivisibility. The entire discussion is marked by a continuation of the bourgeois myths of the social contract. The traditional grouping of man into bourgeois and citoyen runs throughout this section. Thus the capitalist in his role as citoyen must put up with things he does not want—i.e., expenses that reduce this surplus value without contributing to the creation of more—as long as he wants to remain a capitalist; that is, as political man, as citizen, he must pay taxes to provide internal and external defense of his private property even though it will also aid his competitor. This myth of the social contract also assumes that everyone is a productive private property owner and will thus benefit from the state expenditure to protect private property. Perhaps there were objective reasons for this belief 200 years ago, but they certainly do not obtain today.

At this point S confuses us completely by telling us that "laissez faire" could not provide national defense against a minority as long as there was no "political voting and coercion" (159). Does he mean to say that capitalism before the mixed economy could not support wars, etc.? Are coercion and political voting the distinguishing characteristics of the mixed economy? Or is laissez faire a myth?

But perhaps a look at previous statements will provide enlightenment. Back in Chapter 3, S said that in "the past few centuries" the "twentieth-century industrial nations" showed a "trend . . . toward less and less direct governmental control of economic activity," leading to the demise of feudalism and the rise of "what is loosely called 'free private enterprise,' or 'competitive private-property capitalism.'" (41). But: "Long before this trend had approached a condition of full laissez faire (i.e., of complete governmental noninterference with business), the tide
began to turn the other way. Since late in the nineteenth century, governmental economic activity has increased (41). At this point through the seventh edition there followed this abdication of theoretical responsibility: "We must leave to historians the task of delineating the important factors underlying this significant and all-pervasive development. Suffice it to say here" (7th ed., p. 39), and then in bold brown letters: "Ours is a 'mixed' economy in which both public and private institutions exercise economic control" (41).

We take this to mean that "full" laissez faire had not existed before; apparently late in the nineteenth century the trend toward defeudalization was reversed in the sense that government activity took an upward turn. The reasons for this are not known to economists. All we know is that we now have a mixed economy, although what distinguishes it from not a full laissez faire is beyond our powers of explanation. If there had been a trend toward less government activity is it not possible that at some time prior to the late nineteenth century that activity was greater than it is now? S's vagueness on this point is highlighted by a footnote in the second chapter: "There has never been a 100 per cent purely automatic enterprise system. Even in our capitalistic system, the government has an important role in modifying the workings of the price system. This is what is meant by saying that we live in a 'mixed economy' " (7th ed., p. 16 n.2; the fact that in the 9th edition [18, n.2] "even" is replaced by "certainly" does not speak for consistency).

S has given us only the skimpiest quantitative and absolutely no qualitative criteria for judging the differences while at the same time renouncing all competence for explaining the why of the matter. None of this is particularly propitious as far as "modern economics" and its attempt to explain the workings of the modern mixed economy are concerned.

II / THE GROWTH OF GOVERNMENT ACTIVITY

In this section S presents his most important information,
that dealing with the quantitative growth of government expenditure in capitalist countries in our century. Let us take a look at how he deals with this material.

A / QUANTITATIVE ASPECTS
He starts off by pointing out that government expenditures rose from one-twelfth to one-half of national income between pre-World War I days and the height of World War II, for during the latter war “it became necessary for the government to consume about half of the nation’s greatly expanded total output” (147). It would, of course, be more accurate to say that to fight the war the nation had to produce more. And if we look at the table in Chapter 10 (203), we see that although the Government’s part of GNP almost doubled during the Depression of the 1930s (rising from 8.2 percent in 1929 to a high of 15.3 percent in 1938), by 1940 GNP still fell short of its 1929 level.

When we consider that military spending as well as social-security contributions were minimal during the 1930s, we find that the share of GNP devoted to nonwar governmental expenditure is not much larger today than it was forty years ago.7 In any event, the impetus toward greater government revenues and expenditures lies in the war economy the U.S. has enjoyed uninterruptedly since World War II. Although S provides the information needed to arrive at this conclusion, he does not hit upon the explanation.

In a now-deleted passage that appeared in the first edition (in a section entitled “Efficiency and Waste in Government”), to explain the changes then taking place thus:

The trouble, if there is a trouble, goes much deeper. It lies within ourselves as citizens. We want government economy, and at the same time we want the government services that cost money!

To put the matter in a more sophisticated way: Government expenditure is a way of utilizing national output so as to meet human wants and needs. When national income rises, people want more and better schooling and other forms of government expenditure. . . . Our social conscience and humanitarian stan-
standards have completely changed, so that today we insist upon providing certain minimum standards of existence for those who are unable to provide for themselves [p. 158].

First we should note S’s recognition of the bourgeois-citoyen dichotomy in the form of “trouble . . . within ourselves as citizens.” What this really means is “we” want external economies without having to reduce our profit to pay for them, and to the extent that those not burdened by the worry about profits because they have none are also compelled to pay, this “trouble” can be considerably reduced.

But moving on to the more important “sophisticated” view of government “services,” the capitalist state by its very nature is rooted precisely in the absence of the unity of interests and will implied in the “we’s” and “our’s” that dot the passage. Going beyond this fundamental point, we note that the description of the empirical development of state intervention just does not accord with the reality described. Thus war and not “human wants and needs” was responsible for the greatest increase in government expenditures. Despite S’s claims about a rising tendency of government expenditure as correlated with rising income, his own figures show that at the time of the first edition (1948), government expenditure as a percentage of GNP had dropped to precisely the same level it had attained in 1931 (12.2), at a time when GNP was little more than a quarter of the 1948 level (203). This of course was related to the demobilization; and again S’s own figures show that the G share of GNP did not take off, as it were, until the Korean War, and it remained at that level until the additional boost provided by the Vietnam War.

S does not limit the growth to the U.S. alone: “for more than a century . . . in almost all countries and cultures, the trend of government expenditure has been rising even faster” than national income and production. “Each period of emergency—each war, each depression, each epoch of enhanced concern over poverty and equality—expands the activity of government. After each emergency is over, expenditures never seem to go back to previous levels” (147). This would indicate that rather than a rational intervention
of social conscience and humanitarianism we find the state having to intervene in times of crisis. As far as war is concerned, if military expenditures do not go down even after the emergency is over, we would question S’s acquiescence in the statement that “nothing is more vital to a threatened society than its security” (159). And similarly with respect to depressions, if in fact the emergency is over—that is, if employment and incomes attain a high enough level to eliminate the need for extra-market redistribution—then these expenditures also would disappear. If in fact they remain constant (as a percentage of GNP) or increase, then one would have to question whether the “emergency” is really over and whether “we” want increased welfare spending or whether merely some of “us” are fighting for it. S does not distinguish between countries and “cultures.” Thus he does not consider whether the rise of societies in which the national production is controlled by a state might have forced additional centralization on the capitalist states. Having specifically excluded this phenomenon from “our attention” (41), he can at best see both developments as a common convergent trend. In some respects this is, of course, true, inasmuch as both systems can be viewed as responses to the historically increased level of productivity; but one of the systems represents an attempt to bind these productive forces within an outmoded set of social relations.

Just as S is vague with respect to the transition from laissez faire (or feudalism for that matter) to the mixed economy, he is vague with respect to the allegedly universal and apparently irresistible, irreversible, and interminable trend toward ever greater government intervention (“nor is the end in sight”—147). He can of course avoid the central issue here by sticking to absolute levels, but aside from their patent irrelevance in a time of rising GNP, his own table on international comparisons of relative GNP shares indicates that absolute figures do not mean much.

By his undue emphasis on the U.S., S presents a skewed picture of the historical development of the mixed economy, first because military expenditures by the U.S.
prior to World War II were absolutely low as well as low relative to Europe. This is one of the reasons for the relatively low share of government expenditures in GNP through the 1920s. The second reason relates to the U.S.'s belated adaptation of social-security programs which make up an increasingly larger share of the GNP attributed to the state by bourgeois economists and statisticians. Many other capitalist countries had a twenty-five- to forty-five-year head-start on this point. With social-security contributions amounting to approximately $50 billion annually, and war expenditures to approximately $113 billion, these two items account for about four-fifths of the U.S. budget. In view of their nonexistence or minimal levels before World War II, it is not appropriate to take the U.S. of those years as a point of reference. If we look at Germany, we see that by 1929 the state already received 23.1 percent of GNP. By the mid-1950s the figure had risen to between 32 and 34 percent; and according to S, it reached 35 percent in 1970. Thus while it is true that in the U.S. the G's share increased about 150-175 percent during this forty-year period, in Germany (and West Germany) it rose only about 66 percent. Moreover, in most capitalist countries the increase is slowing down considerably.

Nor is the rise quite so unilinear and irresistible as S would have it. Thus in the U.K. taxation as a percentage of GNP dropped from 32.5 percent in 1950 to 29 percent in 1955 to 27.6 percent in 1960, which one author explains by saying that "the objective of tax reduction took priority over schemes for the extension of social welfare." And finally with respect to the U.S., S's own table (203) indicates that the upward climb has been neither steady nor relentless. To begin with, the government's share of GNP during the five years before World War II and during the same time span before the Korean War was approximately the same (14-15 percent); and with the exception of the Korean and Vietnam wars, that share has fluctuated about 20 percent. Thus there has been remarkably little movement beyond the level of twenty years ago.

The problem with S's approach is that it fails to delineate
the limits of an increasing share of the state in the capitalist economy; and this despite his emphatic assertion that "If a good can be subdivided so that each part can be competitively sold separately to a different consumer with no external effects on others in the group, it is not likely candidate for governmental activity" (16o). This means that the welfare state will always remain an appendage of a relatively profitable capitalist economy. The precise quantitative limits cannot be predicted, but given the fact that in most West European countries it hovered in the 33 percent vicinity since the 1950s, one wonders whether further increases of the G's share are imminent.

S's attempt to establish some correlation between G's share of GNP and growth rates is utterly gratuitous. First of all, the figures are based on a table (149) whose sources are not cited in anything remotely resembling accepted scholarly practice. As for the figures themselves, their accuracy is questionable. We are not told which items are and which are not included in these statistics, and so we may wind up comparing noncomparable data. For instance, do the data include revenues from all levels of government, social-security contributions, revenues from government production, etc.? We assume that the table does include all levels of government, else the percentage for the U.S. would not be so high. Since he has not specified how he arrived at his percentages it is pointless to refer to other data giving different figures. We will confine ourselves to the following table:

<table>
<thead>
<tr>
<th>Total taxation to GNP at market prices average 1968-70</th>
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<tbody>
<tr>
<td>(a) Excluding Social Security</td>
</tr>
<tr>
<td>--------------------------------</td>
</tr>
<tr>
<td>1/Denmark</td>
</tr>
<tr>
<td>2/Sweden</td>
</tr>
<tr>
<td>3/United Kingdom</td>
</tr>
<tr>
<td>4/Norway</td>
</tr>
<tr>
<td>5/Finland</td>
</tr>
<tr>
<td>6/Canada</td>
</tr>
</tbody>
</table>
(1) Average of 1968 and 1969 only.
(2) 1969 only.

Let us examine these figures in conjunction with S's statement that "mixed economies, such as Sweden, France and (supposedly laissez faire) Germany spend relatively most on government. And these happen to be the kinds of nations which have shown the greatest growth and progress in recent decades" (148). What are these "kinds"? First of all, this sort of correlation directly contradicts another of S's statements, in Chapter 41 on Problems of Growth: "When one considers how different France and Germany have been in many of their governmental institutions, the similarity of their development is striking. The similar growth patterns of socialistic Sweden and individualistic Switzerland present the same paradox" (8th ed., p. 796). Only someone who asserts the correlation to begin with can even ask whether this is or is not a "paradox." But even empirically it is not true that the three countries S
put at the top of the list "happened" to have the highest GNP growth rates in the 1950s and 1960s. Switzerland's was greater than Sweden's, West Germany's was greater than France's, Japan, at the bottom of S's list, showed the greatest growth rates of all capitalist countries, the U.K., with a very high share of G showed very low growth rates, Norway, not shown, also combined a high share with below-average growth rates.12

To round out the correlation, S in a blurb to his Table 8-1 asserts that "governments of poor, underdeveloped countries show a tendency to tax and spend less, relative to national product, than advanced countries" (149). What about this tendency? We, too, have "selected" some countries from this category and calculated the following shares of central government revenues alone in GNP for 1970 unless otherwise indicated: Zambia (1969: 34 percent); Algeria (1969: 29 percent); Guyana (1967: 25 percent); Chile (22 percent); Ceylon (22 percent); Venezuela (21 percent). (Source: International Financial Statistics, October, 1972.) Although we do not put much stock in such statistical games, we mention them to show how slipshod is S's scientific method.

B / STATE "REGULATORY" ACTIVITIES

Not being satisfied with a mere quantitative rundown of G's share in GNP, S proceeds to a discussion of various aspects of laws, regulations, and executive fiats. First he informs us that as a "result" of nineteenth-century America's close approximation of laissez faire, it "was a century of rapid material progress and an environment of individual freedom" (148). But it "also" knew business cycles, waste of natural resources, extremes of poverty and wealth, government corruption by "vested interests," and monopoly. One might assume that since "modern man" apparently opts for more government, the mixed economy, in contrast to laissez faire, would have seen a reduction in all these phenomena. But instead, monopolization has increased, the extremes of poverty and wealth persist, corruption most definitely is still with us, the waste of natural resources goes on unabated. And although the unemployment rate
has not climbed to the levels of the Great Depression, business cycles are still with us.

The trouble with S’s approach is that it looks at the state as an autonomous factor: its absence brought prosperity in the nineteenth century, and its presence is bringing prosperity in the twentieth. Seeing the state as an artificial creation of man which “he” can “use” or not in accordance with the “beliefs of an era” blinds S to the essential unity of a capitalism which, in the course of its development, anarchically generated the need for a state which it fought so strenuously in its infancy, when it sought to assert itself against a dying feudalism. The fact that the historical forces of production which in large part were developed by laissez faire capitalism were breaking through the confines of the individual capitals—in other words, that the social character of capitalism was coming into conflict with its own achievements—and that this process took place over a long period and was unplanned in no way contradicts the fact that when this objective tendency was finally realized, sentient human beings “planned” various details.

Let us examine some of the specific acts of government intervention mentioned by S, such as the “regulation” of the railroads by the ICC. As Galbraith has said of the so-called regulatory agencies in general, they “become, with some exceptions, either an arm of the industry they are regulating or servile.”2 The ICC came into being during the political struggle of the farmers against the monopoly prices charged by the railroads, a protest that must be seen in the context of the general populist movement of the post-Civil War era, when “the trend in the economic world was strongly toward the consolidation of smaller units into larger ones, the elimination of competition, and the concentration of control in relatively few hands.”3 But competition and monopoly are not understood here as mutually exclusive forces, for “the formation of great rail arteries, while reducing the number of competing roads, intensified competition.”4 As was to be the case so often in the future, this “regulatory” measure, a response to popular pressure, “proved a disappointment in many respects. . . . The rail-
ways, for the most part, continued their evil ways though with greater regard for external appearances than before."5  

As for monopoly and the Sherman Act, S himself concedes that this law was increasingly turned against labor unions, supposedly not what it was intended for. (142). As was the case with the ICC, the façade erected here served the same purpose of co-opting the burgeoning antimonopoly movement. According to Arthur M. Schlesinger, the ten-year period ushered in by the Sherman Act "saw the formation of more industrial combinations than in the entire preceding period."6

C / THE STATE AND LABOR AND CAPITAL
S's account of the history of certain labor legislation has some basis in fact, even though he may not always be aware of its significance. There are two important aspects to this development: class struggle and disunity within each class. With respect to class struggle, there is no "solution" that conforms to the "principles" of economic theory or rational democracy. It is a political struggle that transcends market "rationality" and "equity," although the economic limits are established by the capitalist mode of production. Disunity within each class must also find a mandated solution. As Marx points out, the working class must force the passage of a law that would prevent workers from voluntarily signing a suicide pact with capital.13  

"Unity" is also essential to the capitalist class; eventually the state will pass laws forcing "recalcitrant" capitalists to comply with the laws of competition.  

"Progress" with respect to so-called social legislation is thus not simply a matter of "humanitarian legislation" (1st ed., p. 153), the product of the minds and hearts of increasingly civilized people acting through the instrumentality of their neutral, human state. The impetus for such legislation has always come from the oppressed classes, against the powerful and often violent opposition of the ruling class. That the state has had to exercise and even broaden its "authority" in order to enforce the victories won is not an
expression of the increasing subordination of the market to man's political will, but rather the expression of a social order in which the fundamental processes of the reproduction of life have brought about the evolution of special social institutions able (1) to take responsibility for those aspects of social reproduction which the basic form of economic activity, individual capital, could not involve itself with, and (2) provide an ideological shield, as it were, for the relations of direct exploitation in the "sphere" of production as opposed to the democratic process in the political "sphere." Broader governmental "authority" does not mean broader control over the "economy"; what it does mean is that capital has so increased the forces of production that more and more economic activities have outgrown the sociality capital can cope with. This refers both to such general production conditions as transportation systems, atomic energy, pollution control, etc., and such "social arrangements" as hospitals, schools, and various social-security programs. The "core" of capitalism, private property production, has remained unchanged qualitatively and expanded quantitatively. What has also increased is the sphere of activities this "core" can cope with only by setting up a social institution not subject to the same fundamental constraints of surplus-value production, yet one which can attend to the activities without damaging the core.

In this sense, the theory of the mixed economy is correct; there is an objective trend in this direction. But what that theory cannot understand is that the development, like all processes in capitalism, is twofold. Its proponents can see only one of the aspects: greater objective "socialization." As far as the "subjective" human forces arrayed on both sides are concerned, and which in any concrete instance determine the outcome of the struggle, the theory of the mixed economy does not address itself to it. Its neutral stance on "nontechnical" issues leaves value judgments to ethics. Thus the usual "explanation" refers to "society" as having decided on this or that value and having implemented it via government.
This explanation falls down in several ways. First of all, it fails to recognize that the state cannot be neutral between capitalists and workers, for its very existence is rooted in and functions as an integral part of capitalism. Secondly, it fails to recognize that the so-called value judgments society processes in the courts and legislatures are narrowly defined and "biased" in the sense that they represent defensive moves on the part of the working class for equal treatment of its "factor of production." It denies that alongside its ideological neutral functions, the state must be given "expanded authority" to put down, by force if necessary, "demands" that transcend the co-optive capabilities of capitalism.

The rise of fascism is perhaps the most blatant example of the "setbacks" on the road to a more and more mixed society. Although S himself toward the end of the book concedes that fascism is "against free and militant trade-unionism" and hence supported by the capitalists (87), he is essentially unable to fit this into the theory of the mixed economy.

D / STATE EXPENDITURES AND DEMOCRACY
S begins this section, in which he outlines Federal expenditures and five aspects of changing governmental functions, with a reference to the paramount and growing specific weight of war expenditures in the welfare state. One-half of all Federal expenditures, among which S includes GI benefits, debt servicing, space research and technology, and international affairs, is devoted to war production. Surprisingly, S concedes that expenditures on international affairs and finance represent the costs of "future wars" (151); however, the reader will doubtless be relieved to find that in Chapters 36 and 38 he does not pursue this potentially fruitful approach to foreign "aid."

The great weight of war in the budget appears so important to S that he repeats it: "It needs emphasizing that the bulk of Federal expenditure and debt is the consequence of hot and cold war, not of welfare and development programs" (8th ed., p. 143), an emphasis so out of character
that it no longer appears in the 9th edition. The first edition contains a similar, though in content somewhat different point: "It is to be emphasized that the bulk of postwar Federal expenditure and debt are the consequences of war and not the depression" (p. 157). The irony here is that by reiterating this general point for a quarter-century, he gives the lie to the notion of a welfare state originating during this period. In fact, as he himself notes, the ratios between war and "purely civilian expenditure for domestic peacetime purposes" have been reversed since the pre-World War II period.

This merely serves to underscore the unrealistic character of S's intermittent comments on the democratic process insofar as it relates to taxes and spending. Thus at various times he claims that "legislative decision" determines the share of GNP going to the state (156); that "in deciding how to tax themselves . . . the people are really deciding" how to make this division (163). This notion of popular control is open to attack on two levels. It is improper to attribute primary causal force to the state, for as we know it is reacting to the general profitability of private production within a very circumscribed sphere. And it is wrong to convey the impression that "society" arbitrarily devises the division of the GNP pie annually, for although within minor upward and downward limits those who actually control the decisions enjoy some subjective leeway, the objective tendency toward greater state expenditures is dictated by the development of capitalism itself. If the state portion of the GNP were to rise substantially it could do so only by invading the sphere of profitable private production—a contingency that presupposes that the working class has taken control of the state.

Although the state has to be invested with compulsory powers to assert the interests of capital in general against recalcitrant capitalists and labor, S's contention that decision-making takes place in the legislatures is somewhat naive. The fact that he has once again indulged in apologetics would not be particularly noteworthy if the particular subject were not crucial to his assertion that in contrast to
communist countries, in the mixed economy “the people” are in charge.

Let us now concentrate on the aspect he labels “social consumption of public goods.” This supposedly means that “as a nation we are consuming more of our national product socially rather than individually,” as for example paying for roads via taxation rather than buying railroad tickets (152). Well, that does indeed sound sociable. But when we recall the share of government expenditures allotted to war spending it is far more likely that instead of consuming commodities individually “we” are compelled to part with wages to pay for nonconsumable B-52s or submarines. To use the term “consumption” here is pure ideology, for consumption as an integral part of the process of social reproduction can have nothing to do with the production and use of products of labor which are by their very nature designed to leave the system of reproduction without having been productively consumed.

And in fact if we look at the development of the various components of GNP, we see that between 1929 and 1970, consumption dropped from 75.5 to 63.5 percent, while G rose from 8.5 to 22.5 percent; and similarly, if we examine the components of industrial production, we find that between 1939 and 1969 means of consumption dropped from 39 to 28 per cent, while the production of military equipment rose from almost zero to 7 percent.14 These figures clearly demonstrate the tendency of the mixed economy to replace individual consumption with no consumption at all.

True, lesser amounts are expended on “social consumption,” more conventional types of “external economies” such as roads, schools, etc. But once S has admitted that these are “largely produced by private enterprise” (152), and that the government “pays” for them, one wonders what qualitative change has been wrought, since governments have been buying cannons if not typewriters for quite some time now. We are not necessarily refuting S, all we are saying is that he has failed to prove that an essentially new development has been set in motion.

The same holds true for “government production”—at
least with respect to the example of the U.S. used by S, for he himself admits that "there has been little expansion . . . in recent decades" (153). Despite certain apparently historical reasons, S contends that "economically" the reasons for nationalization of some branches and not others are not "completely arbitrary." The reason then seems to get lost in the shuffle as S brings us before "the courts" and their decisions on public utilities, but it has something to do with lack of "effective competition"; soap and perfume, on the other hand, are obviously not a "natural candidate for governmental operation" (153). This passage does not make quite clear the connection, if any, between economics and nature and soap and electricity. The point S is trying to make relates to the possibilities of profitable production; if it is possible for an individual capital to produce commodities for sale to individual consumers at a profit the state will not "interfere" with nature or whatever and go into production itself. If individual capitals cannot produce certain use values, the state may or may not tax "the people" in order to produce them, depending on the use values and their role in the development of capitalism at any particular point in history.

Because certain branches of public utilities are vital to all capitalists, they have an interest in not monopolizing them; since the huge capital costs involved in duplicating them competitively are more obvious to the bourgeoisie than is milk, for instance.

That S has failed to understand the significance of nationalizations within the capitalist mode of production is borne out by his using Sweden, which he calls socialist, as an example (871). One of his major problems lies in his equating nationalization with socialization. As Engels pointed out almost a hundred years ago, "if the nationalization of tobacco were socialistic, then Napoleon and Metternich would be counted in among the founders of socialism."15

How far did these nationalizations go, and why were they undertaken altogether? It may come as a surprise to learn that the state-owned Swedish plants account for 3
percent of Sweden's industrial production, or that about 5 percent of the entire economy is state-owned (as compared to 25 percent in Austria and 40 percent in Italy) and that at least 4 percent had belonged to the state even before the Social Democrats came to power.

Nationalizations take place in response to the following needs: (1) state financing; (2) "defense"; (3) subsidizing private enterprise. This of course does not mean that all nationalizations are somehow reactionary and ought to be opposed. They do not necessarily serve the exclusive interests of the capitalist class; under certain conditions, especially when they serve to foster production—as was the case in Sweden's atomic energy corporation and some of its iron works—nationalization may raise the workers' standard of living. But as long as the capitalist class remains in control these nationalizations are of a dual character.

The final aspect S touches on is "welfare expenditures"; he categorizes these as the transfer of the purchasing power "to the needy or worthy," such as veterans, the aged, handicapped, pensioners, and unemployed. This leads him to the remarkable assertion that owing to this "our system is sometimes called the 'welfare state'" (154).

What follows then is a more income-theoretical discussion of transfer payments which we will take up in Chapter 7. Suffice it to say here that S does not bother to distinguish between transfers of income from the present to the future within the same class and transfers in the present possibly but not necessarily between classes. Or more concretely, it is wrong to say that social-security "benefits," unemployment insurance, etc., are transfers of purchasing power between classes; they are merely deferred wage payments, and although the individual worker may not get back exactly what he or she contributed, the transfers are effected between generations of workers or within a generation.

S ignores this aspect and instead concentrates on such factors as aid to the blind, which does in fact represent transfer payments in the sense that the recipients have not made contributions which are now being repaid to them.
But in 1971, for example, social-security expenditures totaled $66 billion while aid to the blind amounted to $101 million.17

Why, we wonder, does S distort the picture by emphasizing the atypical and by failing to distinguish among the various types of expenditures? Is it that such an approach becomes necessary for ideological reasons once he has sought to pass off the mixed economy as a welfare state? For if one strips away these so-called welfare programs, one is left with military spending and redistribution within and to the capitalist class.

But although S very definitely pursues the course outlined here he does not push it to its extreme. More explicitly, he asserts that “an increasing part of the national income is being ‘transferred’ by taxation and government welfare from the relatively rich to the relatively poor” (161), but he offers neither theoretical proof nor empirical evidence for his assertion. True, he contends that he will demonstrate how taxation leads to redistribution, but as we shall see, this is not quite accurate. In addition to his flawed theories on redistribution he asserts that even disregarding so-called transfer payments, the “progressive” taxation system itself would tend to accomplish redistribution: “suppose the government made the very rich pay all the taxes for national defense and most of the taxes for civilian programs. Is it not evident, then, that it would be altering the inequality in the distribution of the after-tax disposable incomes that different classes have to spend...” (155). The key word here is “suppose”; for in Chapter 9, S is singing a different tune: “Eighty-five per cent of all income taxes came from the low-bracket rates of 20 percent or less: it is not the rich who pay for the bulk of government; they are too few. It is the median-income group, who, by their numbers, predominate” (171).

It is important to note that S says this within the context of a discussion of loopholes; we take this to mean that even if loopholes were closed, it would be unrealistic to expect the rich to pay for everything. Yet in Chapter 8 he is “supposing” precisely what he later asserts to be impossible.
S presumably introduces this supposition as a safeguard in case the redistributive results of the transfer programs turn out to be negligible. Thus he says that "within reasonable limits" (155) most people will see nothing "improper" in having "the more fortunate citizens" subsidize the consumption of "the less fortunate." At first glance "reasonable" appears to be a vacuous term used to explain any particular outcome. And in fact in his more esoteric arguments S does lean heavily on this vacuity, for instance when he speaks of "the general principle . . . that taxation should be arranged to accomplish whatever the good society regards as the proper redistribution of market-determined incomes" (164). The next step, then, according to S's pet notion of revealed preference, is to say that society wishes to do whatever it in fact does.

But we are also faced with a hidden strain of reasoning in which S points to the relatively limited nature of redistribution, a line which can only be traced by juxtaposing many separate and perhaps even unintended remarks. But to return to one last point—namely that of the "supposed" referral of war taxes to the "very rich"; this is a very strange notion of "altering the inequality in the distribution" of after-tax income. It assumes first of all as the point of departure the very situation which the mixed economy brought about; namely, that beginning with World War II the bulk of the population was compelled to pay for the war; and as S himself notes, the tax system never returned to the prior situation, when "life was simple" (150). Thus even though he charges that "one must maintain a sense of historical perspective" in order to understand the development of government spending (149), he "supposes" as a typical welfare-state situation one which directly contradicts the entire thrust of the mixed economy.

Secondly, disregarding all this, S merely asserts that we could return to the prior situation—that is, when the "rich" paid most of the taxes; so aside from the unreal nature of that supposition, all the "less fortunate" are getting is what they had before the humane mixed economy took over.

Lastly, this supposition also testifies to the farcical nature
of the "general principle" that "equals should be taxed equally" (164). For the shunting of the "national defense" tax "burden" on to the "rich" would be tantamount to admitting that these "public services . . . are peculiarly for the benefit of recognizable groups" (165).

III / SOCIAL SECURITY IN THE WELFARE STATE

A / THE HISTORY OF "WELFARE"

Before launching into an analysis of the various social-security programs, let us examine S's view of the development of social institutions designed to deal with "poverty." In the chapters under review here, S restricts himself to vague and meaningless pronouncements on "society's" increasingly civilized standards. But some of his comments in Chapter 40 are indicative of his peculiar relationship to history. Interestingly enough, he stresses the persistence of poverty and of palliative measures. Thus, for example, he says that "Governments have always had some responsibility for the poor," or sees private charity as "the conscience money that the lucky paid to the unlucky," or that "each working generation took care of its parents in retirement," or finally, that "private charity was never adequate" (809).

Each of these contains a kernel of truth also for the modern mixed economy; but the irony here is that S is basically unaware of the essential historical differences as well as the similarities growing out of certain general characteristics common to all class societies.

His attribution of an on-going concern on the part of the state for the poor is rooted in the inability of bourgeois science to grasp the peculiarities of the capitalist state. As to "private charity," S ignores the specific historical conditions in which it developed. In the religious literature of the Middle Ages, poverty is seen as a manifestation of the will of God, not as something despicable; charity served to assuage the most extreme expressions of poverty. To call such charity inadequate testifies to a faulty understanding of the past. Adequate to what or whom? This view of
adequacy fails to understand the objective function of such charity, which was simply to keep the lid on revolt, a general need of all class societies past and present. The charity of the Middle Ages was adequate as long as the feudal mode of production was "adequate"; once that began to prove itself inadequate, as the estates and guilds grew less stable—that is to say, as the primitive accumulation of capital began to separate the agricultural and artisan producers from their means of production and, by extension, means of subsistence—this charity proved inadequate to the magnitude and intensity of the poverty that sprang up. Now poverty ceased to be the will of God and turned into the fault of the individual.

The following list of expenditures of "public assistance" (in billions of dollars) for 1970 will give the reader an overview of the range of welfare programs in the narrow sense (public assistance) and also of their contribution to total societal income redistribution:

<table>
<thead>
<tr>
<th>Program</th>
<th>Amount (in billions of dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aged, disabled, blind</td>
<td>3.3</td>
</tr>
<tr>
<td>Aid to Families with dependent children (AFDC)</td>
<td>6.7</td>
</tr>
<tr>
<td>Medicaid</td>
<td>7.1</td>
</tr>
<tr>
<td>Food stamps</td>
<td>2.0</td>
</tr>
<tr>
<td>Other nutrition</td>
<td>1.5</td>
</tr>
<tr>
<td>Housing subsidies</td>
<td>1.3</td>
</tr>
<tr>
<td>General Assistance</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22.818</strong></td>
</tr>
</tbody>
</table>

In order to understand the redistributive effect of such expenditures we must first understand the historical context within which such programs arose and developed:

"Federal grants to share in the costs of state welfare programs were part of the original social security legislation of the 1930s. They were viewed as interim programs to aid those unable to work, during the transition period, until everyone had earned protection under the social security programs against loss of income."19
The key word here is “earned,” because it implies that elimination of welfare payments and incorporation into social security depends on the ability of capitalism to create jobs, so that those formerly on welfare can “earn” enough in wages to pay enough for later social security “benefits.” It is precisely this failure on the part of the mixed economy that leads to the continuation and growth of the welfare rolls.

The inability to recognize that it is the failure of the mixed economy to provide jobs for those that were prevented from obtaining vital skills seems particularly suspicious in the light of an analysis prepared by the First National City Bank of the Federal Government’s billion dollar Public Employment Program. After noting that it had cut unemployment by 0.2 percent, the bank commented that if the program were to be expanded, it would draw workers out of the “market for private-sector jobs at a time when the unemployment rate is beginning to slip downward. It would reduce the supply of labor on the market, by artificially forcing up wages, would discourage employers from creating new marginal jobs in private enterprise.”

Thus the only “problem” seen by the bourgeoisie is that of redistributing enough income to this enormous reserve army to keep the lid on social “unrest.” This is the crux of the problem: to keep those separated involuntarily from the process of production below the poverty level without destroying the “independence” of the working poor by giving them anti-incentive payments that might “artificially” interfere with the supply and demand on the labor market rooted in the process of capital accumulation.

Just how little such programs have contributed to a greater equalization of income distribution is attested to by two basic facts: namely that the “poor” themselves in part finance these programs, and, secondly, that “benefits” as a percentage of average national income or average wages have not risen. As to the first, we already know that state-local taxes are, by S’s own admission, regressive, and account for about 37 percent of public-assistance revenues; as for the second point, average payments under these pro-
grams as a percentage of the median income of employed males has actually dropped from 19.9 percent in 1950 to 16.7 percent in 1960 to 15.9 percent in 1968.

**B / SOCIAL SECURITY**

1/ Methodological observations  In his own way S, with his vague statement that "in an earlier time, the extended family system meant that each working generation took care of its parents in retirement" (809), has provided us with an approach to the problem of social-security programs. Elaborating on this we might say that under capitalism the national working class as a whole becomes the extended family insofar as it provides for the older generation.

As we mentioned earlier, not all aspects of state revenues and expenditures dealing with the various components of social security can be looked on as a redistribution between "the owners of tangible resources such as land and property" and "the owners of labor power" (164), because the social-security contributions of the workers as well as of the capitalists represent a component of the value of labor power; whether the subsequent "benefits" serve to support the worker in old age, to repair his health so that his labor power may be preserved, keep him alive when unemployed, all this can be reduced to the heading of deferred wages. The fight for these programs represents a victory for the working class as compared to the nineteenth century when no such programs existed in the sense that a closer approximation of the value of labor power may now be reproduced in the form of total wages. Prior to such programs the wages workers received did not cover the full value of their labor power since they made no provisions for sickness, unemployment, "retirement," etc. In this sense the struggle for social security has been basically a defensive action on the part of the working class to have the "laws of equal exchange" apply to the commodity labor power.

In large part social-security contributions and taxes represent state administration of total variable capital, some of which is not paid directly from the individual capitalists
to the individual workers in the form of wages but is centrally collected and disbursed for the reproduction of aggregate labor power. Once we see this we understand that the state is merely "registering" the results of the class struggle insofar as it surrounds the issue of preserving the value of labor power. We are here dealing with two related points—the payments by the workers and those by the capitalists. As far as the workers are concerned, it would seem that we are dealing with a fairly straightforward operation involving insurance, not redistribution. But many economists have confused the issue by failing to distinguish between the individual workers and the class. Thus S in the first edition maintained that he "would question the social wisdom of linking a particular tax to a particular expenditure benefiting those taxed. So long as social-security legislation had to be (somewhat dishonestly) sold to the public as an extension of private insurance, this may have been tactically necessary, but surely that day is long past" (p. 170, n. 1).

Two points are to be made here: (1) insurance and (2) alternative taxing methods. The introduction of the individual insurance approach is inappropriate precisely because we are dealing here with an institution that had to develop on the aggregate class level because individually workers were not strong enough to win these demands. The state had to intercede to force equal competitive conditions for all capitalists. As to alternative taxing proposals, usually made in the context of taxing out of general revenues, the objection here is the same as to all such plans for substituting one "progressive" income tax for all other existing tax structures: it is all very well, but sheer demagoguery in view of the fact that the trend of taxation in capitalist societies is toward increasingly complicated systems which tend to obscure the real burdens and benefits.

There is widespread agreement even among non-Marxist economists that social security does not make for any significant income redistribution as between labor and capital. This is clear as regards employee contributions; but even employer contributions are ultimately borne by the worker.
either in the form of lower wages or higher taxes. Since the inception of the U.S. system forty years ago, the benefit rates have been raised periodically, so that there is a built-in progression: the older workers will receive more than they paid in because the level and scale of benefits have been raised. But this has nothing to do with redistribution between classes. Even *Business Week* (July 15, 1972) concedes that social security "is essentially a pact between generations, through which today's workers finance the pensions of yesterday's workers. . . ."

2/ Empirical material on social security contributions  Let us look at some of the aspects of regressivity for which S obviously has no patience. The above-cited issue of *Business Week* points out that 20 million workers deemed too poor to pay income tax paid $1.5 billion in payroll taxes, which the article calls highly regressive. (The figures given are for 1971.) It points out that since workers ultimately pay the employers' share as well, a worker making $9,000 per year pays a $1,000 payroll tax, or 11 per cent. And it quotes Milton Friedman, who counters traditional claims that the tax regressivity is compensated for by the poor getting more benefits per dollar contributed, with the argument that the better-paid workers start working later in life and thus work and contribute for fewer years while living longer and thus receiving benefits for more years.

Equally significant, and similarly neglected by S, is the fact that this highly regressive tax constitutes an increasingly higher proportion of all Federal taxes. Even according to bourgeois standards of regressivity and progressivity, there is a definite trend toward reduction of the share of progressive taxes (estate, corporate, income), and a growing trend toward payroll and excise taxes. With income taxes remaining more or less stable, the crucial shift has taken place between corporate income and payroll taxes. Whereas in 1960 the former were 50 percent greater than the latter, by 1968 payroll taxes had overtaken corporate taxes, and by 1973 they accounted for almost twice as large a share—31 percent versus 16 percent.21

3/ Social-security benefits  In view of the fact that S likes to
speak of the “welfare state” without offering any information on the scope of existing social security, some data on this subject might prove useful.

To begin with let us focus on the core of all social-security systems—old-age pensions. According to a Brookings Institution study of the social-security system, 30 percent of all persons over the age of 65 can officially be classed as poor. Thus the major problem of the aged is poverty, not affluence, and despite a series of increases, the average benefits are still low.22 The minimum benefit for a single retired worker amounts to 50 percent of the official poverty threshold.23 Furthermore, old-age benefits as a percentage of average weekly manufacturing wages have fallen from 17 percent in 1960 to 15.3 percent in 1967.24 This shrinkage is also evident in other programs. S does not bother to talk about what goes on inside factories, but an official government document notes that workmen’s-compensation coverage as a percentage of the work force has not risen since 1953.25 Even Nixon’s National Commission on State Workmen’s Compensation Laws found that in thirty-one states benefits fell below the official poverty figure of $4,137.26 A similar situation exists with regard to unemployment benefits: in the late 1960s weekly benefits had leveled at about 35 percent of average weekly wages, the same as in the early fifties, and considerably below the slightly more than 40 percent of 1939.

Even this brief view shows that the welfare state has barely touched the great extremes of poverty which capitalism, as with all class societies, uses to “discipline” the direct producers. The declining percentages of average weekly wages, and the fact that at least in one of the programs the percentages were higher before World War II, would indicate that fears the welfare state might weaken work incentives are totally unfounded.

IV / THE CLASS NATURE OF THE TAX SYSTEM

In this section we will analyze the various types of taxation on the Federal and state-local levels discussed by S. We will do so with a view toward providing the basis for qual-
itative judgments on income redistribution in the mixed economy. The incorporation of similar studies for the capitalist countries of Western Europe as well as a brief comparison with the socialist countries of Eastern Europe will complete this review.

A / PROGRESSIVE AND REGRESSIVE TAXATION:
DIRECT AND INDIRECT TAXES
Preparatory to his discussion of taxes in the concrete, S offers the reader some semantic distinctions—as between progressive and regressive taxation and direct and indirect taxes—in a subsection entitled "Pragmatic Compromises in Taxation"; presumably this part was meant to acquaint us with the connection between these two types of taxes and the "philosophical questions" of sacrifices, benefits, recognizable groups, etc. However, all we are offered are "technical terms" (165) dealing with numerical proportions of the classification of taxes according to whether they are levied against goods or persons.

After all this we are told that "modern tax systems are, to repeat, a compromise" (166). If that is so, we must assume that these "technical" distinctions are in some sense expressions of that compromise, the legal or formal vehicles by which "society" implements its value judgments, and in that case S should say so by appraising the development and trend of these various modes of taxation with respect to that compromise. But he does not do that. One could, perhaps, claim that later passages fulfill this function. However, S falls down very badly on this score; not only does he not provide any trend material whatsoever, but by separating Federal and state-local taxes, he avoids any aggregate evaluation of the tax system.

Thus he states that "we generally associate direct and progressive taxes together; indirect and regressive (or proportional) taxes together" (166). But he fails to make clear whether "we" refers to the pre-Samuelsonian man in the street who is forever being berated for falling victim to the fallacy of composition and a myriad other myths, or
whether he himself accepts this; he adds to the confusion by tacking on the "many exceptions to such a rule" (166).

This section does not prepare the reader for an analysis of taxation; on the contrary, in part it reinforces the view that on the whole taxation is progressive. Thus S contends that "extensive reliance has been placed on graduated income taxes" (7th ed., p. 165; in the 9th, "extensive" has been replaced by "considerable"). Similarly, later on in the text S first emphasizes the progressive nature of the tax and only toward the end does he admit that much of this remains on paper.

If one were to take seriously the suggestion that "modern" tax systems are a compromise, one might do better to concentrate first on the social classes which are doing the "compromising" and then on the "technical" modes of taxation that formalize the result of these social struggles rather than merely to present the "technical" side with the vague references to groups, benefits, etc. The most important "distinction" here of course would be that between labor and capital, between wages and profits, as sources of taxation and receivers of redistributed income. But then of course we would run into the "technical" objection that data collection with respect to these "classifications" is not conducive to precise analyses.

Before proceeding to an examination of the individual taxes, let us look at S's two classificatory distinctions more closely. The two are not on the same level, since the progressive-regressive distinction in itself involves the clear assertion of income redistribution, whereas the direct-indirect distinction does not in itself necessarily imply any income redistribution whatever. In this sense, the latter would have to be called technical, whereas the former even in their formal sense necessarily imply income redistribution.

Let us then look briefly at how "society" understands the direct-indirect distinction. First of all, it should be noted that indirect taxes have undergone a social change. More than a century ago, Ferdinand Lassalle, a German socialist
leader, pointed out that indirect taxes were not invented by the bourgeoisie, but that the bourgeoisie were the first to develop them into a system.\(^{27}\) Even then there was popular opposition to this type of taxation, and it found clear expression in a document prepared by Marx in 1866 for the First International:

7. Direct and Indirect Taxation
(a) No modification of the form of taxation can produce any important change in the relations of labour and capital.
(b) Nevertheless, having to choose between two systems of taxation, we recommend the **total abolition of indirect taxes**, and the **general substitution of direct taxes**. Because direct [sic; must read indirect—ML] taxes enhance the prices of commodities, the tradesmen adding to those prices not only the amount of the indirect taxes, but the interest and profit upon the capital advanced in their payment;
Because indirect taxes conceal from an individual what he is paying to the state, whereas a direct tax is undisguised, and not to be misunderstood by the meanest capacity. Direct taxation prompts therefore every individual to control the governing powers while indirect taxation destroys all tendency to self-government.\(^{28}\)

The passage of a hundred years has not diminished the validity of this appraisal. Two major aspects of this deserve closer examination: economic burden and democracy. Let us begin with the first, which at the same time will serve as an introduction to the content the mixed economy has given to the indirect-direct distinction.

The following table shows taxes on goods and services as a percentage of total tax revenues for OECD countries on the average for the years 1965-71:\(^{29}\)

<table>
<thead>
<tr>
<th>Country</th>
<th>Tax Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ireland</td>
<td>52.1%</td>
</tr>
<tr>
<td>Turkey</td>
<td>49.4%</td>
</tr>
<tr>
<td>Greece</td>
<td>42.6%</td>
</tr>
<tr>
<td>Finland</td>
<td>42.3%</td>
</tr>
<tr>
<td>Portugal</td>
<td>41.2%</td>
</tr>
<tr>
<td>Norway</td>
<td>40.0%</td>
</tr>
<tr>
<td>Denmark</td>
<td>39.6%</td>
</tr>
<tr>
<td>Italy</td>
<td>38.5%</td>
</tr>
<tr>
<td>Austria</td>
<td>37.1%</td>
</tr>
<tr>
<td>Belgium</td>
<td>36.8%</td>
</tr>
<tr>
<td>Spain</td>
<td>36.4%</td>
</tr>
<tr>
<td>France</td>
<td>36.3%</td>
</tr>
<tr>
<td>Country</td>
<td>Tax Revenue</td>
</tr>
<tr>
<td>------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Canada</td>
<td>35.6%</td>
</tr>
<tr>
<td>Australia</td>
<td>33.1%</td>
</tr>
<tr>
<td>Sweden</td>
<td>31.1%</td>
</tr>
<tr>
<td>W.Germany</td>
<td>30.8%</td>
</tr>
<tr>
<td>UK</td>
<td>30.0%</td>
</tr>
</tbody>
</table>

Thus we can see that the majority of the countries of Western Europe derived more than 30 percent of their tax revenues from taxes on goods and services, regressive taxes which flow from the Samuelsonian dictum that the rich unfortunately are not numerous enough to pay for everything. As a U.N. report put it:

> If the yield of indirect taxes is to be—as it generally is—15 per cent or more of the gross national product, then the taxes must be very widely spread. To find items for selectively high taxation, to balance the regressive effects of the large revenues received from taxing commodities largely consumed by the bulk of the households, is becoming increasingly difficult.³⁰

It is for these social reasons that indirect taxes have long been seen as regressive in nature.

As to the second of the aspects touched on by Marx, namely the undemocratic concealment of tax “burdens” inherent in indirect taxes, S fails to mention this altogether, presumably because it is not “technical” enough to warrant attention. More importantly, however, it would seem that this is one of those rare occasions when bourgeois science is correct in asserting that the development of capitalism has overtaken Marx’s prescience, though this particular development by no means redounds to the honor of that science.

More specifically, it would appear that Marx’s distinction between direct and indirect taxes with respect to their powers of concealment has disappeared in practice, not because indirect taxes have become less disguised, but rather because direct taxes have become more disguised, due to the established fact that with the rise of the mixed economy the direct taxes on the wages of workers rose precipitously.
Once the bulk of the population became subject to the direct income tax, the most undisguised aspect of direct taxes disappeared; capitalists gained the possibility for massive circumvention of tax payments, and created the “technical” distinction between nominal and effective tax rates.

In this context it can be said that in contrast to the “laissez faire” of Marx’s day, concealment is the hallmark of the tax programs of the contemporary mixed economy.

B / SPECIFIC TAXES
Let us now go on to some of the specific taxes. In this connection it would be well to look at the composition of the Federal tax system. According to S, two of the major taxes are progressive, one “intermediate,” and two regressive, but he fails to describe the trend of these various components, as for example the definite tendency of the payroll tax to displace the corporate income tax. (Even if one were to read nothing but S, this could be established by comparing the corresponding figures from the first edition [pp. 168f.] with those of the ninth.) Since S himself admits that “inheritance or death taxes do little these days to redistribute wealth and income” (8th ed., p. 158), there is in effect nothing left but the personal income tax to counterbalance an otherwise regressive system. Having already dealt with the payroll taxes (and S himself admits the regressive nature of tobacco, alcohol, and gasoline taxes), we will concentrate on the other three taxes.

1/ Corporate taxes S ranks the corporation tax as an “intermediate” tax (166) because it is progressive in its redistributive effect insofar as it is shifted on to the stockholders, and regressive insofar as it is shifted on to the consumers. He then proceeds to adduce arguments in support of and in opposition to increased corporate taxes. The opponents maintain among other things that such taxes are tantamount to double taxation since shareholders also pay income taxes on dividends received. Others, presumably working on the hypothesis that taxes are not shifted on to consumers, support higher corporate taxes on the basis that the retained earnings are not distributed to the sharehold-
ers. In the 7th edition, S closes this debate while straddling a fence: "This problem is too complex for a final evaluation here" (p. 158). The 8th and 9th editions do not even go this far, they simply leave the matter hanging.

S does not give us any "evaluation" whatsoever! If we understand his various arguments correctly, they focus on the pros and cons of progressive taxation; for what they refer to is the taxation of high capitalist incomes and/or direct profits without the possibility of passing them on to the consumer. If that is the issue, then it is obvious why he cannot offer a final evaluation. In a later section he concedes that "economic science" cannot "resolve these various crosscurrents of progressive taxation. In the end, therefore, a voter must try to judge the costs and decide on ethical grounds whether he favors a more or less egalitarian society. . ." (8th ed., p. 162). But what, after all, is the use of a "science," especially one with pretensions of educating the voter (8th ed., p. V11), that leaves its disciples in the lurch at the critical moment, abandoning them to "ethics"?

Secondly and more importantly, S is fudging here, because earlier in this chapter he had pointed "to the economic fact of life that increasing certain taxes, however favorable it might look to an ardent redistributionist, would at the same time be expected to do great harm to people's incentives and to the efficiency of society's use of resources" (7th ed., p. 157). And further fudging has taken place by substituting "some harm" (166) for "great harm." However, the important point here is that S is right: a true profits tax beyond a certain point would threaten the capitalist mode of production with respect to international competition and its continued profitable existence.

But that is nothing new: most bourgeois economists like to talk about the "equity-efficiency" contradiction (or rather "problem"), namely, that too much income redistribution leads to smaller profits and thus to a drop in investment and production, whereas too much efficiency leads to too much concentration, too great a portion of national income going to capital, and "resistance" on the part of the rest of society. These are correct descriptions of the surface ex-
pressions of the basic contradictions of capitalism that periodically make themselves felt in the form of industrial cycles. All this then merely points up the limits of the mixed economy as welfare state: even if the subjective goal of "society" were the redistribution of income in some essential way, this could not be done within the capitalist mode of production since it would interfere with its central regulator—the rate of profit. In this sense the common notion of the welfare state is a myth, and the mixed economy, if it is supposed to be identical with it, becomes a contradiction in terms.

Why, then, do corporations oppose corporate taxes if they can pass them on anyway? Although S is careful to say that corporations with net incomes above $25,000 "must pay 48 cents of each extra dollar of earnings" in taxes, and although he has a footnote referring to 82 percent excess-profits taxes in wartime periods (167 and n.2), he never mentions that just as there are large gaps between nominal and effective personal-income-tax rates, so there are in the corporate tax as well. Thus despite his categorical assertion, a recent Congressional study (corporate tax data are not open to public inspection) indicated that in 1969 the effective tax rate on corporations amounted to 37 percent, while the top one hundred corporations "managed to reduce the toll to 26.9 per cent."31

In view of the fact that the largest capitals pay the lowest taxes, the effective tax rates make this a regressive tax. This can affect the competitive position of a firm. During those phases of the business cycle when, or in those branches where, conditions permit the passing on of the tax to consumers, corporations able to avoid the paying of taxes will obviously accumulate more; on the other hand, when conditions do not allow the passing on of taxes, the corporations that are forced to pay the tax themselves are clearly at a competitive disadvantage vis-à-vis those able to escape payment.

Given the secrecy and concealment that surround the matter of corporate taxes, a precise determination of who pays what cannot be made. But the important point here is
that within certain quantitative limits it is possible to tax corporations without causing capitalism to collapse, as "business" propagandists like to prognosticate.

2/ Inheritance taxes  Although S calls them one of the two Federal taxes with a progressive effect, he relegates them to the section on state and local taxes. The reason for this is not clear, since the Federal tax system receives three to four times more revenue from them than the state-local system. As S himself points out, these "progressive" taxes have little effect, a view shared by most economists. Thus Business Week (August 12, 1972) concedes that "most wealth can be passed from generation to generation untouched by Uncle Sam." And Pechman offers this incisive comment. "One can only guess why the estate and gift taxes have not been more successful. A possible explanation is that equalization of the distribution of wealth by taxation is not yet accepted in the United States." He presumably means that the people, dreaming of upward mobility, oppose such laws for fear of what they might have to pay should they become rich. But this is blatant nonsense. It is not the mass of the people who draw up these laws or set up foundations to protect their accumulated wealth.

Contrary to S's assertion that things have changed since the time of Louis XIV, when peasants were taxed while the ruling nobility got off "scot-free" (164), the paltry use made of inheritance taxes is just another example of how "down through history the dominant classes, groups, factions, clans, interests or political elites have always been scrupulously prudent in avoiding taxes at the expense of the lower orders."34

3/ Income tax  The personal income tax is the crucial tax with respect to income redistribution. Payroll and sales taxes are regressive, the corporate tax probably also, and the inheritance tax, though progressive, is almost nonexistent. So if any progressivism is to come out of the system, this is the last hope. And S does everything he can to give the reader the impression that the income tax makes all the difference. Hence the big table (169) on the progressive nature of the
rate structure. But after everything is said and done, his material indicates that in fact the whole business looks better on paper than in fact. And he closes the section with the statement that the rich are too few in number to "pay for the bulk of government" (171).

In the end, S has told us absolutely nothing, which is reinforced by his summary: "The personal income tax, except for loopholes and erosion of the tax base, is progressive, tending to redistribute from rich to poor." (177). This is

![Graph showing various tax deductions and effective tax rates.](image-url)
about as useful as saying that the weather was dry except for a few thunderstorms. S makes no effort to sort out the effects quantitatively and arrive at a considered conclusion. Worse still, this approach avoids the issue of the purposeful use of the high nominal rates to make people think the system is progressive. By taking the nominal rates seriously, and then talking about loopholes, etc., in the attempt to get around the basically regressive nature of the tax, S distorts the ideological function of the rates. Furthermore he provides no proof whatsoever for his claim that redistribution is the end result. He paints a multicolored figure to "show" this, but admits that this is "hypothetical" to begin with and moreover "exaggerated for emphasis" (169 f.). Talk about the perversion of science for propaganda purposes! Incapable of proving the main contention of these two chapters as well as of Chapters 5, 39, and 40—namely the ability of the mixed economy to redistribute income to alleviate the inequality of the system criticized by Marx—S resorts to outright falsification. As the accompanying graph from Business Week shows, the actual effective tax rates for the highest income brackets are approximately one half of the nominal rates S devotes so much space to, and considerably lower than the sample effective rates he mentions without documentation. And although S mentions so-called erosion and loopholes, he does not make clear that it is chiefly the rich who benefit from them.

To see just how progressive the personal income tax really is, let us look at some recent material from a Census Bureau study by Roger Herriot and Herman Miller showing the tax rate for various income groups, including income received from social security and public assistance, i.e., the tax rate calculated here is based on total income. Farm subsidies, paid largely to the richest farmers, apparently are not included, nor are the numerous subsidies paid to government contractors, which go to the owners in the form of salaries, dividends, etc. The inclusion of such subsidies would narrow the gap between high and low tax rates even more.
Income Groups

<table>
<thead>
<tr>
<th>Income Range</th>
<th>1962</th>
<th>1968</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest Fifth</td>
<td>Under $ 3,800</td>
<td>3.7%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Second Fifth</td>
<td>$ 3,800-8,200</td>
<td>8.9%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Middle Fifth</td>
<td>$ 8,200-12,100</td>
<td>14.4%</td>
<td>15.2%</td>
</tr>
<tr>
<td>Fourth Fifth</td>
<td>$ 12,100-17,500</td>
<td>21.3%</td>
<td>22.1%</td>
</tr>
<tr>
<td>Highest Fifth</td>
<td>Over $ 17,500</td>
<td>51.7%</td>
<td>49.6%</td>
</tr>
<tr>
<td>Top 5%</td>
<td>Over $ 29,700</td>
<td>28.1%</td>
<td>24.8%</td>
</tr>
</tbody>
</table>

The reporter again comments that "This indicates that during the prosperous mid-1960s the situation of the middle 60 per cent of income recipients was worsening. Their burden was growing, not because the poor paid a smaller share of the taxes, but because the top 20 per cent paid proportionately less." In fact, on closer inspection we see that the second and third fifths, which doubtless encompass the bulk of the working class, bore the brunt of the increase.

41 State and local taxes  We do not intend to devote much attention to these since S himself concedes that "the principal taxes...are 'regressive taxes'" (172; though he makes this observation, S fails to inform the reader that state-local
taxes have been increasing more rapidly than Federal taxes).

To begin with the property tax, S very generously concedes that it may be regressive relative to income" (172). Even the Wall Street Journal said that "Perhaps worst of all, since housing accounts for a very high percentage of low-income budgets, the property tax, by increasing the cost of bought or rented housing, falls disproportionately hard on low-income families, including many elderly retirees."

That sales taxes are regressive is self-evident; suffice it to say that the Wall Street Journal of May 9, 1972, reported that those with incomes below $6,000 accounted for 12 percent of all income, but paid 16 percent of all sales taxes and 17 percent of all property taxes.

The last tax we will look at, the state corporate tax, is a particularly good example of the differential effects of taxation since the rates vary from state to state. We will therefore restrict ourselves to the following report from the Wall Street Journal (June 5, 1972) stressing precisely this point:

Interviews with the tax managers of some of the nation's largest corporations turn up little of the passion that individuals vent about higher taxes these days. Taxes are going up, but apparently the corporate people don't feel squeezed. . . . Many businessmen seem satisfied that, eventually at least, tax increases are passed along to consumers in the form of higher prices. "The biggest problem," says Robert Boehike, tax manager at Swift & Co., "is being able to determine in advance what our tax ability is going to be so we can price our products accordingly."

In fact, businessmen seem more concerned that state and local taxes are uneven than they are high. Businessmen don't like to pay taxes that don't fall on their competitors too. They also get perturbed when short-run market conditions don't permit a price increase to pass along a higher tax.38

V / AGGREGATE REDISTRIBUTION EFFECT

To return to the matter of the total effect of the mixed economy on income distribution, all the evidence we have marshaled, based on data and analyses of bourgeois
economists and the media, indicate that no progress whatsoever has been made by the mixed economy toward the alleged social value of income redistribution. In fact, Business Week claimed that the fact the gap between the rich and the poor “was widening rather than narrowing” in the period between 1947 and 1970 deals “a body blow to the notion that the U.S. is moving to a more egalitarian society.”

That S, despite this impressive array of evidence from his own camp, can blithely draw before- and after-tax Lorenz curves—based on data not revealed to the
reader—which "for emphasis" indicate exactly what is not happening, is merely the final consequence of apologetics parading under the name of science. For comparison we offer the following before- and after-tax Lorenz curves for the U.S. for the year 1947—when the tax structure was in no way less "progressive" than today—which shows how miniscule the change is.40

To demonstrate further how little has been changed by our mixed economy let us cite some relevant statistics. Thus in 1966, the bottom 50 percent of the tax units (families and/or individuals) accounted for 21.42 percent of income before taxes and wound up with a whopping 23.22 percent after taxes. The following table shows the percent of income (1) before and (2) after taxes by population deciles:

<table>
<thead>
<tr>
<th>Tax Units</th>
<th>(1)</th>
<th>(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>lowest</td>
<td>10%</td>
<td>1.20%</td>
</tr>
<tr>
<td>next</td>
<td>10%</td>
<td>2.94%</td>
</tr>
<tr>
<td>next</td>
<td>10%</td>
<td>4.39%</td>
</tr>
<tr>
<td>next</td>
<td>10%</td>
<td>5.80%</td>
</tr>
<tr>
<td>next</td>
<td>10%</td>
<td>7.09%</td>
</tr>
<tr>
<td>next</td>
<td>10%</td>
<td>8.31%</td>
</tr>
<tr>
<td>next</td>
<td>10%</td>
<td>9.67%</td>
</tr>
<tr>
<td>next</td>
<td>10%</td>
<td>11.44%</td>
</tr>
<tr>
<td>next</td>
<td>10%</td>
<td>14.23%</td>
</tr>
<tr>
<td>highest</td>
<td>10%</td>
<td>34.93%</td>
</tr>
<tr>
<td></td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

The accompanying Lorenz curve shows how minimal has been the shift of income. The authors attempt to calculate a percentage of inequality reduction. This is a comparison of the Gini coefficients for both Lorenz curves. With O equal to "perfect equality" and 1, maximum inequality, the before-tax coefficient equals .446 and the after-tax coefficient .409, or a reduction of inequality of 8.3 percent.
Graph V


Gini coefficients
Before tax = 0.446
After U.S. tax = 0.409
After Carter tax = 0.399
APPENDIX

A / INCOME DISTRIBUTION AND REDISTRIBUTION
IN WESTERN EUROPE

The failure of the mixed economy to redistribute income is not restricted to the relatively backward United States. According to a report of the U.N., in France, Finland, and Sweden

the share of total income received by persons in higher income groups rose while the share of those in lower income groups declined. In Sweden the watershed falls between the sixth and the seventh, while in France it is in the seventh decile. Finland shows the most marked widening in income dispersion. All three countries show a notable fall in the relative incomes of the poorest groups.42

For another group of countries—the Netherlands, United Kingdom, and Denmark, the report speaks of a “very modest” reduction in income dispersion; in the U.K., though, the lowest 30 percent actually lost ground. The report contends that “a clear tendency towards a reduction in income inequality, displayed at both ends of the scale, appears only in Norway.” Yet in the very next paragraph it concedes that “there was no significant change” at the lower end. And it summarizes thus:

Though not much can be read into small changes over a relatively short period, the impression remains that the income gap between people in low income groups . . . and people in middle income groups has increased in several countries; the poor have become poorer in relation to the middle groups, whether the rich have become, by the same measure, richer or not [our emphasis].43

The section of the report dealing with the social redistribution of income seems to point to a stationary situation:

The degree and the pattern of income redistribution varies between countries; but, broadly speaking, the reduction in income dispersion appears to be very modest among the bulk of
the households deriving their income from employment, self-employment and property. The redistribution which has occurred is largely in favour of non-active persons (principally pensioners) and has been largely financed by their own payments in the past, either by social insurance contributions or by general taxes.

On the whole, therefore, it seems legitimate to conclude that for the bulk of the population the pattern of primary income distribution is only slightly modified by government action [our emphasis].

In fact, the report says, “perhaps the major individual force leading to a reduction in income inequality during the 1950s and the first part of the 1960s has been the shift from self-employment (a high dispersion group) to wage- and salary-earners.” Thus “structural changes,” that is to say, the accumulation of capital leading to ever greater centralization of capital and the proletarianization of the petty bourgeoisie, rather than “governmental policies” continue to play the central role in income distribution. As far as the mixed economies of Western Europe are concerned, either income distribution and redistribution have not undergone any change or there has been a continued tendency toward greater income inequality, or the working class wielding some political power has been able to maintain the status quo through redistribution. In either case, the mixed economy has hardly lived up to the myths S has clothed it in.

B / COMPARISON WITH THE SOCIALIST COUNTRIES OF EASTERN EUROPE

Although the U.N. report does not make any explicit comparisons, it does present some comparative data for Eastern and Western Europe. The only country for which the report offers a Gini coefficient ratio (ratio of the area between the 45-degree line and the Lorenz curve to the whole area underneath the 45-degree line; 0 is maximum equality, 1, maximum inequality) is Hungary (1962). This ratio is 0.27, and thus 25 percent lower than the lowest Gini coefficient for Western Europe, i.e., Norway, at 0.36. And Hungary
apparently is not an exception among the socialist countries.

A more complete comparison is possible on the basis of the so-called quartile ratio, which measures inequality with respect to fourths of the population. Although the data for the socialist countries refer to wage and salary workers, a comparison of the same statistics for Western Europe indicates that the capitalist country with the lowest level of inequality still outranks the socialist country with the highest level.46