

Budget Cuts, Poverty and Ending the Cash Nexus

By Bruce E. Parry

In an article on the budget, the Wall Street Journal recently estimated the following cuts from 1995 in billions:

Housing & Urban Development 5.5 Health & Human Services 3.4 Education 2.3 Labor 1.6 Foreign Operations 1.5 Transportation 1.1 Energy & Water 1.5 Interior Dept 0.5 Agriculture & Rural Development 0.5 Commerce Dept. 0.4 EPA 0.6 NASA 0.5

Given the spread of both urban and rural poverty, the danger of unemployment, and the tragic state of the environment and national infrastructures, there has to be some explanation of why every major political figure is calling for across-the-board cuts in the federal budget. How can cutting the budgets of the very areas that are in crisis solve the problems? The answers to these questions lie in the economic undergirding of our political system.

The economic changes taking place today are the result of replacing electrical-mechanical technology with electronic technology in production. The world economic order is so now intertwined that products cannot be made without cooperation among people around the globe, coordinated and controlled through satellite-based communications systems above earth with neither country or nationality.

Completion of international globalization was brought home by the downturn of 1974 and 1975. There were massive layoffs in auto, steel, rubber, glass, durable goods, textiles and other "smokestack" industries. Many of the workers never returned to those jobs. That downturn was the first domestic indicator of the changed world economy. It was both the harbinger of globalization arrived and the impetus to electronic retooling.

Electronic Revolution

The demand for computers and computing ability had been fed by globalization. Demand for integrated inventory, payroll, financial and accounting packages and international communications pushed companies like IBM to the peak of economic power and to the top of the Fortune 500. Bigger was better. If a mainframe did not suffice, supercomputers were available. Fast, versatile mini-computers began to make their mark in smaller organizations.

The first downturn was from 1979 to 1981[1] : major industrial companies retooled their plants with electronics. As a single example, General Motors closed its Baltimore Assembly plant, sent much of the workforce off to computer training, and rebuilt the inside of the plant with robots and electronics. After the renovation, the plant bore little resemblance to what it had been. Robots began the process by welding the body pans and frames. The machines that most closely resembled human workers automatically sprayed rubberized sealant in the gaps between metal parts as the cars rolled down the assembly line. The paint shop was replaced with automation. The workforce of thousands was reduced overall, by about 500 workers immediately, and by thousands more in later years.

Hundreds of thousands of industrial workers were thrown out of work. The work force in auto and steel has never been the same since. More than half the workers were gone in each industry. Detroit and Pittsburgh were symbols of the devastation. Those that continued to work were in economic combat: wage and benefit concessions, job reorganization and elimination, and retraining were the norm.

The industrial aspect of the electronic revolution was, perhaps, less visible than the rapid diffusion of personal computers, video and arcade games, microwaves and hundreds of other consumer items. Its effect was no less profound.

Breaking the Cash Nexus'

In the advanced capitalist countries today, there are factories, mills, plants, stores and even farms with virtually no labor. No one is putting the product together, or drilling, forging, molding, cutting or bending the parts. What labor there is, is technical: programmers, maintenance workers, machine overseers; inspectors with the technical expertise to make adjustments. Robots, computers, and machines, in the meantime, are performing what is normally considered work.

Shops like this produce electrical switches and cars, but they also reproduce themselves: there are factories where robots and computers produce robots and computers. Cybernetics, machines that produce machines that produce products, is the beginning of the "workerless society." These plants represent the future; they represent where production technology is headed. There is no economic or historical force to stop it.

The implications are profound. When robots create the products, there is no need for labor or the laborers that provided it. It is here that the Social Contract breaks down. The Social Contract is between capital and labor. Capital provides the jobs and labor provides the work. In return, capital pays wages with which workers provide for themselves and their families. The efficacy, fairness and even justness of this system have been argued for hundreds of years, but the basic Social Contract worked to the degree that it provided many, if not most, with the necessities of life.

Without workers, however, there is no basis for the Social Contract. If workers are replaced by electronics and therefore not needed in the work place, there is no basis for paying them wages. With no wages, there is no way for them to provide for themselves or their families. As hundreds of thousands are put out of work, there is added downward pressure on wages for those who are still employed. Wages fall and even those still employed are less able to provide. The Social Contract breaks down because the circulation of money in the Cash Nexus has been broken.

There are more jobs

This scenario has not played out in its pure form. There are more jobs now than ever. The U.S. labor force is 126 million and growing. Billions work around the globe. All-robot firms are still rare. There are programs to help those in need: public assistance, food stamps, public housing, and even soup lines and shelters.

There are a number of reasons. First, the process has just begun. Nevertheless, it has played out sufficiently for homeless people to be on the streets. Poverty continues to swell. While in rural settings, the homeless are more hidden, rural poverty still accounts for nearly half all poverty in the U.S. Second, the U.S. is a world industrial power. It has been able to shift much of the burden overseas. Poverty in the Third World is long standing and deep. In Mexico, for example, some 60 percent of the population lives in poverty. About half of that is in devastating need, unemployed, homeless, malnourished and starving.

Third, a lot of capital has shifted from manufacturing to sales. This shift has generated jobs. Manufacturing jobs have always paid well; sales and service jobs are equated with minimum wage. Thus, while there are more jobs, wages are lower for those still employed. This is part of the reason that the number of jobs have increased.

The new poverty

Twenty percent of the homeless work; many work multiple jobs. They still cannot command sufficient resources to put a roof over their head and food on the table on a regular basis, let alone maintain their families. Poverty today results from human labor's base value being practically nothing. The value of labor in any market tends to hover to the lowest necessary level. In a competitive market, if workers are willing to work for less, the capitalist will lower wages to that level, given equal quality and adjusting for required education and other special training or skills. In today's market, the level of wages is tending to equalize with the wages of robots. Robots, of course, do not receive any wages.

The devaluation of human life in modern culture that so often receives comment is a direct result of its falling monetary value in the market. Our commercial society values people by what they do, rather than who they are. Those who are prevented from working are not valued. Valueless labor also explains the political climate.

Perhaps the most devastating misbelief in America today is the idea that we do not live in a class society. Classes are properly defined in terms of people's relation to production and distribution, not their wealth. Those who own businesses constitute the capitalist class. With stock ownership, pension funds, mutual funds and the like, identification is complicated, but since people do own businesses, they constitute an economic class. The capitalist class is the ruling class.

What does that mean? Virtually everyone knows how this country is run. Business runs it. Businesses make donations to the political campaigns of the candidates they like and those they do not like. The point is not to support the ones they like, but to make them beholden to their funders. Ross Perot, both a politician and the CEO of a major corporation, succinctly summed this up when he said, "When politicians are trying to get votes, they play every tune they can get their hands on. CEOs understand that: O.K, the politicians are going to have to punch us around a little bit to look like populists. But once they get in office, we own them because we funded them.[3]

Furthermore, the laws that are passed are often suggested and always influenced by lobbyists paid for by business. Political Action Committees (PACs) have merely raised the entire process of electing "public servants" and passing legislation to the level of commercial enterprise. It is regularly reported after every election, what the going price for elective position is, be it a Senate seat, a state legislative position or a mayoralty. It does not make any difference that anyone can play; not everyone has the money to play. Instead of "one person, one vote," the system has become "one dollar, one vote".

The counterparts to the capitalists in bourgeois society, as Marx was wont to note, were the proletarians, the workers, those who owned nothing and were therefore forced to sell the one thing they had: their ability to work. The unemployed were a "reserve army" ready to be thrown into the battle of work as soon as capital expanded sufficiently to require their services. They stood by, in poverty, waiting for a chance to work, acting as an social anchor on the wage rate.

It is within that context that the New Deal was born. Unemployment compensation, Social Security, and later various public assistance programs, housing and food supplements, were stopgaps. They were supposed to allow the poor to survive until the expansion of the economy pulled them into employment. The programs also helped maintained the wages of the employed. When the rising waters rose, all boats were supposed to float away from the pier of the government dole.

And so it was according to scholarly and popular perception--until the emergence of that anathema to modern society: the permanent welfare recipient. This was no longer someone being maintained between jobs. The perception has shifted: many or most are no longer employable. They are not just unemployed workers, they have no relation to the means of production.

History has not been kind to the poor and it isn't likely to be in the 1990s. The first to identify this grouping referred to it as a "lumpen proletariat," for one reason or another incorrectly confusing it with the detritus of feudal society Marx referred to as "criminal flotsam." The next scholar to label it was William J. Wilson, who called it the "underclass," the term which has stuck in polite company. The popular media has variously identified its members as "welfare queens," "inner city poor," and other, less flattering appellations. In each case there is an implication that because of certain social standards of conduct, the words "Black," "Latino," or "minority" are there but have been spoken. The references are often made with regard to youth, gangs, drugs, and criminal activity. This New Class has been portrayed as the very reason that upstanding, suburban [white] people should not dare to come to it.

In fact, the New Class is the key to understanding the economic, social and political climate in which we are living. Its existence, its meaning, its members and why they are important reveal why the political climate is shifting to the right, why politicians are calling for all the social cuts, why we are experiencing social crisis and what the historical result is going to be.

The New Class

The New Class, like so much resulting from the implementation of electronics, is new and unformed. But it exists. It consists of all those who are and have been thrown out of the process of production and distribution, and are moving into a position of having no relation to these basic economic functions. Historically large groups of African Americans, Latinos and other minorities moved into this class first. But the New Class isn't Black. Layoffs, poverty, and homelessness are hitting whites too. Youth are particularly hard hit.

One of business' goals is to cut taxes and eliminate all other tariffs, fees, regulations, laws and customs that will tend to reduce their final [after-tax] rate of profit. The only way to do that is to eliminate what the taxes are spent for. The programs most vulnerable are social programs that affect specific groups. There is plenty of history and discontent to whip-up in order to swing the political mood behind such cuts, not excluding racial antagonism.

Every proposed change affects millions of people and businesses. It is therefore becoming more difficult to get consensus among the parties. Of particular concern to the rulers are the disenfranchised. Those with less and less political access have no recourse but to demonstrate their dissatisfaction in the streets. That, in the most general way, is what happened in Los Angeles in 1992. The leaders are removing the economic basis of a minimum level of political satisfaction. They are therefore losing the economic basis of their political control and support of the masses of people. They must adopt some other form of control. The laws are being continually molded to do that. The latest efforts include both the termination of affirmative action and the streamlining of death penalty appeal processes.

Programs like welfare reform have been touted as the next step in the process of change. It is not politically viable to call it what it is: the next step in its elimination. The term "welfare" is a collective term covering a number of programs. The elimination of welfare has already led to the elimination of numerous general assistance programs, aspects of supplemental security income, limitation of AFDC and strictures on food stamps. We are told the reform will not go too far, but will merely eliminate "unneeded" programs. Public assistance programs are being dismantled piece-by-piece, programs such as food stamps, AFDC, supplemental security income, social security disability and eventually social security.

What is true for public assistance, among the most vulnerable program, is true of other programs. The effort in education is to eliminate public education and move to private education. Health care is the same: the elimination of public health care and its privatization. We have already proceeded to the point where there are more than 40 million people with no health care of any kind. In parkland, in oil reserves, even in the prison system, they are selling off every possible government function.

No conspiracies

This is not a conspiracy. These things do not happen because business people are bad or just because the wrong politicians are being elected. The reasons run deeper; they are systemic. When these programs were begun many businesses understood that sharing the costs of maintaining a labor force (and relative labor peace) at home was the condition for maximizing profits.

Business no longer feels that necessity. It is educating enough workers to meet its needs. A recent pole showed that 95 percent of Americans feel corporations are responsible to the communities they are in and to the workers they employ[4]. There is no legal basis for that supposition, however. Business is not mandated to provide health care, education or anything else not in its own self-interest.

It is in this sense that the New Class is politically key. It is the members of the New Class who are first experiencing the final vestiges of economic security being removed. As AFDC, general assistance, SSI, food stamps, and housing assistance are curtailed or terminated, they are left without recourse. They are the ones who become homeless, who are left in the streets, who the media and politicians blame in order to turn our enmity against them.

People continually ask, "Why doesn't the government do the logical thing?" Why don't they provide food for the hungry, health care for everyone, and equal schooling for children? Why don't they reform the electoral process so that anyone can run? Why don't they enforce equal rights? The answer is that the politicians are doing the logical thing: logical for them and for the businesses that foot their bills.

There is no conspiracy. The truth is coldly calculated. Business computes how much health care might cost under various proposals and then how much it ought to spend lobbying on the issue. It is just as coldly calculated as calculating how much insurance to get. It is a cost-benefit analysis. It answers the questions of cost minimization and revenue maximization under given conditions. It is not that the system is crazy; it is just that the system is cold, impersonal, calculating and not in the interests of anyone who does not live off profit.

We need politicians and political parties that are willing to take up the fundamental questions. One is, "Why does every law passed have to guarantee profits?" Another is, "Can we actually debate that question openly and fairly in the U.S.?" If not, then politics has to be taken outside the normal, electoral bounds.

Conclusion

Americans have long-established "rights," developed through legislation and custom. They are in serious danger. Their legal basis will never be maintained if the struggle remains within the political parties of the capitalist class: the Democrats and Republicans. But there are no established parties that are even nominally independent of the capitalists. Establishment of such a party must be the next step.

The very technology that seems to be creating the chaos is the solution to it. It is possible to completely eliminate the "Cash Nexus" and replace it with a "Need Nexus." Instead of rationing goods and services on the basis of money income, it is time to move to a system that rations it on the basis of need. When we produce with computers and robots that require no labor, it only makes sense that the fruits of that production process also require no labor. Instead, the goods must be made available to everyone who needs them.

At the same time, there is plenty of work to be done. Education, establishing equality, providing housing, food and health care, rebuilding infrastructure, cleaning up the environment and a million other tasks present themselves. They are not being done because they are not profitable. But they are beneficial, even crucial. If all the work and labor to be done were shared, we could evenly reduce the number of hours and intensity of work. We could raise the standards of living of everyone.

That is the kind of system we need to fight for. The economic basis of the current system is corrupt. It can no longer provide what it once guaranteed: life, liberty and the pursuit of happiness. We, on the other hand, can settle for nothing less.

Endnotes

[1]Technically, there were two downturns, a brief one in 1979 followed by a longer 1980 to 1981 recession. I feel, as did many of my colleagues, that it was actually one long recession with a fortuitous (1980 was an election year), but chance upswing in the middle.

[2]Rationing has become a bad word since the enforced shortages of World War II. What is not said, is that in day-to-day existence, income is a rationing system. Goods and services are rationed to those who have the money to pay for them. The distinction between "demand" and "effective demand" demonstrates this: despite personal demand, you can only buy that for which you have the money.

[3]Business Week, March 25, 1996.

[4] Business Week, March 11, 1996.