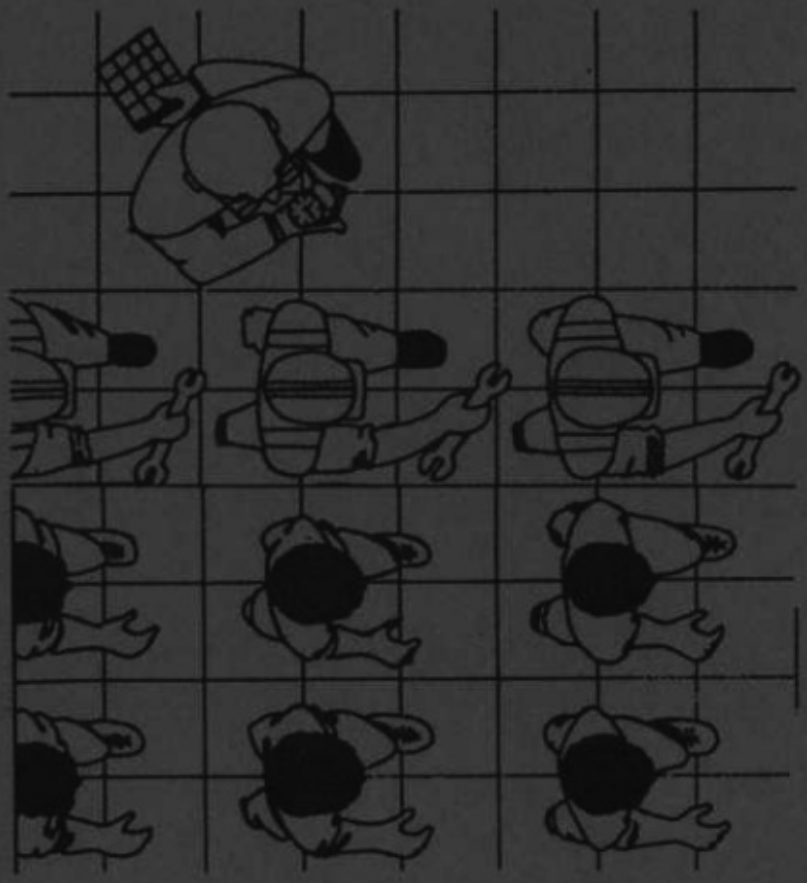
The Inefficiency of Capitalism

An Anarchist View



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See Sharp Press

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Introduction

"Few of us can easily surrender our belief that
society must somehow make sense."
— Arthur Miller

In the summer of 2002, in the wake of several high profile corporate scandals, President George W. Bush tried to reassure a skeptical public that the capitalist "economy is the most creative and enterprising productive system ever devised." Only a couple of months earlier, while celebrating economist Milton Friedman's 90th birthday at the White House, Bush also affirmed, "Today we recognize that free markets are the great engines of economic development. They are the source of wealth, and the hope of a world weary of poverty and weary of oppression." He chastised those who have ever "held that capitalism's days were numbered" or who have believed that "market systems [are] unsuited to modern problems." Such "arrogant experts and grasping bureaucrats," as Bush referred to the naysayers of capitalism, fail to appreciate the freedom and prosperity that capitalism brings. The intent was similar to that of his father, when Bush, Sr., said at his inauguration in 1988, "We don't have to talk late into the night about which form of government is better. ... We know how to secure a more just and prosperous life for man on earth, through free markets...."

The government's commitment to capitalism has been demonstrated repeatedly, not just with rhetoric, as shown above, but also with laws and with action. No matter the political administration in office, elite consensus remains unchanged: capitalism provides liberty and opportunity for all. The Clinton administration passed NAFTA (North American Free Trade Agreement) while arguing the case in exactly these terms. The Bush administration sought to build upon Clinton's achievement by passing the FTAA (Free Trade Area of the Americas) agreement in Quebec in 2001. Both sides of the American political aisle share a commitment to preserving and enlarging the scope of the capitalist economic system.

However, as with so many other things the government supports, people

would be wise to look at this matter critically, and to investigate for themselves if the elite-supported system of "free" markets makes good on its promises. The contention of this pamphlet is that, far from being a system that enables workers or communities to produce and provide at their fullest potential, the capitalist system stifles productive efficiency and is insufficient in at least ten fundamental ways.

So, I'll focus on the inefficiencies inherent in capitalism. A brief look at capitalism's history and structure can help explain why these inefficiencies exist. In addition, I'll also consider what is meant by "efficient" as opposed to "inefficient" a bit later. A working definition of "capitalism" is in order, too. This is provided in the brief historical note on capitalism that follows below.

A Note on Capitalist Ideology

Capitalist ideologues often maintain that, when left untouched, the system works well, but malfunctions when touched by the hand of government intervention. For people who believe this, the general rule seems to be that any time something bad happens under capitalism it is the fault of government intervention (i.e., regulation), and never the result of anything intrinsic to capitalism itself. Taken to its logical extreme, this position leads to anarcho-capitalism, or pure capitalism with no government whatsoever.

Even Tibor Machan, philosopher at Alabama's Auburn University and defender of capitalism, concedes: "Consistent capitalism does not admit of government regulation of the economy, subsidies to business, or trade restrictions." In the real world, however, various capitalist entities enjoy different forms of government intervention. To cite a recent example, President George W. Bush has paced tariffs on foreign steel, so that domestic steel corporations might have a competitive advantage. Sometimes government aid to corporations is even more blatant. Sometimes the government provides outright cash subsidies to business ("corporate welfare"); for example, Archer Daniels Midland, a food corporation, receives billions in federal aid annually, as do many other corporations. The corporations that enjoy these benefits have no interest in a "pure" capitalism bereft of government intervention; they benefit from government intervention enormously. They only oppose government intervention when the government chances to help the poor, workers, and consumers — or competing firms.

In the deepest sense, "capital" is it itself possible only through "government intervention." As German economist and sociologist Max Weber wrote in Economy and Society (Vol. 2), "the existence of a capitalistic enterprise presupposes that a very specific kind of social action exists to protect the

possession of goods per se, and especially the power of individuals to dispose, in principle freely, over the means of production: a certain kind of legal order." This "certain kind of legal order" includes the property laws that capitalists depend upon for their monopoly over the means of production.

The real world of capitalism is one in which capitalists demand state intervention on their behalf while opposing government intervention on behalf of their employees or the poor. In a broader sense, the state is the guarantor of the capitalist system, providing the framework of laws and protections it needs to exist. Taxpayers fund the state, thereby ensuring capitalism's viability. Capitalism cannot exist without a host state, just as corporations cannot exist without property laws, state charters, copyright and patent protections, and a host of other government "interventions."

The government typically intervenes to regulate capitalism when the integrity of certain aspects of the capitalist system are at stake — or most dramatically when the entire capitalist system is threatened. The New Deal of Franklin Roosevelt, a prime example of state intervention in this regard, was not instituted to end capitalism, as some have said, but to save it. With one-third of the population living in poverty during the Great Depression, many no longer saw the point in supporting so-called "free markets" through their taxes and labor. "Unless something is done soon," the Henderson Report to the National Recovery Administration urged Roosevelt in 1935, "they (the workers) intend to take things into their own hands." A society where workers control their own affairs was, of course, unacceptable to capitalists as it threatened their privileges. Roosevelt's genius was to introduce safeguards that preserved the system's long-term viability, though many individual capitalists lamented the safeguards' cost.

Conversely — and perversely — capitalists now often attack some of these safeguards as obstacles to their own unfettered rule, when initially such safeguards were established to provide stability to the system from which they benefit. The welfare system for the poor, for example (as opposed to corporate welfare or welfare for the rich), was largely dismantled in 1996 when President Bill Clinton signed the Personal Responsibility Act. Though done largely at the behest of Newt Gingrich and a Republican congress that led the so-called "conservative revolution" in government in the mid-1990s, the fact that a NAFTA-supporting Democrat would sign legislation that "compels welfare recipients to seek employment and ends six decades of guaranteed cash assistance to the poor" (as CNN stated) should dispel any illusion that either political party differs significantly in its commitment to securing capitalist rule.[1] The welfare system has been made an inefficient, disorganized mess by

1. "Clinton signs historic welfare legislation," CNN, August 22, 1996. Online at: http://www.cnn.com/US/9608/22/welfare/index.html

elites who resent its presence; it could operate more quickly and at much less cost if it were, for example, all consolidated into one department; but due to oversight committees and endless investigation, caseworkers must cross every "t" and dot every "i." And applicants must jump through numerous hoops (interviews in different places, innumerable forms, etc.). This slows aid to a crawl. Additionally, different aid programs are strewn about in various federal or state departments, making poor support much more cumbersome than it need be. Though these programs are despised by the wealthy who see them as an unnecessary drain on their profits and as a sort of "public strike fund" that decreases worker subservience to bosses, they are a necessary component of the systemic stability capitalism needs in order to thrive.

The collusion between the government and capitalism constitutes capitalism in the real world, which is quite different from the academic pipedream of laissez faire capitalism in which government is always an unwanted bully oppressing helpless corporations and entrepreneurs. Capitalism needs a state, and it needs a government to remain stable. In this pamphlet I address real, existing capitalism, in which there is more often than not a "state-corporate nexus," as Noam Chomsky calls it, that functions to serve economic elites. I do not deal with a fictional and romantic capitalism where business would like to do good, but is always prevented from doing so by the government's meddling. There is no basis in reality for this kind of world view, so there's little point in dealing with it further.[2]

In fact, the main reason for this pamphlet is to solve a problem I have frequently encountered in activist circles. Most activists prefer to criticize a highly abstracted entity they call "the system," with reference mainly to vague moral concepts. All the sins of the Church are there: the avarice of profit-hungry bosses, the gluttony of well-fed fatcats, the sloth of the idle rich, and so on. In fact, criticizing capitalism as immoral seems to be the preferred route of many. I, however, seek to place criticism on a different tack. Rather than indict capitalism based on subjective feelings about it, or with reference to a morality not universally shared, it is more useful to look at it in terms of efficiency, productivity, and wastefulness. Viewed in this light, capitalism's inadequacies present themselves clearly.

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2. Just to further illustrate the folly of the view that governments and corporations are somehow opposed, take this sample passage from Winfried Ruigrock and Rob Van Tulder's *The Logic of International Restructuring* (New York: Routledge, 1995) pp. 217, 221-222: "We assess that at least twenty corporations in the 1993 Fortune 100 would not have survived at all as independent companies, if they had not been saved by their respective governments. . . . Virtually all of the world's largest core firms have experienced a decisive influence from government policies and/or trade barriers on their strategy and competitive position. . . ."

"The system is corrupt," you might hear. Okay, but how so? "Because it rewards the greedy at the expense of the less fortunate," might be one response. All right, but how/why does it do this? In any exchange like this, it becomes clear something a bit more definite is needed than simply trying to occupy some moral high ground. Capitalism is "greedy" not because there is something lacking in the character of the system's primary power holders, but because its very structure is such that greed, to one degree or another, becomes a prerequisite for survival. Class division, vast inequalities of wealth, unemployment, poverty, homelessness, destructive competition — all these are hard-wired into the capitalist economy. Convincing the wealthy to become sterling in their conduct would not eliminate these basic features of capitalism (nor would convincing the poor to become sterling in theirs). No matter the personality of the individual capitalist or CEO, he will always feel pressured to lower wages, fire workers, sell products at the highest price possible, and the like, whether he prefers these things as an individual or not. If he does not bow to these economic pressures, his company will be driven out of business. Most capitalists bend to this pressure and do what they must to make their businesses survive. Those in charge that don't bend get kicked out of the game and replaced by those who do. (For example, members of the board of directors replace CEOs that do not make corporations profitable).

Therefore, lest there be any doubt, let me state clearly that the ten inefficiencies I list here are part and parcel of the capitalist system. They do not occur in spite of capitalism, but precisely because of it. Eliminating these inefficiencies can only occur by replacing capitalism with something else. A description of alternatives to capitalism is beyond the scope of this work, but at the end you will find a short list of recommended reading on the subject.

The point here is to clear away the fog of free-market ideology in order to have an honest look at how our system really functions. In the course of this I hope to provide the reader with the intellectual ammunition s/he needs to understand how to change things for the better. Capitalism is a human system; it is not something inflicted upon humanity by forces that we are powerless to resist. It is a case of some humans indirectly coercing others into enriching them. As a human-created system it is mutable and can be changed.

In this regard, this piece has been written in sympathy with philosopher-humanitarian Bertrand Russell's sentiment that "If a majority in every civilized country so desired, we could, within 20 years, abolish all abject poverty, quite half the illness in the world, the whole economic slavery which binds down nine tenths our population; we could fill the world with beauty and joy, and secure the reign of universal peace." I hope that readers will dedicate themselves to these goals.

Notes on the History of Capitalism

Amazingly, most historians and economists agree on when and where capitalism began: around 1500, in Northwestern Europe. It is absurd to place an exact date on the advent of the capitalist economic system; social/economic changes of this breadth occur slowly and over extended periods of time, making it hard to isolate one moment as an exact time of genesis. The title of University of Paris Economics Professor Michel Beaud's *The History of Capitalism: 1500 – 2000* serves sufficiently well to illustrate the consensus on the time frame of capitalism, however.

Capitalism did not arise as a school of thought, nor was it a consciously planned social movement. It had no manifestoes or ideologues, initially. It arose from a broad array of economic trends, laws, and social developments particular to Europe during the late middle ages: the discovery of the Americas, the flourishing mercantilism in medieval city-states, the birth of Protestantism, the freeing of serfs from feudal relations, and later on the Enclosure Acts (abolishing the Commons) in England. Capitalism is a definite phase of economic history, unique in character when compared to the economic systems that preceded it and/or have existed contemporaneously with it. These include feudalism, socialism, slavery, and the tribal potlatch system. Each of these systems has been predominant in different parts of the world at different times.

In Europe, capitalism developed directly out of feudalism around the time of the Reformation, replacing the feudal system of fiefdoms and lords with joint-stock companies and bosses. (The joint-stock company first developed in Genoa, Italy, where ironically recent large anti-capitalist demonstrations occurred.) Newly freed serfs found they often had to rent themselves out to some boss or another in order to pay rent, buy food, and afford other things. Common land holdings were often decreed the private property of this or that official, thereby legally eradicating communal productive relations, driving freed laborers into a new kind of bondage, to new kinds of masters.

Compared to other systems, capitalism is a latecomer. Capitalism is not the "state of nature" any more than feudalism or slavery was the "state of nature." Equating capitalism with a "natural state" — which is a common mistake — benefits capitalists immensely, who of course wish to associate the system they benefit from with the natural state of things. Indeed, it would have come as a surprise to the billions of people that lived in the tens of thousands of years before capitalism that they were not living in the "state of nature."

The Industrial Revolution of the 18th and early 19th centuries saw outputs increase exponentially thanks to various technological innovations, the division

of labor, and the employment of the factory system. This all entailed a militaristic regimentation of production that situated individual capitalists as authorities over broad processes of production and distribution. This kind of control gave capitalists unprecedented power over society.

Always seeking profit, industrial capitalists flooded markets with mass produced goods, employed children and indentured servants, broke unions with either privately hired or state-supplied thugs, and worked employees as much as 16 hours per day. Gains in quality of living came about when workers fought back — as in, for example, the bloody struggle for the eight-hour day — and not because capitalists had attacks of conscience over how workers lived. The humanitarian progress that is often said to have accompanied capitalism often came in spite of the owning class and not because of them. The fights for humane and decent working conditions, livable wages, unemployment insurance, retirement and pension plans, civil liberties while on the job, an end to job discrimination, were (and are!) just that: fights. The successful battle for, example, a minimum wage in the USA was successful only because of a lot of hard organizational work — work that met much resistance from bosses and their lackeys. Gains such as this, once achieved, are constantly under attack by elites who resent them and see them as obstacles to their unfettered power.

It should not be forgotten, either, that the age of capital has seen the most destructive world wars in history — along with the development of nuclear weapons, which have placed the power to destroy all of humanity in relatively few hands. While opportunities for leisure, education, and other forms of self-enrichment have increased for many since capitalism's advent (mostly in the first world), this has come coupled with an unprecedented power to end human life.

"Capitalism" Defined

The capitalist economic model is defined by private ownership of the means of production. "Capital" is a term describing the private ownership of the things that workers must work with in order to receive pay (in other words, the means of production). In this regard, the means of production include workplaces, factories, office equipment, various tools of the trade, and even land itself. "Capital" can also refer to the finances used to purchase these things. Bosses usually privately own these things; i.e. bosses, as a class, have a monopoly on this vast, social, productive apparatus.

The anarchist Mikhail Bakunin wrote: "[W]hat is property, what is capital in their present form? For the capitalist and the property owner they mean the power and the right, guaranteed by the State, to live without working, [and

thus] the power and the right to live by exploiting the work of someone else, [namely,] those who are forced to sell their productive power to the lucky owner of both."

Workers are compelled to submit to bosses because unless they do so they cannot feed, clothe, and house themselves or their families. The "labor market" refers to the market of human bodies that are actively seeking to sell themselves into the service of one boss or another, in exchange for pay.

It is important here to distinguish between private property in the means of production— capital— and private possessions or personal effects. A tool, for example, is not capital unless non-owners work with it in order to receive pay. If a non-owner works with a personal effect in order to be paid by its owner, the property in question ceases to be a personal effect and becomes capital. To cite a trivial example, if a worker owns a toothbrush with which he cleans his teeth, it's a personal possession; but if he uses a toothbrush on the job to clean chrome fittings, it's a (very minor) part of the means of production. Another example: a family's car is purely a private possession when employed for personal use. Another car, however, becomes a part of the means of production when it's used for commercial purposes as a taxi: a worker drives such a car in order to receive a wage (while cab owners reap profits).

In addition to private ownership of the means of production, capitalist systems are also typically characterized by the private ownership of the means of subsistence. This includes food, water, shelter, and the land from which food must grow. The means of subsistence are those things upon which human life depends. As Murray Bookchin states in Remaking Society, "[T]he means of life must be taken for what they literally are: the means without which life is impossible. To deny them to people is more than 'theft' . . . it is outright homicide."

In this sense, capital can also be seen as a secondary means to life, since workers cannot receive pay without working with it. For most, pay is necessary if they are to buy "the means of subsistence"— "the means without which life is impossible." Most families depend upon the work of several family members in order to survive. Without some type of income workers become homeless and starve. To get income they must rent themselves out to whichever boss will have them, so that they might work with the boss's capital.

A society whose principal method of production and distribution is organized along the lines outlined above can properly be called capitalist. The USA is overwhelmingly a capitalist system. In common usage, this is the same as saying that the US is a "free market" society. Profit-driven firms that employ workers, who receive a wage or salary in exchange for their work, are typical of free market systems; these firms market the goods their employees produce in competition with other firms' goods. Likewise, workers market their very

selves on the labor market — also in competition with one another. From this state of affairs comes an individualist ethos that sees the individual as forever in struggle with everyone else, to gain in spite of, on the backs of, or in competition with, others.

From the standpoint of business, the goal is not to provide jobs for workers, or to take care of them, though lip service is often paid to such aristocratic, noblesse oblige ideology. Today one would have to be naïve indeed to believe that capitalists' main interest is in being benevolent social providers. Instead, firms exist to make money off workers' labor and to dominate markets as completely as possible. The well-being of workers and consumers is incidental to this moneymaking activity, and in fact is often in opposition to it.

In other words, the system is geared to the enrichment of the few who happen to own the means of production— arranged today in the form of the corporation. The point of production here is not the satisfaction of human need, but rather the generation of profit. In rare instances the interests of profit and the interests of human need may actually coalesce; but if they do not— and most often they don't, as evidenced by such shameful social problems as homelessness, unemployment, underemployment, poverty wages, and hunger— the side of profit is taken while human need remains neglected. It isn't profitable to eliminate hunger, so it never gets done, for example. The same is true with many other social problems.

The 2002 business scandals involving Enron, Worldcom, Tyco, and other large corporations illustrate sharply the fact that capitalists look out for their own interests before those of anyone else. It is important to remember that this is a constant feature of the capitalist system— it is endemic to it— and is not simply the result of a few bad apples stepping out of line. In a Business Week/Harris poll conducted in February 2002, 79% of respondents said they believed that executives of corporations put "their own personal interests ahead of workers and shareholders." The respondents are right.

Crises and scandals periodically appear because the structure of the system itself gives rise to these, just as it gives rise to a boom-and-bust cycle of prosperity followed by recession. Economist Ed Herman has also referred to a "corporate abuse and reform cycle" in which corporations routinely overstep their bounds, causing financial crises that lead to government intervention. The public picks up the pieces of the damaged caused by the recurring abuse, whether they had a role in making destructive decisions or not (and in capitalism, 99.9% of the time they don't). A good example of this is the 1980s/early 1990s savings and loan fiasco, which cost the public hundreds of billions of dollars in bailing out bankrupt savings and loan institutions. When Ronald Reagan and Co. "deregulated" S&Ls, drastically reducing government supervision, the corporate sharks running them behaved exactly as one would

have expected: they went into a feeding frenzy, leaving working-class taxpayers to pick up the bloody pieces.

To sum up, capitalism demands that the needs of the majority of humanity be put forever on hold while business owners fatten their coffers. The logic of capital determines to a large degree how society is shaped. On the one hand, capitalism has led to technological developments that have increased productive outputs exponentially. Capitalism has shown that humans can produce abundantly and with much less labor than ever before thought possible. But the problem is that rather than turning these innovations to the public good, they are squandered on enriching owners. This has resulted in much waste, lost potential, and in real human suffering.

Our concern should be to preserve and expand upon the good things that have come about in the course of the development of capitalism— like increased productive outputs — while putting an end to the negative things that have also arisen, such as irrational distribution patterns and mass poverty.

"Efficiency" versus "Inefficiency"

"Efficiency" is a notion that acquires meaning only through context. Divorced from real life situations it is vacuous and cannot be said to be good or bad. For example, finding a means to more efficiently slaughter people is not a desirable goal. Here, "efficiency" would be a bad thing.

Many companies search for more efficient ways to defraud, exploit, and manipulate consumers. Most people do not look kindly upon businesses that try to rip them off, however, even if it is efficiently done. In this instance, most would also consider efficiency undesirable.

Slavery was seen as an efficient economic system by many, mainly by those elites who used slaves as a means to enriching themselves. At various times, corporations have also tried to take advantage of slave-like conditions in order to exploit workers. During World War II, the German corporations Krupp, Bayer, Daimler-Benz, and IG Farben, with the cooperation of the Nazi government, used the labor of Jews and political dissidents imprisoned in work camps. From the standpoint of company owners, such an arrangement was extremely efficient. What is efficient here for businesses is not necessarily good for society.

If "efficiency" is to be judged in terms of profit generation, then indeed our current economy is extremely efficient. But when judged in terms of meeting basic human needs or in realizing human potential, our form of capitalism is very inefficient. We have a profit-driven, and not a need-driven, economy.

I propose that it is human need that should be efficiently met, however. Not

profit. And that is the assumption that is implicit in this pamphlet— that as many humans as possible should benefit from the economic system of a society. Not simply the most powerful, or those who own the most. Likewise, an economic system should be judged inefficient to the degree that this does not occur.

To put this in slightly more technical terms, we'll define a process as "efficient" to the extent that it maximizes the amount of useful goods and services produced (that is, those which meet human needs) and minimizes the amount of labor and natural resources used in the production process. (Of course, "minimiz[ing] the amount of . . . natural resources used" also means minimizing environmental degradation.)

Conversely, a process is "inefficient" to the extent that it maximizes the use of labor and natural resources (that is, to the extent that it wastes them) while producing little or nothing in the way of useful services or resources.

10 Inefficiencies of Capitalism

1. Product Duplication. Different companies make myriad versions of what is basically the same product, wasting resources, time, and labor in the process. One can find ample evidence of this simply by taking a trip to the local supermarket. It's not uncommon to find an entire aisle devoted to a single type of product, such as, for example, breakfast cereals. According to food industry sources, the average supermarket contains 60 varieties. "The variety of shapes, sizes and flavors available is incredible considering that breakfast cereals all start with the same basic ingredients — grain, sweeteners and flavorings," writes Scott Hegenbart, editor of Food Product Design, an industry trade journal.[3] Many of the breakfast cereals displayed are knock-offs of one another; some are simply generic store brands that offer a near-identical product at a lower price.

There are also literally hundreds of different kinds of automobiles. Most serve the same function: transportation. However, even specialty vehicles proliferate, comprising their own sub-categories. Sport Utility Vehicles (SUVs) are one of the better examples of this. According to a January 28, 2002, Business Week article, there are 42 different SUV models currently in production. In addition to this, a new type of car, the "crossover model," which combines features of pickup trucks, SUVs, and station wagons, claims 18 different types in development. "Pretty soon, we'll have as many vehicle categories as we have vehicles," General Motors product development chief Robert A. Lutz remarked.[4]

Leaving aside the irony that SUVs are rarely employed for off-roading (indeed, many lack 4-wheel drive capability and are built on top of car frames), or that they cause tremendous ecological damage, one has to wonder how 20 years ago people ever survived with only a measly four or five different kinds of SUVs to choose from, something rendered all the more puzzling given that far more of the world was undeveloped then than now.

Product duplication occurs in more than just breakfast cereals and

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3. "Mastering the Morning: Creating Breakfast Cereals," by Scott Hegenbart, *Food Product Design*, July 1995. On web at http://www.foodproductdesign.com/archive/1995/0795CS.html

4. "Attack of the Killer Crossover Cars," by Kathleen Kerwin and David Welch, *Business Week*, January 28, 2002. On web at http://www.businessweek.com/magazine/content/02_04/b3767077.htm

automobiles. It occurs in most large markets. There is even an industry name for this phenomenon: "product parity." Microsoft's bcentral.com, a web site set up as a resource for small businesses, claims, "We live in an age of product parity, when most offerings are essentially 'good enough'." This is because we live "in a marketplace already crowded with reasonably good alternatives." It laments that "Once upon a time, products had real differences."[5]

Industry executives attribute product duplication to consumer desire for variety, when in reality it represents a shrinking of choices for consumers. (Capitalist inefficiency #8 — "Creation of False Desires" — deals with this matter further.) In a market economy, for example, variety is widely held as the logical counterpart to freedom of choice. Nevertheless, as the capitalist economic model becomes globalized, the idiosyncrasies of regional production are often replaced with uniform products and services, not a variety of them. Some have called this phenomenon the arrival of global "monoculture." The International Hotels Environment Initiative states, "[T]he idiosyncrasies of every corner of the land [that past farmers] worked were understood by each generation of farmers. As a result, numerous varieties of crops and breeds of domestic animals evolved to meet the needs of micro-climate, aspect, soils and season. In Britain alone, for example, there were over 2,000 varieties of apple."[6] This is the case no longer, as transnational agribusinesses dominate. Ironically, it is often those who oppose capitalism that are charged with wanting to build a world of bland similarity. Globalized capitalism is accomplishing this well enough without the help of any radical anti-capitalists.

The consumer's freedom to choose is constrained by the sorts of product lines businesses decide to present. Within corporate-defined parameters, consumers are indeed free to choose — but only if they have enough money to afford to choose between competing varieties of the same product. "In a world of product parity," Microsoft's business advice columnist says, "it's crucial that you leverage consumer emotions in your favor," since the array of similar quality items ensures that "only this will make consumers choose your product."[7] Alternatively, as Newsweek mentioned in the article "Psyching Out Consumers," "many products are so similar that differentiating one brand from another is critical" for manufacturers.[8]

Ironically, companies that provide competing versions of the same product

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5. "Branding: a key strategy in the age of parity," by Sarah White, at http://www.bcentral.com/articles/demographics/120.asp

6. "What We Eat is What We See," *Green Hotelier Magazine*, Issue No.15 - July 1999, online at http://www.ihei.org/HOTELIER/hotelier.nsf/content/b1c2b3e4.html

7. See note 4.

8. "Psyching Out Consumers," *Newsweek*, February 27, 1989.

do not do this to contribute more to the public store of available goods, but to instead drive fellow producers out of business, and thereby secure a greater hold on the market they supply. Of the 80 or so brands of toothpaste that one can choose from, for example, none of their makers considers itself as trying to enlarge the scope of choice available to the consumer, but as instead trying to restrict it, by out-selling competitors and hopefully financially ruining them. From each company's perspective, product variety is a problem. The most desirable state of affairs for each company is one wherein the consumer has only one choice: it.

Another example of how variety is quashed by capitalism: The US Early Rice corporation, subsidized by the US government like many domestic food producers, has become the rice supplier for at least 50% of the consumers in Haiti. This happened after a long trade battle drove native rice growers to abandon their own farms, which became increasingly unprofitable as cheap US food came in. The International Monetary Fund, one of the institutions of the "de facto world government," as Noam Chomsky calls it, and a key engineer of the capitalist globalization process, declared that Haiti had to "play fair" and open its rice markets to low-cost Early Rice products. Once Haiti did this, local growers went out of business, unable to compete with rice subsidized by the world's most powerful economy. Now Haitians have less choice in what they buy — not more — because of capitalist competition. (This has also caused bankrupt Haitian farmers to leave the countryside for the cities in search of work, thereby lowering the wages of urban workers and increasing Haiti's reliance on foreign food.)

In addition, there are other major inefficiencies involved in product duplication: 1) the unnecessary design and production of innumerable different packages when a few would do; 2) the near-continual revision of package design in an attempt to set apart Brand A from Brands B thru Z; 3) the necessity of advertising to create the false impression of difference between brands when no meaningful differences exist; 4) the existence of bloated transit fleets to transport relatively small quantities of different brands to many locations; 5) the existence of numerous, small facilities (with duplication of equipment) to produce different brands, when consolidation to produce a few types could be done in larger facilities with less duplication of equipment, less land use, and the like; and 6) the bribing of retailers for favorable shelf space, the cost of which is passed onto consumers.

In the meantime, as capitalists provide duplicates of each others' products —each hoping to curry favor with a public that is not allowed to have a voice in the production of these goods — labor, *materiel,* and other resources are squandered.

2. Systemic Unemployment. Because not all of the population that wants to work is needed by employers all of the time, many workers find themselves sitting on the sidelines, idle whether they prefer it or not. Under capitalism, excess labor is a problem; it is "excess" because it is superfluous to the money-making needs of business. Under a more rationally planned system, "excess" labor would not be a problem, but an asset. The more labor, the better. More work could be accomplished, and in less time.

In fact, it is plainly obvious that there is much necessary work going undone: housing could be built, food could be produced and distributed to the needy, health care could be provided to all, etc. This is important work, but it does not get done because capitalists do not generally find it profitable. Business employs few people to provide goods for the poor, for example (except guns, liquor, tobacco, and funeral homes). There is little money to be made in rendering services to the poor; by definition, they have little or no money to pay with.[9] In the mid-1990s, the International Labor Organization (ILO), the labor rights arm of the United Nations, estimated that the global unemployment rate was 30%. When 30% of Americans were unemployed in the 1930s, it was called the Great Depression. Then the problem, as now, was that those who owned the resources with which productive work could be done — the means of production — were simply not willing to hire everyone who wanted to work, because not all workers were needed for what the bosses wanted them to do. These excess workers of today find it hard to survive without a paycheck, and often live in societies where social safety nets are nonexistent or are under attack by right-wing forces. From the standpoint of capital, these unemployed humans are a "surplus population."

Given the misanthropic goals to which corporations often find themselves committed, it should come as no surprise that some unemployment is actually desirable from the standpoint of corporate profitability. University of California at Berkeley Sociologist David R. Simon writes, in Elite Deviance, "Sustained full employment [that is, 100% employment] is a threat to corporations. For when there is full employment, the labor market tightens up, unions become more combative, and wages tend to rise at the expense of profits."

Full employment creates a "seller's market" of workers trying to sell their skills to corporations; in a seller's market, workers command higher wages because they have so many potential buyers. But corporations are more satisfied when the market favors them as purchasers of labor, and they do what they can to ensure that that is how things remain. In the article "Above-it-all CEOs forget workers," USA Today complained, "People are still the most

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9. Money *can* be made if a state agency or charitable foundation provide grants to groups that perform useful services, but this depends upon the sort of state intervention or selflessness that runs counter to the competitive drive of capitalist production.

expensive part of running any business. If a CEO can get rid of a whole bunch of them, he might be able to make his year-end numbers look better."[10]

Some social theorists have called the idle workforce-in-waiting — the unemployed — the "reserve army of the unemployed." From the employer perspective, this kind of unemployment is beneficial, since it tends to depress the wage demands of the employed. Many become thankful just to have a job when there is unemployment. Company owners know that workers tend to put their pay demands on the back burner during times of high joblessness, and will often even swallow significant pay cuts, as the mechanics working for United Airlines did in 2002.

It is odd that according to the ILO report "Key Indicators of the Labor Market 2001–2002," the average American work week is increasing every year (it's now the longest of any in the industrialized nations), even as millions sit out in the streets, of no use to the economy. During the Great Depression, many labor unions proposed that reducing the work day in half (while retaining a full day's pay) could solve unemployment. This way twice the amount of people could be employed, eliminating most if not all unemployment. Needless to say, employers did not like this idea and preferred to squeeze as much work out of their existing employees as possible, rather than take on any new workers, whose pay would cut into bosses' salaries and profits.

Economists from the University of Chicago, home of the pro-capitalist "Chicago School" of economics, maintain that there is in fact a Natural Rate of Unemployment (NRU). (The concept often appears interchangeably with the Non-Accelerating Inflationary Rate of Unemployment, or NAIRU.) This varies between 4% and 9%, depending on certain variables. When unemployment dips below the NRU, the economy becomes inflationary, the theory goes. Prices begin to rise, because workers begin expecting greater pay. To make up for what they must pay their workers, corporations start charging consumers more for goods and services.

It is at this point that the corporate system turns to the state for help, and finds it in the form of the Federal Reserve. The Federal Reserve complies by adjusting interest rates upward to ward off the inflation that low unemployment and high wages are said to cause. (In reality, high wages drive down profits—at least in those segments of the economy where competition still exists. In a truly competitive economy, corporations would be forced by high wages to cut profits to the bone in order to keep their prices competitive, and thus keep their products attractive in the marketplace. Corporations can only pass along the cost of high wages to the public, while protecting their profit margins, in a

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10. "Above-it-all CEOs forget workers," by Alan Webber, *USA Today*, November 12, 2002, page 13A. Online at:
http://www.usatoday.com/usatonline/20021111/4610356s.htm

noncompetitive environment. That almost no one is aware of this basic principle of competitive economics is a graphic demonstration of how far current corporate capitalism is from the *laissez faire* ideal, and how nearly everyone takes this state of affairs for granted.)

When unemployment gets "too low," the raising of interest rates helps discourage corporations from hiring new workers or raising existing workers' pay, effectively halting pay increases for average people. Taxpayers pay the government to intervene in the economy in this way, which is again an acceptable type of government meddling into the economy that otherwise "anti-government intervention" free marketeers don't seem to mind.

Taxing the public so that the government can manipulate financial markets to keep unemployment steady seems beyond "inefficient." It could more fittingly be described as anti-human. But it is also extremely inefficient in that much labor that could be used to do productive work is held out of the economy. This is inefficient not only for unemployed individuals, but for society as well, since society's full productive possibilities are never realized.

As Harvard economist John Kenneth Galbraith stated in an essay published under the title "Capitalism Relies on a Permanent Underclass": "[T]he underclass is integrally a part of a larger economic process and, more importantly . . . it serves the living standard and the comfort of the more favored community. Economic progress would be far more uncertain and certainly far less rapid without it. The economically fortunate, not excluding those who speak with greatest regret of the existence of this class, are heavily dependent on its presence."

3. Cost-Shifting. Although many of the inefficiencies listed in this pamphlet have significant areas of overlap, it seems likely that no single inefficiency is as pervasive as the phenomenon of cost-shifting. Perhaps the most basic form of cost-shifting comes in the form of business owners shifting the cost of risk onto their employees. One of the founders of American sociology, William Graham Sumner, wrote in the 19th century, "One of the worst features of the existing system is that the employees have a constant risk in their employer. If he is not competent to manage the business with success, they suffer with him." In fact, businesses routinely pass on the costs of mismanagement to their employees.

Economist Martin O'Connor, in "On the Misadventures of Capitalism," defines cost-shifting as "a systematic displacement of costs away from private capitalist enterprise onto the state and taxpayers, workers, the public at large, future generations, and non-human nature. Competitive enterprises will seek to lower input costs and to offload costs onto other parties (government, communities, future generations, etc) when profits and survival are under

threat." The cost of capitalist overproduction is also generally shifted to taxpayers as taxes are levied for waste disposal and environmental cleanup — both in the form of taxes, and in the form of ill health, or even death — as shown in Section 4. Similarly, the costs of pollution and environmental ruin are shifted to communities who had no say in the damage caused.

As Noam Chomsky and others have pointed out, the military-industrial complex in the US is largely a subsidy to high-tech industry. The NASA magazine Spin Off proudly catalogues all the various innovations that have been funded by the public — but which have gone on to make one corporation or another millions. The Internet is perhaps the most pertinent modern example of this phenomenon. The cost of research and development is usually picked up by the public, much as in authoritarian socialist regimes. Similarly, there is much pressure by private industry to tailor school programs towards "relevance" — that is, corporations prefer to shift the costs of training workers to the public school system so that it will churn out ready-made employees at no expense to the corporations. Likewise, many state colleges and other public educational institutions become little more than job training centers as corporate dominance encroaches onto their turf.

From a business standpoint, it makes sense to shift costs onto the public; after all, costs that are not sustained by the corporation mean larger profits for owners. Never mind that cost-shifting violates one of the principles of free market ideology, which stipulates that those who take the risks should accept their outcomes, and that those who incur costs should pay them. Through cost-shifting, businesses attempt to get as much of a free ride off the public as they can, even as they preach the immorality of lower class "free riders" who unfairly live off everyone else via the public welfare system.

Public roadways are a means of indirect subsidy to the auto industry, i.e., a means of shifting the cost of automobiles onto the mass of the population, whether they use automobiles or not. But publicly funded roadways are also a form of cost-shifting for another industry: housing developments.

As developers search for ever-cheaper land on the outskirts of urban centers, urban sprawl is created, adding to the publicly shared cost of transportation infrastructure, usually in the construction and maintenance of roads and sometimes in the funding of bus systems. Extension of public utility grids to serve outlying developments is still another form of cost-shifting, in that the costs of this new construction is passed on, for the most part, to existing ratepayers.

From a market standpoint, this is inefficient in that businesses are shielded from paying the actual costs of their operation — they are subsidized by the public and as a result those that are not the "best" on their own merits remain artificially "successful." From the standpoint of the poor and working classes,

however, subsidizing wealthier proprietors and corporations from out of one's paycheck is remarkably inefficient (not to mention unjust).

Ironically, cost-shifting has one further consequence: it ultimately drives the cost of doing business up. As corporations shed costs onto the public, the public demands higher wages (in order to deal with these costs), which in turn come from corporate revenues. We are thus led, in a roundabout way, to the paradox that capitalist standard practice (cost-shifting) is itself inefficient for capitalism.

4. Waste of Unsold Goods. Companies often trash what doesn't sell. This is true not only for perishable items, such as foodstuffs, but also, at times, for larger machinery, such as appliances and industrial equipment. It is not profitable to give things away. Rather than donate them, capitalists often prefer to see their unsold goods destroyed.

Restaurants, bakeries, and grocers are among the worst in this regard. Daily, these kinds of businesses produce much more than they ever sell; in fact, owners usually over-produce consciously. But rather than give away unsold food at closing time, it is often thrown out. Some restaurants and grocers even lock down their trash cans with padlocks, or pour bleach over the food to ensure it is not eaten. Inspecting an alley behind almost any row of restaurants should be enough to affirm this. It is usually more profitable to let food rot away in storage or throw it away spoiled than to give it to the poor.

All of this wasted food costs money to dispose of — often taxpayer money — and when it is deposited in landfills, its decomposition can create methane gas, which contributes to global warming. The public pays for the consequences of corporate overproduction in more ways than one. New York City's Department of Sanitation, a taxpayer-funded agency, reports that in New York City alone food establishments generate 433,000 tons of waste annually.[11] Guess who foots the bill for the disposal of most of this.

Statistics on annual food waste in the USA are hard to calculate. However, if the US is anything like its capitalist South Korean ally, then the numbers are grim. A March 4, 2002 Reuters article titled "S. Korea Wastes More Food Than North Produces" claims that "South Koreans threw away more than four million tons of food last year [2000], an amount greater than the total staple food production in North Korea," according to a South Korean government report. The Economic Research Service (ERS) of the US Dept. of Agriculture (USDA) states that 12 million American households suffer from "food insecurity," defined as "limited or uncertain access to enough food," while 4 million households suffer from moderate to severe hunger. In the meantime, in

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11. Statistics provided by NYC WasteLeSS at http://www.nycwasteless.com/gov-bus/Sector/retailf.htm

1995 alone the ERS estimated that America wasted 28 billion pounds of food. Globally, the ERS states that at least 800 million people go hungry every year.

The US government also states that annually America produces 208 million tons of waste. This includes appliances and machinery that could be used for production and/or distribution, but are trashed because they have no buyers.

5. The Inefficiency of Hierarchies. Capitalist hierarchies have an unfavorable effect on productive efficiency. Workers that are the most intimately acquainted with the production of a certain good, because it is their daily job to produce it, often have to defer decisions to managers who have little contact with their day-to-day work. As the uninformed (and out of touch) deign to tell their underlings how to do their jobs, mistakes multiply.

Many anarchists have focused on this problem. Recently, Chaz Bufe wrote in "A Future Worth Living" that due to capitalist organizational structure "decision makers cannot have a full grasp of the facts when they make decisions. To give an example, let's take a large corporation with 100,000 employees. Let's say that this corporation has a small research branch employing 100 people working on one particular problem. Who will be better informed about possible solutions to the problem — the 100 people working on it, or the 10 people on the corporation's board of directors who receive their boiled-down information through a chain of command? Complicating matters is the tendency of those in positions of command to blame the messenger when bad news arrives. This often — one is tempted to say always — results in those in subordinate positions hiding anything negative, and thus those at the top often receive very skewed information. It's little wonder that hierarchies are plagued with inefficiencies and that those at the top so often make bad decisions."

Anarchist Peter Kropotkin also argued that those on the front lines of production, nearest to the communities they work in, are much better situated to solve problems of production than are distant decision makers: "[P]roduction and exchange represent an undertaking so complicated that no government (without establishing a cumbersome, inefficient, bureaucratic dictatorship) would be able to organize production if the workers themselves, through their unions, did not do it in each branch of industry; for, in all production there arises daily thousands of difficulties that . . . no government can hope to foresee . . . . Only the efforts of thousands of intelligences working on problems can cooperate . . . [to] find solutions for the thousands of local needs . . ."

An illustration of this — of how important the ingenuity of workers is in production — is the "work to rule" union tactic. Here, workers perform their tasks exactly according to the rules of their corporate managers. The result,

invariably, is that production slows to a crawl — if it doesn't grind to a halt.

Within the hierarchies of capitalist firms, competition deserves much of the blame for inefficiency as well. Workers compete with each other not only in a positive sense — as in trying to come up with the best idea — but also in a negative and destructive sense, as in trying to sabotage one another. This produces the cutthroat business environment that causes so much stress, absenteeism, and ill will amongst workers.

The pyramidal shape of power within capitalist firms, in which capitalists sit on top and control the system of rewards and punishments for their underlings, ensures that workers have to battle one another to gain favor in order to advance. Under these conditions, new ideas for products, innovations, etc., are often pursued because they might help ambitious individuals advance upwards, or sate the egos of superiors, rather than how well, for example, they address public need (or, in many cases, even how they might enhance profitability). Advancing up the capitalist hierarchy becomes an end in itself; projects are proposed only because they advance the individual interests of those promoting them.

6. Planned Obsolescence. Vance Packard's classic 1957 book, *The Waste Makers*, delved into the shameful history of corporations artificially limiting the life span of their products to increase revenue. If people need to replace products more often, the logic goes, they will be driven to return to the market, feeding more money to manufacturers. In practice, capitalist firms have resisted making goods that are as durable as they could be, opting instead to make inferior products that need frequent replacement.

In one famous case from the 1930s, an engineer for General Electric proposed increasing sales by making lamp bulbs last only for the duration of one battery, as opposed to the three batteries they originally required.[12] In 1934, the Society of Automotive Engineers proposed limiting the life of automobiles, according to Dr. Sharon Beder's "Is planned obsolescence socially responsible?", an article that appeared in the November, 1998, issue of *Engineers Australia*.

The ethical dilemma that many engineers have repeatedly found themselves in, Dr. Beder reports, is one wherein they must choose between using their "creative engineering energies toward short-term market ends" or pursuing "lofty and ambitious engineering goals" where products are made as long-lasting as possible. In a *Design News* editorial printed near the end of the 1950s, E.S. Safford wrote that "Instead of trying to build the best, the lightest,

12. "Is planned obsolescence socially responsible?" by Dr. Sharon Beder, Engineers Australia, November 1998, p. 52. Online at: http://www.uow.edu.au/arts/sts/sbeder/columns/engcol8.html

the fastest and the cheapest, engineers should be able to apply their skills to building shoddy articles that . . . fall apart after a short amount of time." This ensures consumers return to the market more often.

In an August, 1998, *Fortune* magazine article, writer Paul Lukas states that "many manufacturers, no longer content to spur repeat sales simply by making consumer goods that break down or wear out, now offer products that tell the consumer when they're breaking down or wearing out." He gives as an example a Gillette shaving cartridge with a blue stripe that fades to indicate when it needs replacing. He found it indicated it needed replacing whether it really did or not.

Dr. Beder also notes that in "*InfoWorld* magazine columnist Ed Foster suggests that the computer industry often makes relatively recent computer systems obsolete by discontinuing parts or accessories for them." A Montgomery County, Maryland government web site that focuses on waste notes how perverse it is that it is often "more cost effective to replace small appliances than repair them. Computers are frequently outmoded before we remove them from their boxes."[13] When it becomes more cost-effective to junk items and buy new ones, instead of repairing the old ones, waste increases — and the costs of waste disposal and elimination are usually publicly shared (that is, cost-shifted) through taxation.

7. Price Gouging. The "law" of supply and demand stipulates that price levels decrease or increase given the relative supply of and demand for goods. Greater demand for an item seems to inflate its price if it is not supplied in abundance. For example, during the 1980s Cabbage Patch Kids were a best-selling toy item that became hard to find due to their popularity; consequently, they sold at high prices.

In his classic *Wealth of Nations*, Adam Smith wrote a famous passage that for many economists explained perfectly the balanced social order that should result from the trade-offs between supply and demand: "As every individual, therefore, endeavors as much as he can both to employ his capital in the support of domestick industry, and so to direct that industry that its produce may be of the greatest value, every individual necessarily labours to render the annual revenue of the society as great he can. He generally, indeed, neither intends to promote the publick interest, nor knows how much he is promoting it... he intends only his own security . . . he intends only his own gain, and he is in this, as in many other cases, led on by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest, he frequently promotes

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13. "Environmental Protection," online at:
http://www.co.mo.md.us/services/dep/Conservation/food.htm

that of the society more effectually than he really intends to promote it. I have never known much good done by those who affected to trade for the publick good."

However, in crises such as earthquakes, floods, and war, demand for goods often increases exponentially while supply falls off. During recent Texas floods, demand for housing was intense as many families saw their homes permanently ruined by flood waters. Replacement housing was hard to come by. Proprietors, who much like Smith's merchants above "intended only their gain," began charging exorbitant rates for hotels and other temporary housing accommodations. It is hard to see what social good came from this.

Author William Blum describes a similar situation in California:

> Following the 1994 earthquake in Los Angeles came the cry from many quarters: Stores should not be raising prices so much for basic necessities like water, batteries, and diapers. Stores should not be raising their prices at all at such a time, it was insisted. It's not the California way and it's not the American way, said Senator Dianne Feinstein. More grievances arose because landlords were raising rents on vacant apartments after many dwellings in the city had been rendered uninhabitable. 'How dare they do that?' people wailed. The California Assembly then proceeded to make it a crime for merchants to increase prices for vital goods and services by more than ten percent after a natural disaster. In the face of all this, one must wonder: Hadn't any of these people taken even a high-school course in economics? Hadn't they learned at all about the Law of Supply and Demand? Did they think the law had been repealed? Did they think it should be?

Later, Adam Smith admitted that businessmen are "an order of men whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even to oppress the public, and who have, upon many occasions, both deceived and oppressed it."

The laws of price gouging, profiteering, and shameless opportunism become most obvious when a needy and desperate population presents itself to those holding needed resources. But these laws exist at all times under capitalism, to the detriment of all (except the gougers).

8. Creation of False Desires. Entire public relations (PR) industries exist to convince you to buy things you don't need. The whole Madison Avenue system of ad agencies employs legions of people who hope to seduce you with images of sex, belonging, and personal fulfillment, so that you will be induced to buy all sorts of products. (And, let us remember, these ad agency folks do not produce anything that is remotely useful, let alone anything that would justify their extremely high salaries.)

Hype is built around products to make them trendy. Ad campaigns try to get you to purchase on command. In advertising, this is known as "Motivational Research" (MR). Louis Cheskin, one of the pioneers of this field, claimed that MR was beneficial to those trying to sell products because it was "designed to reach the unconscious . . . mind because preferences are generally determined by factors of which the individual is not conscious." Ernest Dichter, PhD, Director of the Institute for Motivational Research, claimed that a successful advertising firm "manipulates human motivations and desires and develops a need for goods with which the public has . . . been unfamiliar — [and] perhaps may be even undesirous of purchasing." "Depth studies," "thematic apperception tests," and focus groups were created and utilized to discover how to best get people to purchase what businesses offered — whether they needed it or not.

One problem that ad executives ran up against was that many people seemed to be satisfied with what they had, or who they were. This wasn't good for business. By the 1950s, advertisers had to become "merchants of discontent" to persuade people that what they had wasn't really good enough, or that who they were wasn't good enough. In a 1987 Forbes article, Jeffrey Sonnenberg wrote: "Today every major ad agency has a research department that keeps sociologists or psychologists or anthropologists on retainer" to find out what makes people tick. Eric Clark's 1989 book, *The Want Makers: The World of Advertising — How They Make You Buy*, claimed, "Today advertising is vast, increasingly global and more and more 'scientific' in its methods. Its domination over the kind of programs we watch, the content of the newspapers and magazines we read, grows each year. It helps determine the politicians we elect, the medicines we are offered, the toys our children demand, and the sports that are to thrive or decline.

All of this is new in its size and its range, its implications and its dangers. Election appeals have become interchangeable with Coca-Cola commercials; products themselves are no longer simply sold by advertising — increasingly they are the advertising." We also end up with a society where "everything which is not produced as a commodity . . . is [nonetheless] treated as if [it were] a commodity.[14]

All of this marketed discontent creates a society that is unpleasant to live in. People end up with self-esteem problems, depression, and stress-related disorders, which in turn require substantial industrial resources to address. (Not all of this is due simply to advertising, but the link between poor self-image, for example, and advertisers' ideal body type — for women, especially — has

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14. On the misadventures of capitalist nature. in M. O'Connor (ed.) *Is Capitalism Sustainable? Political Economy and the Politics of Ecology*. New York: Guildford Press, pp. 125-143.

been well documented.[15]) Additionally, there is a growing body of evidence that says that depression and stress-related anxieties may overtake physical illnesses as major causes of disability in the near future. In fact, the Harvard School of Public Health says that, given current trends, by 2020 Major Depression will be second only to heart disease as the most common form of disability in adults.[16] Making people chronically dissatisfied with life and with themselves has its broader social costs.

"We move into the chilling world of George Orwell and his Big Brother as we explore some of the extreme attempts at probing and manipulating now going on," Vance Packard wrote in his best-selling book. To ad firms, the average human "more and more is treated like Pavlov's conditioned dog." Elsewhere, Packard's Hidden Persuaders proclaimed: "The use of mass psychoanalysis to guide campaigns of persuasion has become the basis of a multi-million dollar industry. Large scale efforts are being made, often with impressive success, to channel our unthinking habits, our purchasing decisions, and our thought processes by the use of insights gleaned from psychiatry and the social sciences." Advertising Age, the ad industry's main trade journal, has featured advertisements by ad agencies trying to sell their services to political parties, offering to turn apathetic or hostile voters into eager supporters, as in one ad by Bush campaign ad agency Spark KJS where a picture of a smiling George W. Bush is accompanied by the line, "If we can create advertising that persuades Hispanic Democrats to vote Republican, we can get them to buy your product."

No matter what you think of the movie — and I have mixed feelings about it — *Fight Club's* Tyler Durdan may have had a point when he said, "We work jobs that we hate to buy things we don't need." (The real tragedy still is, however, that people must work jobs they hate to buy things they do need.) People buy cellphones and pagers only to find that these things tether them to their jobs after hours, when many feel they should be left alone to spend time with their family and friends. Time-saving devices such as computers and other hi-tech gadgets multiply even as people find they have less time than ever to do what they really want. A study conducted by Telewest Broadband, a cable

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15. David I. Ben-Tovim writes, for example, "It is ironic that as food surpluses have become commonplace in the western world, an increasing value is put on a female body shape that less healthy communities seek to avoid. Women in western societies are in the grip of an epidemic dissatisfaction with their own bodies', feeling that they are too-fat, almost irrespective of their actual body shape and size." He refers to this as a "normative discontent" in the US in "Is Big Still Beautiful in Polynesia?," *The Lancet* Vol. 347 No. 9034,1047 – 1049.

16. Report cited at "U.S. and Global Health Needs to Change Dramatically: By 2020 Chronic Diseases to Replace Infections" at http://www.viewsmakingnews.com/policy/global_disease.shtml

company, found that time-saving and labor-saving devices were saving people only 360 seconds (six minutes) per day as compared to several decades ago. This is in spite of the fact that more people than ever claim to feel rushed and/or stressed out.

Often, companies produce merely to satisfy some passing trend that has nothing to do with long-term needs or interests. Sometimes, goods are produced simply on the strength of a taste perceived in the public, but when the goods are finally delivered to store shelves, public taste has changed, and so the goods go unsold.

Enormous resources and work hours are also spent on trying to find out what's cool or what might be the "next thing." Corporations are always seeking to capitalize on youth subcultures and the musical styles, fashion, sensibilities, and other accouterments that come with them; over and over again, culture becomes commodified and sold back to the very people it is taken from. Worse, corporations often try to manufacture fads by making hip, edgy commercials — or by staging PR stunts and campaigns — that are supposed to generate trends all by themselves. (Media analyst P.N. Myers writes in the Journal of Communication, "A study of 4,294 tv commercials showed that one out of every 3.8 commercials send some sort of 'attractiveness message,' telling viewers what is or is not attractive.")

The creation of false desires fuels the capitalist economy to a large degree — it encourages people to spend time and money on things that are unnecessary, but which seem to offer fulfillment of one kind or another. While people will always have basic wants, such as food, clothing, and housing, consumers can be coaxed to buy many of the "luxuries" capitalist society has to offer only if they feel dissatisfied in some area of their life. The massive spending and research efforts of advertising firms are a tremendous waste of money and resources; they only serve to manipulate — generally for the worse — the public consciousness. This has shaped contemporary culture to no small degree; however, the extent to which advertising and media culture has conditioned commonly held desires and aspirations is hard to calculate, but is certainly very large.

The point here is not to say that what people want is bad (it may or may not be). Guilt-tripping consumers usually serves to shift the blame onto the wrong crowd of people. Rather, those whose jobs it is to finesse and manipulate ought to be held accountable.

It is hard to gauge the effects that accumulated hours, weeks, and decades of profit-driven advertising culture have had on the human psyche, on socio-cultural expectations and experiences, and the like. But whatever the extent, the advertising system is vastly inefficient in that it diverts massive amounts of

resources into manipulating the public to buy oftentimes useless, if not outright harmful, products.

9. Parasitic "Jobs." Due to its profit-oriented nature, capitalist society spawns scores of countless non-productive, parasitic jobs that contribute nothing to meeting real human needs. These jobs drive up the cost of material goods for consumers, as the pay for those doing non-productive jobs must be factored into the cost of items sold.

A classic example is the car salesman. Car salesmen have no role in producing what they sell — they exist simply to hype, finesse, and pressure people into buying cars. Their pay for doing this is added to the total cost of the car. As with all salespeople, the car salesman is simply a middleman between consumer and product. Middlemen such as car salesmen perform no productive role: they are supported, on the one hand, by the labor of the person who makes the product they are trying to hustle; and they are also supported, on the other hand, by the consumer who pays that much more for the product simply because another person is trying to convince him to buy it.

In addition, there are a number of well off adults who simply choose not to work (and who also ironically often hold the view that others need to do the good and proper thing of getting a job). The golden parachutes granted to ex-corporate executives have gained some mainstream media attention lately, in light of the fact that many retired executives enjoy lives of idle bliss even as workers they've screwed over search for their next job. Worldcom CEO Michael Capellas received a $20 million compensation package in 2002 — not for doing a job well done, but as "punishment" from a US court for creating the largest corporate bankruptcy in US history. Many other executives bail out of troubled companies and live the life of Riley at workers' expense, as well. For example, sometimes "retired" executives enjoy honorary titles such as "consultant," allowing them to continue to receive pay even as they spend their days golfing, traveling, or pursuing other personal interests. Ex-CEO Jack Welch of General Electric is one such figure; while retired, according to the Associated Press, he spent an average of "$52,000 a month for gifts, $9,000 for food and drink and $1,900 for clothes," while nominally retained as a "consultant" to GE (even though it was well known he did no meaningful work for the company). Again, the money that is paid to this section of the idle rich comes from workers; it is, after all, workers that generate all a company's wealth — not those who are yachting beside their beach homes.

The hierarchical nature of capitalism also produces jobs in which people get paid simply to boss others around. Administrators, supervisors, and other boss figures — unelected by their underlings — collect fat paychecks for the job of telling others what to do. The inefficient and fractured nature of capitalist

production "requires" such leaders to coordinate the efforts of various employees. The salaries of those on top come from the value created by the producers at the bottom. In fact, as Robert A. Brady wrote in Business as a System of Power, in the corporation "all authority necessarily proceeds from the top to the bottom and all responsibility from the bottom to the top. This is, of course, the inverse of 'democratic' control; it follows the structural conditions of dictatorial power." Or, as billionaire financier and corporate raider Carl Icahn told the Associated Press on July 9, 2002, "[W]hat I've been saying for years is, for the most part, there is no real democracy in corporate America. Until you have a democracy, you're going to have corruption . . ." This is because, Icahn added, "companies are run like dictatorships."[17]

Harvard Economics Professor Stephen A. Marglin writes, in the article 'What Do the Bosses Do? The Origins and Functions of Hierarchy in Capitalist Production," that "The capitalist division of labor . . . was the result of a search not for a technologically superior organization of work, but for an organization which guaranteed to the entrepreneur an essential role in the production process, as integrator of the separate efforts of his workers into a marketable product." Cottage industries were common before the age of the great factories; factories were created as control over employees became increasingly important for bosses. In the process, bosses became "necessary" for work to proceed.

Marglin cites David Landes's *The Rise of Capitalism,* wherein Landes writes, "The essence of the factory is discipline — the opportunity it affords for the direction of and coordination of labor." Nowadays, corporations assemble workers into concentrated centers of production, so that they might work and produce value for owners; in exchange for this, owners and their immediate underlings receive much higher pay than the workers that produce the bulk of the revenue. Supporting owners this way is inefficient for workers; workers might instead produce for themselves and their communities, but cannot since the means of productions are not at their disposal.

Put simply, the owners of capital are superfluous to the production process, and the proof is in the pudding: without their workers, corporations can produce absolutely nothing; if workers stop working, nothing gets done. But without owners, workers can produce anyway. If owners stop being owners, then production stops only to the extent that workers decide to refrain from using the owner's equipment (or are prevented from doing such by police forces). The "work to rule" tactic discussed in Section 5 is a good illustration

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17. "Dems Assail Bush's Corporate Plan," by Marcy Gordon, AP Business Writer, July 9, 2002. Online at:
http://story.news.yahoo.com/news?tmpl=story&cid=536&ncid=703&e=10&u=/ap/20020709/ap_on_go_co/business_scandals_reaction_3

of the nonessential role of owners. The innumerable instances in which workers have taken over businesses and continued to produce, after kicking out their bosses (as in the 1936 Spanish Revolution) or after their bosses abandoned their businesses (as in contemporary Argentina), are another good illustration of this point.

According to the US Bureau of Labor Statistics, the "highest paying major groups of occupations in 2001 were the management occupations and the legal occupations. More than one-fourth of the workers in these occupational groups earned more than $43.75 per hour." At the same time, "occupational groups with the lowest average wages were the food preparation and serving related occupations, farming, fishing, and forestry occupations, building and grounds cleaning and maintenance occupations, and personal care and service occupations. Nearly half or more of all workers in each of these four lowest-paying groups earned less than $8.50 per hour." Preparing food, farming, fishing, and maintaining grounds and buildings are much more essential to human life than managing others' labor. Yet those who do essential work are paid far less than the parasites who live off them.

According to the US Government's *Report on the American Workforce*, in 1999 there were 139 million people working in America (out of a total 1999 US population of approximately 273 million). Of that 139 million, approximately 90 million did what I'll refer to as "useful" labor — a contentious designation, no doubt, but by "useful" I include the millions that: 1) produce or allocate material life for all (construction, farming/fishing, manufacturing, transport of goods); 2) work in the medical or health care professions; 3) work as educators and librarians; and 4) are scientists. Of course, other types of work can be classified as useful — such as that in the entertainment and publishing industries — even though they're clearly nonessential to the maintenance of human life. Drawing the line between "useful" and "nonuseful" labor isn't always easy, but that doesn't negate the fact that there is in many, many cases a clear distinction between useful work (e.g., that of farm laborers) and nonuseful work (e.g., the parasitic "work" of the legal profession).

But there are even difficulties in the case of generally useful professions, as the profit-driven nature of capitalism ensures that a large percentage of, for example, manufacturing workers, or scientists, apply their skills toward misanthropic ends (viz., designing and manufacturing weapons of mass destruction). Conversely, about 50 million members of the work force — again according to 1999 statistics — were engaged in what in no way could be called "useful" activity: advertising, sales, financial services, insurance, management, "business operations," the legal profession, and "protective services" (private or state police forces). (Many of these occupations are "useful" to the owning

class [though not the working class] in the logic of capitalism, just as slave insurance, slave auctioneers, bounty hunters, slave ship builders, and the like, were "useful" in slave societies; each is predicated upon the underlying exploitative dynamic that characterizes the economic system.)

The Bureau of Labor Statistics also notes that approximately 22% of the work force are engaged in manufacturing, production, and/or construction, while 1.7% farm and/or fish. Over 4% are executives or managers, and are among the highest paid, according to this study, while 3% are salespersons. But without the 24% of the workforce that is among the lowest paid, yet which produces material life for everyone else, executives and others bosses would not only not be able to command their high pay, they would not even be able to live. In addition, the 24% who produce the essentials of life are often pressured to work overtime, sometimes off the clock. They also routinely worry about job security.

Though income for the idle rich was discussed above, what wasn't mentioned was that while many elites are compensated for doing nothing, workers in less glamorous occupations often get paid zero for doing more than their share — a growing trend that has alarmed many. "As companies try to squeeze more work out of fewer employees," USA Today reports in late 2002, "they're facing a backlash: lawsuits forcing them to pay back wages for unpaid overtime." The USA Today article notes that "[l]ast fiscal year [for 2001], the government collected nearly $143 million in back wages for violations of the Fair Labor Standards Act, which requires employees to be paid overtime. That's a 29% jump over the $111 million collected the previous year, statistics released Wednesday by the Department of Labor show."[18] In addition, in December 2002 Wal-Mart in Oregon was found guilty after a court determined "the company engaged in a pattern of prodding managers to hold down costs by using off-the-clock work to ensure tasks were completed."[19] Incidents like these are well known to many of us who have worked low paying service jobs. It seems starkly irrational that as some command massive salaries so that they might live idly, millions are pressured to work without pay in order to meet owners' profit demands.

The wages paid those working in the stock, securities, and banking industries — not to mention those in the legal profession — devalue the wages

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18. "Companies face more overtime lawsuits," by Stephanie Armour, *USA Today*, Dec. 19, 2002. Online at : http://story.news.yahoo.com/news?tmpl=story&u=/usatoday/20021219/bs_usatoday/4714127

19. "Wal-mart found guilty in Oregon pay case," by Jeff Feeler, *Seattle Times*, December 20, 2002. Online at: http://seattletimes.nwsource.com/html/businesstechnology/134599503_walmart20.html

of everyone doing useful work; that is, the pay for these workers has to come for somewhere, and it comes in the form of inflated prices for services and goods that others must pay for.

Similarly, the military exists hardly as a "defense" force but — with permanent bases in at least 12 foreign countries and troops on almost all the continents on earth — resembles more a colonial occupying force, ensuring the accommodation of other countries to American business interests. (Actually, it is more complex than this, but due to space constraints we can't explore this topic further here.) The entire military apparatus exacts the single largest toll on the public financially, and it is largely through this apparatus that the price of international market domination is paid. As *New York Times* columnist Thomas Friedman wrote in The Lexus and the Olive Tree, "The hidden hand of the market will never work without a hidden fist. McDonald's cannot flourish without McDonnell Douglas . . . And the hidden fist that keeps the world safe for Silicon Valley's technologies to flourish is called the U.S. Army, Air Force, Navy and Marine Corps." The armed services also function as a state-guaranteed employment system; most unemployment offices feature a large area of recruiting literature. Many who join up come from the working class families, or similarly financially bleak backgrounds. They are sent to patrol the frontiers of capitalism, useless as they are to the economy otherwise. Like most of the poor in powerful nation states, they are called to be "ready to fight the wars of the possessing classes for the retention and extension of their markets, and to defend any injustice they may perpetrate on other people," as the anarchist Rudolf Rocker wrote in *Anarcho-Syndicalism*. The military not only pulls people from productive, useful labor this way; it also squanders tremendous amounts of resources for the development of weapons and machinery whose goal is to end human life.

Another problem arises in the form of the vast prison system the American governing system has created. According to recent statistics, America has the largest inmate population in the world, greater even than totalitarian countries such as China or Iraq. While only 6% of the population of the earth are in the US, 25% of the world's inmate population are in American jails. Capitalism churns out anti-social individuals in droves — a finding that should not be surprising given the degree of dehumanization that capitalism is predicated upon. So long as humans are regarded as mere use-values, to be used up and then disposed of when no longer needed — or, in the case of women, as mere sex objects to provide sexual release or offspring for men — we should not be surprised that murder, rape, and other forms of violence are as common as they are. (The degree of militarization in American society is also a cause of this.) Prisons do not reform individuals, but often serve as "universities of crime" (as Peter Kropotkin called them), where housing and feeding these individuals

under inhumane conditions serves only to transform them into hardened, embittered people who will never be able to function well in society. Rather than addressing the root causes of anti-social behavior, which are tied up in the nature of undemocratic capitalism, the costly prison and law enforcement system treats the symptoms. This is itself inefficient in the same sense that crisis or emergency medical care is generally less cost-effective than is preventive medical care.

It's obvious that much more could be produced if non-productive workers (and the idle rich) were re-assigned to productive tasks — then, not only would there be even more of an abundance, but the work week would also plummet. People could work for perhaps three or four hours per day and the vast majority would enjoy a greatly increased standard of living, while using the rest of their time for leisure, personal enrichment, or educational activities. These benefits would be the province of all, and not simply of the well-bred and well-connected who enjoy them today.

10. Inefficient Distribution Patterns. Much labor and time is spent in transporting automobiles to foreign countries from the US, yet many of the countries US cars are sent to already produce their own automobiles. And even though America produces many more cars than it ever sells to its own population, some of the countries that receive American autos ship their cars into US markets, in hopes of finding buyers here. Needless to say, the labor and resources spent on shipping such goods is entirely wasted — at least as regards meeting human needs.

This is indicative of another great inefficiency in modern capitalism — the irrationality of distribution patterns, or, as it could also be called, the misallocation of resources. "Low priority" items such as sugary soft drinks and junk foods are exported to third world countries even as their inhabitants starve or suffer from curable diseases related to malnutrition. This has to do with the generation of profit — not the serving of human need. The situation is similar in the field of medicine.

In 1999, the San Jose *Mercury News* reported that Japan's Health Ministry approved sales and distribution of Viagra in Japan within six months of its arrival. Viagra's manufacturers cheered this even as Japanese women fought to get low-dose contraceptive pills approved — a fight waged for at least ten years in Japan. Yoriko Ashino, an executive with the Family Planning Federation of Japan, complained, "Of course it's a double standard. We've been waiting 10 years to get the low-dose pill approved and this Viagra medicine is being approved in just six months." Not even a year after its release date, Pfizer had sold almost one billion dollars' worth of Viagra, making it one of the most lucrative drugs ever devised. This goes a long way toward

explaining why Viagra was approved so quickly for use in Japan, and why the proven-safe, low-dose — but less profitable — contraceptive pill has been held up so long

To cite another example in the field of agriculture: Haiti grows oranges that are imported into the US, while many Florida oranges are sent to Haiti for sale. As with the example of rice used earlier (see Section 1), this can have the effect of driving one countries' orange growers out of business, as they are forced to compete with another nation's produce — produce that may be more cheaply available than local produce because of subsidies or other pricing mechanisms. But aside from this, it represents a waste of resources as growers of essentially the same product are thrown against each other in competition, and end up in a fight to the death, when their produce need not be used this way: rather than wasting resources to send to another nation what it already has, these same resources could be used to distribute the produce domestically to all those that are hungry or malnourished. As is so often the case, however, solving hunger is low on the priority list of business owners, who would rather apply their efforts towards more lucrative activities.

When growers of similar products from distant lands clash in this way, one will eventually win, and the victor will control that much more of the food supply of the new nation his products are sold in. As David R. Simon reminds us in Elite Deviance, "Instead of a commitment to a more equitable distribution of resources, capitalism promotes competition, with the victors widening the gap between themselves and the losers."

As well, most food is about 90% water. The international trade of food is thus largely a process of shipping large amounts of water from one part of the globe to the next. When the West imports foodstuffs from third world nations, it is often removing much-needed water and food from areas that cannot supply their own people with enough of these necessities. The International Hotels Environment Initiative of England notes, "Much of what we eat in Britain is grown in countries such as Spain and Zimbabwe where water is a very precious resource."

The capitalist distribution system does not service human needs, and in fact is generally contemptuous of them, functioning solely to produce private profit.

Epilogue

There are many more inefficiencies in the capitalist system. All of them derive at root from the separation of working class people from control over their own productive potential — indeed, from control over their very own lives. Without accountability to communities or even to their own workers,

corporations produce as they please, guided naught but by the whims of the wealthiest, constrained by competition to expand outward and to use up and dispose of whatever resources — human or otherwise — fall in their path.

The needs of humanity and the needs of profit are not the same. The needs of workers, likewise, are at odds with the class interests of business owners. As long as workers do not have an active, meaningful say in the conditions of their employment — as long as they do not have full, industrial democracy, in other words — production and distribution will continue to function inefficiently. Unless the administration of the economy is transferred directly into the hands of workers and their communities, the current system will continue to suffer from problems of homelessness, poverty, unemployment, hunger, inadequate health care, crime, and, almost certainly, war.

Recommended Reading

The following books, pamphlets, and articles suggest solutions to the problems posed by modern capitalism. A listing here does not necessarily indicate an endorsement.

Moving Forward: Program for a Participatory Economy, by Michael Albert. AK Press, 2001.

Alternatives to Capitalism, by Jon Elster and Karl Ove Monene, editors. Cambridge University Press, 1993.

A Future Worth Living, by Chaz Bufe. See Sharp Press, 2000.

Anarchist Society & Its Practical Realization, by Graham Purchase. See Sharp Press, 1990.

"An Anarchist FAQ," maintained by Iain McKay and others. Online at: http://www.anarchyfaq.org

After The Revolution by Diego Abad de Santillan. Online at: http://www.anarchosyndicalism.org/theory/after.htm

A popular, fictional account of what an anti-capitalist, libertarian society might look like can be found in Ursula K. Le Guin's mid-1970s science fiction novel, *The Dispossessed*. A good look at a "post-scarcity" libertarian society can be found in James Hogan's early 1980s sci-fi novel, *Voyage from Yesteryear*. And a more recent, attractive description of a libertarian socialist society can be found in Ken MacLeod's very well written sci-fi novel, *The Cassini Division*, published in 1999.