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# CLASS WARFARE

**O**NE of the world's wonders is that the reelected Bush now has the power to carry out an agenda that will be hurtful to the material interests of a majority of the 59 million who gave him their vote. For these voters this will no doubt be offset by the psychic satisfaction of sticking it to those East and West coast elites, pointy-headed professors, uppity blacks, and gays, helped along by their unawareness of the glee at Bush's victory by the East and West coast bankers and transnational corporate leaders, and other major ultra-elite beneficiaries of Bush's various crusades. The Bush voters will also have the pleasure of giving pain to those degenerate and threatening foreigners who were responsible for 9/11 or who have failed to support us in our global efforts at self-defense, exporting freedom, and helping our friends fight against terrorism.

Looked at more coldly, a large fraction of these Bush voters will be victims of the most blatant class warfare since the 1920s, which perhaps goes beyond that earlier warfare as the Bush plans entail the active destruction of a welfare state that had been built during and after the Great Depression, as well as advancing a program of class warfare extending across the globe. Much of the warfare is open for all to see, as the appointments to regulatory positions are systematically fox-in-chickenhouse and revolving door selections, and the laws passed on an almost daily basis involve tax breaks and subsidies to business, loosened regulation, and steady cuts in welfare state allocations and coverage that had helped what Thorstein Veblen called the "underlying population" (in contrast with the "substantial citizens"). This is all accomplished successfully because the Democrats don't protest very vigorously and the mainstream media have normalized the conflict-of-interest and class

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warfare process and don't make a big fuss over it; they don't give it the kind of attention and indignation they reserve for Iran's nuclear program threat or, as in the Clinton years, Clinton's affair with Monica Lewinsky. The Democrats (and media), like the Republicans, serve the substantial citizens, not the underlying population.

In his second inaugural speech and followup Bush has featured three major programs, two domestic and one global, that he intends to press in his second term: a shift from entitlements to an "ownership society," actions to solve the alleged Social Security crisis, and a drive to bring freedom and liberty everywhere in the interest of U.S. safety and security. Each of these is a program for an intensified class war, scantily clothed in Bush rhetoric. Let me briefly examine each of these and put it into context.

### **Ownership Society**

It was a long-standing democratic ideal to have property widely owned, with a world of small proprietors, hopefully making for social stability and a substantive democracy, one not overpowered by economic inequality. This is hardly what George Bush has in mind. He rules only because of the great inequality that has made U.S. democracy nominal; he has even acknowledged publicly that the rich constitute his constituency "base." He certainly has no plans to reduce inequality at the expense of Bush Pioneers – in fact, his main policies past and present have been designed to increase inequality and service the Pioneers and other substantial citizens.

To increase ownership on the part of the underlying population would require, first and foremost, increasing their after-tax incomes so as to permit them to save and acquire financial assets and real property. That would call for strengthening unions and protecting their organizational efforts. It would call for policies discouraging investment and outsourcing abroad and the use of intimidating capital flight threats in labor-management bargaining. It would call for tax policies in favor of people with low incomes. It would call for raising the minimum wage. It would demand a strengthening of the safety net to enable people to avoid immediate plunges into the low-wage labor market.

As Bush's policies on each of these points has been hurtful to ordinary

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people, real wages have stagnated, the middle class has been shrinking, poverty levels have increased, and savings rates have fallen while credit dependence has grown. In short, under his programs the basis of widening ownership has diminished, while ownership by the rich has grown and become more concentrated (for an analysis and useful data, Holly Sklar, "Pox Americana," Z Magazine, Jan. 2005).

So Bush policies in the past have run counter to development of an "ownership society" in any democratic sense (widening and less concentrated ownership) and made ordinary citizens more dependent on "entitlements" and the shrinking safety net for protection against unemployment, illness and an impoverished old age. His main current proposal for enlarging the ownership society is his plan for large Social Security benefit cuts, combined with the partial privatization of the program. As we shall see, that plan will change the nature of some of the paper claims Social Security beneficiaries will hold, but their gaining this sliver of ownership will be part of a plan to reduce their income and seriously damage an institutional arrangement that has brought them major benefits.

"Entitlements" is a code word for government-run and tax-funded mechanisms to protect and give some degree of security to the underlying population. They are created via a democratic political process, and are thus subject to influence by the underlying population. An "ownership society" is a code term for a privatized society, where decisions are made by substantial citizens like corporate managers, large stockholders, and banks, alone, outside the orbit of influence of the underlying population. Bush is pushing us toward an exclusively undemocratic world of ownership control while trying to make it sound very populist and democratic. It is part of the propaganda façade covering over his assault on the major entitlements program, Social Security, as part of a larger program of class warfare attacks on all instruments helpful to the underlying population.

Let's turn to his plan for undermining Social Security.

### **The Social Security "Crisis"**

Bush has repeatedly claimed that Social Security is in "crisis," which is a lie in the same class as his lie that Saddam had weapons of mass destruction

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that threatened U.S. national security. The alleged crisis is based on the possibility that the Social Security system will have exhausted its reserves by 2042 or 2052 and will then have to depend only on regular Social Security tax inflows, unless at that point adjustments are made in tax revenues or benefits. But 2042 is 37 years in the future, and even then the program will be able to pay beneficiaries more than they receive now (in real, inflation-adjusted dollars) based on its regular and continued tax take. Greater productivity growth could move the exhaustion date out to 75 years and beyond, and changes in the cap on Social Security payments and Social Security tax increases smaller than those required in the past would also solve the problem.

In short, the crisis is a complete fraud, and absolutely nothing has to be done to keep the system intact for many decades. All the arguments proving otherwise, such as the claims that the system will fail because of the rising ratio of oldsters to workers, or that it is imperiled because the system's assets are only in the form of IOUs, collapse under the slightest scrutiny (see Dean Baker and Mark Weisbrot, "Social Security 'Reform': A Solution in Search of a Problem": [http://www.cepr.net/columns/baker\\_weisbrot/mark\\_weisbrot\\_dean\\_baker\\_1\\_23\\_05.htm](http://www.cepr.net/columns/baker_weisbrot/mark_weisbrot_dean_baker_1_23_05.htm)). Dean Baker has pointed out that an extrapolation of the observable upward trend in costs of prisons would show a really large budget crisis arising from this source within several decades, but the establishment politicians and media are not crying "crisis" and featuring "reform." The plausible explanation of the difference is that the substantial citizens support the prison-industrial-complex and its work (as they do the military-industrial complex and its work), whereas they have been pained by the rising tax costs of "entitlements" whose benefits accrue so heavily to ordinary citizens, including protections against hyper-"flexible" labor markets.

The Social Security system also has two other defects from the standpoint of the rightwing: First, it is a highly successful and highly efficient government program, with administrative costs of 0.6 percent of benefits, in contrast with insurance industry management costs of 15-30 percent. This is bad from the rightwing viewpoint as it flies in the face of the ideological assumption of inherent government inefficiency and suggests that govern-

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ment control and operation might sometimes be a very good idea. The usual rightwing method of undermining a well-run regulatory operation by defunding and the imposition of managers hostile to the service is not practicable in the case of Social Security. The only solution is convincing the public that there is a crisis and using this as a basis for slashing benefits and destroying the system by privatization as fast as can be arranged.

The second rightwing objection to the existing Social Security system is that the private securities industry, a set of very substantial citizens, is deprived of huge revenues that would flow from private accounts. The industry has tried to avoid publicity as to its special interest in the case, but it is clear, acknowledged, and helps push the politicians to act on its behalf.

That the privatized accounts will help the beneficiaries is a sick joke. For one thing it will be part of a program of curtailed benefits. For another, the administrative costs of managing small private accounts will be large and encroach on or wipe out any higher return benefits. Those prospective higher returns have been grossly exaggerated; although the stock market has provided a real annual return of about 7 percent over the last 75 years, no economist has been able to show anything similar to this going forward under the Social Security Trustees' projections for future economic growth (see Paul Krugman, "Many Unhappy Returns," NYT, Feb. 1, 2005). As a system of social insurance Social Security also helps millions of disabled and widows and children, and the likelihood that they will continue to be protected as the Social Security system is dismantled by the Godly rightwing is exceedingly small.

In sum, the "crisis" is a fraud and cover for an attack on a well-working system highly beneficial to ordinary citizens. It doesn't need any "reform" whatsoever, only protection from the reformers whose motives are financial self-interest and the desire to implement a reactionary ideology that only serves a narrow elite. Otherwise put, the proposed reforms are a form of class warfare.

### **Global Imposition of Freedom – Cover for Global Class Warfare**

Bush has found that perpetual war under the guise of a war on the 9/11 perpetrators, or a war on terror, and including even straightforward wars

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of aggression, is a political winner. As the lies used as rationales for the war on Iraq disintegrated, Bush still found political sustenance in the need to support our boys, rallying around the flag, the feeling that America doesn't turn tail and run away from a painful conflict, and that we have "responsibilities" to the Iraqis who we have liberated but not provided a stable environment. Thus, despite the scores of brazen lies, and even a costly and failed invasion-occupation, Bush was able to win reelection as Leader best suited to deal with "security" problems that he had bungled and exacerbated to a remarkable degree.

Perpetual war has been essential to Bush to sustain his internal program as well as his policies abroad. As Veblen pointed out a hundred years ago, war is "the most promising factor of cultural discipline...It makes for a conservative animus on the part of the populace....[and] directs the popular interest to other, nobler, institutionally less hazardous matters than the unequal distribution of wealth" (Theory of Business Enterprise, 1904, pp. 391-3). With Bush working strenuously to increase the inequality of distribution of wealth, that factor of cultural discipline has been much needed to implement his class war at home. At a later date Veblen also noted that "An illustrious politician has said that 'you cannot fool all the people all the time,' but in a case where the people in question are sedulously fooling themselves all the time the politicians can come near achieving that ideal result.' (Absentee Ownership, 1923, p. 34). And the politicians now have a great deal of help from the mass media in the sedulous fooling process.

In his second inaugural address, possibly inspired by the political payoff obtained even by a failed war of aggression, Bush has declared war on the world, although the specifics remain vague and the targets are not yet announced. It is expressed in warm terms – a primary Bush goal of bringing "freedom" everywhere, with the meaning of the word and the specifics of application left a bit vague, no doubt to be firmed up later. But it isn't just our benevolence involved – we must do this to protect our own safety and security.

The safety and security angle carries the pitiful giant concept to a new and hilarious level. Just as the United States had to topple the governments of Guatemala (1954), Grenada (1983) and Nicaragua (1981-1990) to



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remove their dire threats to U.S. National Security, so now any non-democracy anywhere is a threat, because we know that only democracies like our own are entirely peaceable and pose no threat to anyone – which Bush says as he poses that threat to anyone he chooses to declare evil, presumably based on the kind of solid information like Saddam's huge WMD arsenal that he typically employs before unleashing the cruise missiles.

Freedom is an even fuzzier word than democracy, and may include democracy but also may be referring to the freedom of capital to move around and be free of encumbrances like taxes and restrictions on abuses of the environment and labor. Neoliberalism is a “freedom” movement, but confined to the freedom and rights of capital. The Chicago Boys were quite enthused with Pinochet's Chile as he was freeing markets from government intervention – at least those forms hurtful to the interests of capital – and making labor markets “free” of trade unions and thus more “flexible.” The destruction of democracy in Chile was actually a prerequisite for full-scale neoliberal freedom, and was completely acceptable to the Boys (including Milton Friedman) and their government and corporate community. This pattern was institutionalized, with democracy and human rights often overturned with U.S. assistance in the interest of a more favorable climate of investment; the inverse correlation between U.S. aid and human rights (including democratic institutions) has been repeatedly demonstrated (see my Real Terror Network, chapter 3, for data and citations). There is surely no reason to believe that these priorities have been altered under the leadership of George Bush, a devoted spokesman of the corporate community and military-industrial complex.

Historically the United States has been strongly in favor of democratization, at least formal democratization, but only in cases where the regimes in question were looked upon with disfavor for other reasons. Guatemala in the years 1947-54 was remarkably democratic, but it was a budding welfare state and not subservient to the United Fruit Company and U.S. ambassador, so it was overthrown by U.S. actions, whereas the prior Ubico dictatorship and the profoundly undemocratic counterinsurgency state sequel were treated kindly. Venezuelan dictators were never destabilized

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by U.S. governments, nor are the undemocratic Saudi, Kuwaiti, Pakistani or Uzbekistan governments today, but the Bush administration has worked assiduously to destabilize the Chavez government of Venezuela, which is elected and as democratic as any in Latin America.

It is true that the numerous dictatorships that the United States helped come into existence and supported warmly years ago – remember Vice-President George Bush's 1985 toast to Philippines dictator Ferdinand Marcos: "We love you, sir...we love your adherence to democratic rights and processes"? – have given way to civilian and elected governments, and that the United States has partially replaced the use of imposed dictatorships with the support of "democracy movements," as in the recent Ukraine case. But this transformation reflects the fact that the dictators successfully brought their countries into the spider's web of the global capitalist economy, so that they were no longer needed to do the job of democracy containment. The web and the associated institutional changes in the global economy have caused electoral democracies to lose democratic substance and to become de facto servants of external forces – friendly governments, banks, other foreign lenders, trade agreements and the World Trade Organization, and the international financial institutions (IMF, World Bank). Foreign control no longer needs to be overt; it can work with trade and other rules, loans and loan agreements, heavy foreign penetration of the economy and political and cultural institutions, the normal workings of financial markets; and the desire to maintain the goodwill of governments that lend, control the IFIs, provide subsidies and impose quotas and tariffs, and may even have military bases in the country. Much of this is not new, but a throwback to earlier techniques of maintaining an "informal empire," as described in John Gallagher's and Ronald Robinson's "The Imperialism of Free Trade," *Economic History Review* (1953).

It has been a notorious fact that in the last several decades social democratic politicians who have won office have almost uniformly failed to carry out their electoral promises to their mass constituencies. They have either sold out in advance or found it expedient to adapt quickly to non-constituency forces to avoid seriously damaging consequences: money and

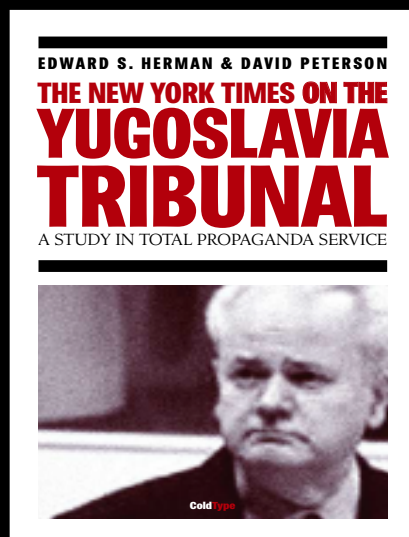
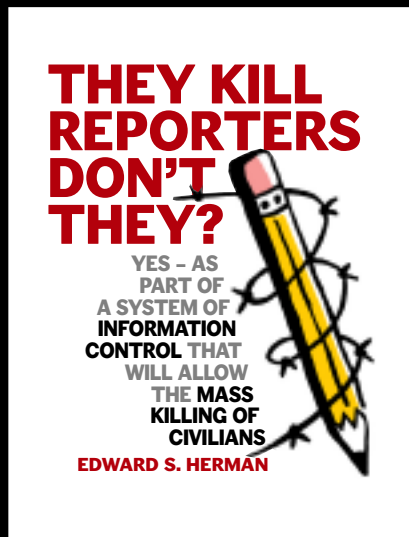
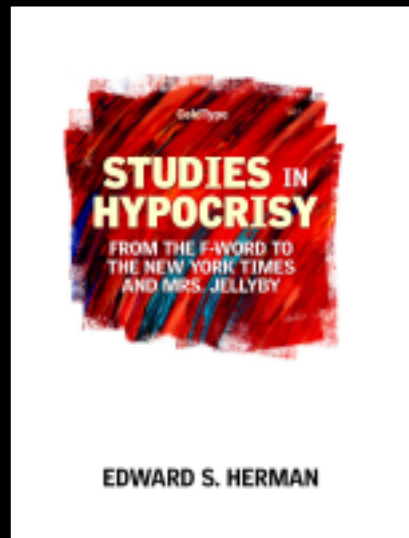
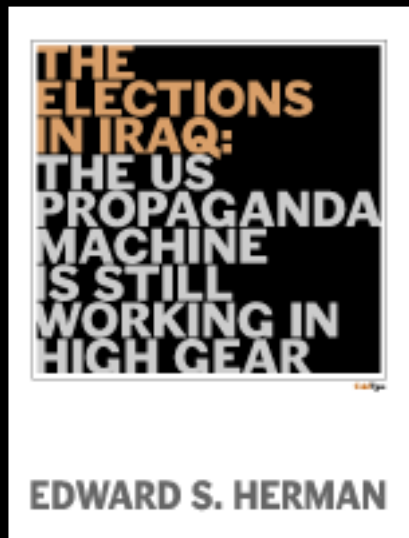
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capital flight and sharp rises in interest rates and cuts in investment, losses in subsidies from abroad, adverse changes in foreign tariffs and quotas, threatened cutbacks in IMF support, and even threats of political upheaval partly encouraged from abroad (as in Venezuela). So getting countries deeply involved in the global capitalist economy, and in military alliances with the Western great powers, makes for shriveled democracies with neoliberal constraints built into their political economies.

In short, getting into power governments that will enter the spider's web and abide by the spider's rules is a useful substitute for putting into power a Pinochet or Marcos. It permits class warfare to be imposed by the spider, with the reluctant or sometimes enthusiastic cooperation of indigenous leaders (e.g., Lula in Brazil, Menem in Argentina). Meanwhile the population can still vote, and while many are cynical about the limited options and likely betrayal of the underlying population to come, the ability to vote and the electoral promises, not to be fulfilled, makes for quiescence. This process under the straitjacket will sometimes allow the more aggressive agent of the substantial citizens to consolidate power and even threaten the democratic forms themselves – as in this here United States!

It should be noted, however, that the spider's web may be weakening its grip in Latin America, with victim countries Argentina and Venezuela in rebellion against the spider, numerous electoral revolts (Brazil, Uruguay, Ecuador and Bolivia) that may yield fruit in time with greater collective awareness of common interests, and even an Argentine and Venezuelan plan for a new Latin American TV network to counter-balance CNN en Espanol and other corporate propaganda on TV. May such resistance grow and spread!

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