Source: Michael Parenti, "Democracy for the Few, Wadsworth, p. 27 - 29.

CHAPTER 4

Wealth and Want in the United States

Most people who write about the U.S. political system never mention corporate capitalism. But the capitalist economy has an overbearing impact upon political and social life. It deserves our attention.

CAPITAL AND LABOR

One should distinguish between those who own the wealth of society and those who must work for a living. The very rich families and individuals who compose the *owning class* live mostly off investments, which include stocks, bonds, rents, mineral royalties, and other property income. Their employees live mostly off wages, salaries, and fees. The distinction between owners and employees is blurred somewhat by the range of incomes within both classes. "Owners" refer to both the fabulously wealthy stockholders of giant corporations and the struggling proprietors of small stores. But the latter hardly qualify as part of the *corporate* owning class. Among the victims of big business is small business itself. Small businesses are just so many squirrels dancing among the elephants. Every year over thirty thousand of them get trampled and go out of business.

Along with factory and service workers, the employee class also includes professionals and managers who in income, education, and lifestyle tend to be identified as "middle" or "upper-middle" class. Company managers and executives are employees whose task is to extract more value-producing performance from other employees. Some top business executives, corporate lawyers, and entertainment and sports figures enjoy such huge incomes as to be able eventually to live off their investments, in effect becoming members of the owning class.

You are a member of the owning class when your income is very large and comes mostly from the labor of other people, that is, when others work for you, either in a company you own, or by creating the wealth that allows your investments to give you a handsome return. The secret to great wealth is not to work hard but to have others work hard for you. This explains why workers who spend their lives toiling in factories or offices retire with relatively little if any funds to speak of, while the owners can amass considerable fortunes.

Adam Smith, one of the founding theorists of capitalism, noted in 1776 that "labor ... is alone the ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared. It is their real price; money is their nominal price only."[1] What transforms a tree into a profitable commodity such as paper or furniture is the labor that goes into harvesting the timber, cutting the lumber, and manufacturing, shipping, advertising, and selling the finished product—along with the labor that goes into making the tools and whatever else is needed for production and distribution.

Workers' wages represent only a portion of the wealth created by their labor. The average private-sector employee works two hours for herself or himself and six or more hours for the boss. The portion that goes to the owner is what Marx called *surplus value,* the source of the owner's wealth. Capitalists themselves have a similar concept: *value added in manufacture*. In 2000, workers employed in manufacturing alone produced at least $1.64 trillion in value added, as reported by the U.S. Census Bureau, for which they were paid $363 billion in wages, or less than one-fourth of the market value created by their labor. Workers employed by Intel and Exxon received only about one-ninth of the value added, and in industries such as cigarettes and pharmaceuticals, the worker's share was a mere one-twentieth. In the last half century, the overall average rate of value added (the portion going to the owner) in the United States more than doubled, far above the exploitation rate in other industrialized countries.

Workers endure an exploitation of their labor as certainly as do slaves and serfs. The slave obviously toils for the enrichment of the master and receives only a bare subsistence in return. James Madison told a visitor shortly after the American Revolution that he made $257 a year on every slave he owned and spent only $12 or $13 for the slave's yearly keep. Slavery was a very profitable system. Serfs and sharecroppers, who must give much of their crop to the landowner and carry out other unpaid tasks for him, are also obviously exploited.

Under capitalism, however, the portion taken from the worker is not visible. Workers are simply paid substantially less than the value they create. Indeed, the only reason they are hired is so the owner can make money off their labor. If wages did represent the total value created by labor (after expenses and improvements), there would be no surplus value, no profits for the owner, no great fortunes for those who do not labor.

The value distributed to the owners is apart from workers' wages or even executives' salaries; it consists of *profits*—the money one makes *when not* *working*. The author of a book, for instance, does not make profits on his book; he earns a recompense (fancily misnamed "royalties") for the labor of writing it. Likewise, editors, proofreaders, printers, and salespersons all contribute labor that adds to the marketable value of the book. Profits on the book go to those who own the publishing house and who contribute nothing to the book's value. The sums going to owners are aptly called *unearned* income on tax reports.

While corporations are often called "producers," the truth is they produce nothing. They are organizational devices for the exploitation of labor and accumulation of capital. The real producers are those who apply their brawn, brains, and talents to the creation of goods and services. The primacy of labor was noted in 1861 by President Abraham Lincoln in his first annual message to Congress: "Labor is prior to, and independent of, capital. Capital is only the fruit of labor, and could never have existed if labor had not first existed. Labor is the superior of capital, and deserves much the higher consideration." Lincoln's words went largely unheeded.

Capitalists like to say they are "putting their money to work," but money as such does not work. What they really mean is that they are using their money to put human labor to work, paying workers less in wages than they produce in sales. That's how money "grows." Capital annexes living labor in order to convert itself into goods and services that will produce still more capital. All of Rockefeller's capital (wealth) could not build a house or a machine or even a toothpick; only human labor can do that. Of itself, capital cannot produce anything. It is the thing that is produced by labor.

The ultimate purpose of a corporation is not to perform public services or produce goods as such, but to make as large a profit as possible for the investor. This relentless pursuit of profit arises from something more than just greed—although there is plenty of that. Under capitalism, enterprises must expand in order to survive. To stand still while competitors grow is to decline, not only relatively but absolutely. A firm must be able to move into new markets, hold onto old ones, command investment capital, and control suppliers. So even the biggest corporations are beset by a ceaseless drive to expand, consolidate, and find new means of extracting profit from the market.

CAPITAL CONCENTRATION: WHO OWNS AMERICA?

Contrary to a widely propagated myth, this country is not composed mostly of a broad affluent middle class. The top 1 percent own between 40 and 50 percent of the nation's total wealth (stocks, bonds, investment funds, land, natural resources, business assets, and so on), more than the combined wealth of the bottom 90 percent. True, about 40 percent of families own some stocks or bonds, but almost all of them have investments of less than $2,000. Taking into account their debts and mortgages, 90 percent of American families have little or no net assets.[2]

If you are not rich, it is because you lacked the foresight to pick the right parents at birth. Studies show that, despite the well-publicized cases of "self-made" fortunes, rags-to-riches is a relatively rare exception. Most people die