

Chapter Ten

Turning Point

1. On work time in Western Europe, see for example, Sylvia Ann Hewlett, *Child neglect in rich nations*, New York: United Nations Children's Fund, 1993. An excerpt (p. 8):

Relaxed European attitudes towards the work week have been greatly facilitated by a powerful trade union movement that has kept the issue of shorter hours at the top of the agenda throughout the postwar period. In bad economic times, unions have resisted the inevitable pressure for longer hours, arguing that a shorter work week actually combats unemployment by spreading the work around. Even during the severe downturn of the early and mid-1980s, weekly hours for most European workers continued to fall. Only recently, the large German union IG Metall won a 35-hour work week for its members, a gain that is expected to spread through the German labour force. And vacation time continues to rise throughout Europe. Recent collective-bargaining agreements have set annual paid leave at five to six weeks in France and six weeks in Germany. Contrast this to the American scene, where in 1989, workers had an average of 16 days off, down from 20 days in 1981.

For comparisons with work time in the United States, see for example, Juliet B. Schor, *The Overworked American: The Unexpected Decline of Leisure*, New York: BasicBooks, 1991. An excerpt (pp. 2, 29):

U.S. manufacturing employees currently work 320 more hours [per year] -- the equivalent of over two months -- than their counterparts in West Germany or France. . . . [Compared to 1969 in the U.S.,] the average employed person [in 1989 was] on the job an additional 163 hours, or the equivalent of an extra month a year.

Lawrence Mishel, Jared Bernstein and John Schmitt, *The State of Working America, 1998-1999*, Ithaca: Cornell University Press, 1999, especially chs. 4 and 8. An excerpt (pp. 12, 2):

Between 1990 and 1995, a rise in the average hours worked per year in the United States and an even larger decline in the average hours worked per year in Japan have given the United States the dubious distinction of being the advanced economy with the longest work year. An important contributor to the much longer work schedule in the United States is the lack of legally mandated, employer-paid vacation time, which is typically three to five weeks per year for all workers in most European economies. . . . [T]he typical married-couple family with children worked 247 more hours (about six more full-time weeks) per year in 1996 than in 1989. . . . American families are working harder to stay in the same place and are seeing little of the gains in the overall economy.

See also footnote 65 of this chapter.

2. On Western European poverty rates among the elderly and children, see for example, Sylvia Ann Hewlett, *Child neglect in rich nations*, New York: United Nations Children's Fund, 1993. An excerpt (pp. 15-16):

The situation in Europe is quite different from that in the United States and Canada. In France, for example, in recent years, tax policy and income transfers have reduced poverty among the elderly by a decisive 75 per cent, taking the rate from 76 to 0.7 per cent; but poverty among children has also been reduced significantly, falling from 21 to 5 per cent. Similarly, in the Netherlands, public policies have reduced poverty among the elderly by an impressive 56 per cent, taking the rate from 56 per cent to zero, while these same policies have lowered the child poverty rate from 14 to 4 per cent.

3. On Western European provisions for child-rearing, see for example, Sylvia Ann Hewlett, *Child neglect in rich nations*, New York: United Nations Children's Fund, 1993. An excerpt (pp. 19, 21):

The United States is unique in its lack of provision for childbirth. In all other rich nations, pregnant women and newborn children are treated with much more generosity and humanity -- which is a large part of the reason why infant mortality rates are so much lower in France, Japan, the Netherlands and Sweden than they are in the United States. . . .

In sharp contrast to the restricted maternity benefits typical of the Anglo-American world, a large number of Western European governments provide a generous package of rights and benefits to all working parents when a child is born. For example, Sweden provides a parenting leave of 15 months at the birth of a child, to be taken by either parent, and replaces 90 per cent of earnings up to a specified maximum. In Italy, a pregnant woman is entitled to five months of paid leave at 80 per cent of her wage, followed by a further six months at 30 per cent of her wage. Her job is guaranteed for both periods. Perhaps the most remarkable fact about the Italian system is that a woman is entitled to two years of credit towards seniority each time she gives birth to a child. Not only does an Italian woman not get fired for having a child -- she is actually rewarded.

4. For Hewlett's book, see Sylvia Ann Hewlett, *Child neglect in rich nations*, New York: United Nations Children's Fund, 1993. An excerpt (pp. 1-2, 15, 18, 26):

The United States has by far the highest percentage of children living in poverty: 20 per cent, which represents a 21 per cent increase since 1970. . . . Three other "Anglo-American" countries -- Australia, Canada and the United Kingdom -- are at or near the 9 per cent mark. Yet, in most other rich countries, child poverty rates are a fraction of the United States rate. In Western Europe and Japan, for example, child poverty rates typically hover around 2 to 5 per cent. . . . Child poverty rates, school drop-out rates and teenage suicide rates [in the U.S.] are all on the rise. . . . Scholastic Aptitude Test (SAT) scores for college-bound students are 70 points lower than they were 20 years ago. . . . The overall drift [in the "Anglo-American" countries is] . . . towards blighting youngsters and stunting their potential. An anti-child spirit is loose in these lands. . . .

In the United States, 60 per cent of American working women still have no benefits or job protection when they give birth to a child. In the United Kingdom, only 2 per cent of child care available for children under age three is publicly funded. In Canada, 5 billion Canadian dollars (one Canadian dollar = U.S.\$0.76, 1 September 1993) have been removed from social programmes that benefited poor children. . . . In 1990, the [U.S.] Medicaid system financed health care for only 40 per cent of those below the poverty line. . . . A recent study estimated that in the United States the costs to the taxpayer of one "throwaway child . . ." is about U.S.\$300,000. That is the

cost of one unproductive life, spent in and out of the welfare system, in and out of the penal system. The pain in [such a] life does not even come cheaply. See also, Sylvia Ann Hewlett, *When the Bough Breaks: The Cost of Neglecting Our Children*, New York: BasicBooks, 1991 (expanded discussion of child neglect in the U.S.). And see chapter 2 of *U.P.* and its footnote 48; and footnotes 5, 12 and 13 of this chapter.

5. For the statistic of 40 percent of children in New York City living in poverty, see for example, Shlomo Maital and Kim I. Morgan, "Hungry Children Are A Bad Business," *Challenge*, Vol. 35, No. 4, July 1992, p. 54. The statistic is from a study by the New York City Federation of Protestant Welfare Agencies, which found that approximately 40 percent of New York City's children live below the poverty line for a family of three (i.e. \$9,120 in 1986).

On child poverty in the U.S. generally, see for example, Lawrence Mishel, Jared Bernstein and John Schmitt, *The State of Working America, 1998-1999*, Ithaca: Cornell University Press, 1999, especially chs. 3 and 6. An excerpt (p. 9):

Since the mid-1980s, poverty rates in the United States have failed to respond to economic growth. The most recent poverty rate -- 13.3% in 1997 -- is 0.5 percentage points above the 1989 rate of 12.8%. Even with an economy that grew between 1979 and 1997, poverty rates in those 18 years were high by historical standards, averaging 13.6% for the period 1979-89 and 14.0% for the period 1989-97.

Poverty rates for minorities and children are well above the national average. . . . About one in five (19.9%) children were poor in 1997, up slightly from 19.6% in 1989 and 16.4% in 1979. For minority children, poverty rates are especially high: 37.2% of black children and 36.8% of Hispanic children under 18 were poor in 1997. The poor also appear to be poorer now than at any time in the last 20 years: in 1997, the share of people in poverty whose incomes were below 50% of the poverty line was 41.0%. Some argue that these rates are artificially high due to erroneous measurement. But a study by a nonpartisan panel of poverty experts shows that an updated measure of poverty would actually increase the number of poor by about 9 million persons (with most of the increase among the working poor).

David Holmstrom, "As Child Poverty Grows, Report Warns of Crisis," *Christian Science Monitor*, January 27, 1994, p. 2. An excerpt:

A recent study by Tufts University in Medford, Mass., indicates that poverty among white, black, and Hispanic children under 18 in the U.S. increased by a staggering 47 percent between 1973 and 1992. The result, says the Urban Institute in Washington, is that 1 out of 5 American children -- more than 14 million -- are in poverty today. That is twice the poverty rate of any other industrialized nation. . . . The government defines poverty as an annual income of \$11,186 for a family of three.

Steven R. Donziger, ed., *The Real War on Crime: The Report of the National Criminal Justice Commission*, New York: HarperCollins, 1996, pp. 27-29 ("up to twelve million children are malnourished"). This study lists international child poverty rates as follows (p. 29): U.S. Total 21% [African-Americans 44%, Latinos 37.9%, Whites 16.2%] (1993); Australia 14% (1990); Canada 13.5% (1991); United Kingdom 9.9% (1986); Germany 6.8% (1989); France 6.5% (1984); Netherlands 6.2% (1991); Sweden 2.7% (1992).

On hunger among U.S. children, see for example, Shlomo Maital and Kim I. Morgan, "Hungry Children Are A Bad Business," *Challenge*, Vol. 35, No. 4, July 1992, p. 54. An excerpt:

Hungry children and adults comprise one of every eleven Americans. . . . Today, one of every eight children in the United States under the age of twelve suffers from hunger, and one child in every four is either hungry or lives in a household that experienced hunger during the year. That adds up to 5.5 million hungry children and another 6 million at risk of hunger. . . .

According to Dr. J. Larry Brown, Director of the Center on Hunger, Poverty, and Nutritional Policy at Tufts University, the history of child hunger is a relatively brief and recent one. "Three decades ago . . . extensive hunger was identified and the Government's responses in the 1960s and 1970s virtually eliminated the problem. The food stamp program served twenty million people. School lunch and breakfast programs were increased, so poor children would have the nutritional basis for doing well in school. Supplemental feeding programs were set up to supply food to poor pregnant women, to mothers, and to their infants. Then, in 1981 the Reagan administration began reducing and modifying those programs. By 1982 signs of hunger were widespread. . . .

One commonly-believed cause of hunger among children has no basis in fact -- the myth that children go hungry because poor people spend money on food wastefully or buy food that is not nutritious. According to Dr. Brown, "poor people actually buy more nutritious food than the rest of the population. They think more about how to make wise choices because they have to stretch their food dollar as far as possible. . . ." Today, less is spent on the school breakfast and lunch program than on the space program.

See also footnote 27 of this chapter.

On the low levels of child health care in the U.S., see for example, Derrick Z. Jackson, "The richest country has a poor record in child health care," Op-Ed, *Boston Globe*, September 29, 1993, p. 17. An excerpt:

The United States, the richest country in the world, has only the 19th-lowest rate of death for children under 5. For infants, the mortality rate of white children would rank with Switzerland, Japan and Canada. The death rate for African-American infants is worse than the rate in Cuba, Poland and Bulgaria. . . . Only 77 percent of children under 2 are immunized in the United States against measles. This ranks 60th among the nations listed by U.N.I.C.E.F. The U.S. measles immunization rate is worse than that for Iran, India, Botswana, Rwanda, both Koreas, China, Cuba, Vietnam, Mongolia, Honduras, Chile, Colombia, Hungary, Romania, Egypt, Syria, Panama, Mexico and the former Czechoslovakia. . . . [C]hild poverty rose from 15 percent in 1970 to the current 20 percent. The rate is twice that of any other developed nation. . . . Put together, the report [U.N.I.C.E.F.'s *The Progress of Nations*] reminded us that the United States is one of only two major industrial nations -- the other being the United Kingdom -- that allowed the state of children to deteriorate over the last two decades.

See also, Sylvia Ann Hewlett, *Child neglect in rich nations*, New York: United Nations Children's Fund, 1993. An excerpt (p. 17):

Estimates vary, but in the early 1990s, somewhere between 600,000 and 3 million people are homeless. Approximately 30 per cent of them are families, most often a parent with two or three children. The average child is 6 years old; the average parent, 27. The loss of a home often leads to the dissolution of a family: two older children in foster care, the wife and baby in a public shelter, the husband sleeping on a park bench or under a bridge. . . .

In 1989, 10 million Americans were living near the edge of homelessness, doubled up with friends or family. . . . Local officials report that there is no public

housing available for hundreds of thousands of poor families who, under existing government regulations, qualify for help. There are today about 44,000 persons on the waiting list in Chicago, 60,000 in Miami and 200,000 in New York City. While approximately 330,000 children are homeless in the United States, 12 million are uninsured and have little or no access to health care.

And see chapter 2 of *U.P.* and its footnote 48; and footnotes 4, 12 and 13 of this chapter.

6. For the *New York Times's* review, see Malcolm W. Browne, "What Is Intelligence, and Who Has It?," *New York Times Book Review*, October 16, 1994, p. 3. The three books under review were: Richard J. Herrnstein and Charles Murray, *The Bell Curve: Intelligence and Class Structure in American Life*, New York: Free Press, 1994; J. Philippe Rushton, *Race, Evolution, and Behavior: A Life History Perspective*, New Brunswick, NJ: Transition, 1994; and Seymour W. Itzkoff, *The Decline of Intelligence in America: A Strategy for National Renewal*, Westport, CT: Praeger, 1994.

An excerpt from the *Times* review:

Indicators of national intelligence in the United States have declined compared with similar measurements of intelligence in other countries. The demographer Daniel R. Vining Jr. has calculated that America's I.Q. scores have fallen about five points since intelligence tests first came into use at the beginning of this century, and the College Entrance Examination Board says that scores for the Scholastic Aptitude Test fell from 1962 to 1990 by 11 percent in the verbal section and 5 percent in the mathematics part. . . . Worst of all, say the authors [of the books under review], the lowest intellectual levels of the population are strongly outbreeding the brightest, and if (as most psychologists believe) intelligence is partly inherited, America is losing the cognitive base essential to coping with national problems. . . .

Among Mr. Rushton's [one of the authors] conclusions are that whites, on average, emphasize nurture rather than numbers of offspring, while blacks, on average, are shaped by evolutionary selection pressures [of the warmer environment of Africa] to produce more children but to nurture each one less. . . . This is the kind of proposition that makes Mr. Rushton a constant target of furious protests. . . . Mr. Rushton is nevertheless regarded by many of his colleagues as a scholar and not a bigot. . . . Mr. Murray and Mr. Herrnstein [the authors of another of the books] write that "for the last 30 years, the concept of intelligence has been a pariah in the world of ideas," and that the time has come to rehabilitate rational discourse on the subject. It is hard to imagine a democratic society doing otherwise.

7. The opening sentence of the review is: "One may loathe or share the opinions expressed in the three books under review, but one thing seems clear: The government or society that persists in sweeping their subject matter under the rug will do so at its peril."

8. On the number of people in the United States suffering hunger, see for example, Theo Francis, "Hunger Found Surging In U.S., Easing Globally," *Chicago Tribune*, October 14, 1994, zone N, p. 26. An excerpt:

In 1990, 12 percent of the U.S. population was determined to be hungry, or ate too little "to provide them with the energy and nutrients for fully productive, active, and healthy lives," according to a study on the causes of hunger by the Bread for the World Institute. Between 1985 and 1990, the U.S. experienced an increase of 50 percent in the number of hungry people, according to the study. Twelve million of the

30 million deemed hungry in the U.S. are under 18 while 3 million to 5 million are senior citizens.

"Worldwide, hunger is going down," said institute director David Beckmann. "In Africa and, ironically, in America, it's going up. . . ." Increasing federal food assistance by less than one percent of the federal budget, or about \$10 billion, would eliminate the country's hunger problem, according to the institute. . . . [Executive Director of the Congressional Hunger Caucus John] Morrill argued that enough money could be raised by cutting about 3 percent of the defense budget, or a third of the C.I.A.'s annual funds.

Judy Rakowsky, "Tufts study finds 12 million children in U.S. go hungry," *Boston Globe*, June 16, 1993, p. 80 (reporting similar statistics from a Tufts University study conducted based upon the nutrition standard set by the National Academy of Sciences, i.e. having enough money to buy adequately nutritious food to nourish the body and maintain growth and development in children). See also footnotes 5, 11 and 12 of this chapter.

9. On increasing hunger in the U.S. and Africa, see footnote 8 of this chapter.

10. On the permanent impact of malnutrition on children's neural development, see for example, John W. Frank and Fraser Mustard, "The Determinants of Health from a Historical Perspective," *Daedalus (Health and Wealth)*, Vol. 123, No. 4, Fall 1994, pp. 1-19. An excerpt (p. 10):

Emerging evidence from fields such as psychology and the neurosciences points to how nurturing or stimulation influence brain development, particularly when it is most plastic. The modifications and connections that are formed among the billions of cells in the cerebral cortex occur very rapidly during the first few months of life and continue throughout childhood. The development of the brain is strongly influenced by the quality of the nourishment and nurturance given to infants and children. The stimuli affect not only the number of brain cells in the cortex and the number of connections among them, but also the way the nerve cells are "wired." The stages in the development of the brain appear to be linked so that events early in life affect the development and function of the brain at later stages. In addition, in adverse environments activated stress hormones can have a negative effect on brain development and can damage neurons, leading to permanent defects in memory and learning.

11. For the *Wall Street Journal's* article on increasing hunger among the elderly, see Michael J. McCarthy, "Frayed Lifeline: Hunger Among Elderly Surges," *Wall Street Journal*, November 8, 1994, p. A1. An excerpt:

[S]everal million older Americans are going hungry -- and their numbers are growing steadily. . . . [A]s many as 4.9 million elderly people -- about 16% of the population aged 60 and older -- are either hungry or malnourished to some degree, often because they are poor or too infirm to shop or cook. . . . [A]t least two-thirds of needy older people aren't being reached by federal food-assistance projects, including food stamps. . . . Meanwhile, funds for federal nutrition programs haven't kept pace with either the rising cost of food or the surging tide of older people. Increases in funding trailed the inflation rate throughout the 1980s, and in the 1990s program budgets have risen only marginally. In contrast, the elderly population swelled by more than 20% in the 1980s alone. . . .

Some nine million people 65 or older live alone, putting them at increased risk for poor nutrition, and their numbers are expected to grow to 11 million within a decade. . . . Says Ed Kramer, an aging-department official for the state [of New York]: "There are a lot of hidden elderly, particularly in urban areas and high-rises, who are literally starving to death."

12. On the Boston City Hospital malnutrition clinic, see for example, Diego Ribadeneira and Cheong Chow, "BCH [Boston City Hospital] Study Illustrates Poor's Painful Choice," *Boston Globe*, September 8, 1992, p. 1; Diego Ribadeneira, "BCH Reports Rise in Child Malnutrition," *Boston Globe*, September 25, 1992, Metro section, p. 1. An excerpt:

The demand for the services of the failure-to-thrive clinic is so great that staff members resort to triage -- a system of assigning on the basis of urgency or chance for survival -- to determine which children are in need of immediate care and which children can afford to be placed on a waiting list. . . . Some of the children suffer from Third World levels of malnutrition and require hospitalization. Their immune systems are so weakened by lack of nutrients that infections could be fatal. Doctors say the children, mostly infants and toddlers, are the victims of the social and financial calamities that have befallen families in Boston's inner-city neighborhoods. . . .

[The Director of the clinic] points out that the maximum allowance for food stamps is 80 cents per meal per person. . . . "I challenge you to be able to properly care for a child on 80 cents, given the food costs in this city," [she] said.

On infant mortality in the U.S., see for example, Derrick Z. Jackson, "America's shameful little secret," *Boston Globe*, December 24, 1989, p. A20. An excerpt:

The United States is the second-richest nation in U.N.I.C.E.F.'s State of the Children report. Its per-capita gross national product is \$18,530, just behind first-place Switzerland's \$21,330. But the United States has only the 22d lowest rate of infant mortality. In 1960, the United States had the 10th lowest. The United States is now behind Ireland and Spain, where the per-capita G.N.P. is about \$6,000.

The numbers for African-American children are tragic. The U.S. infant-mortality rate is 10 per 1,000 live births. The African-American rate is 18 per 1,000. In Roxbury [a section of Boston], the rate is 27.2. That rate would rank Roxbury, supposedly part of the world's second-richest nation, 42d in infant mortality. Though Boston is perhaps the most hospitalized city in America, Roxbury's rate would be behind both Koreas, the United Arab Emirates, Malaysia, the Soviet Union, Uruguay, Mauritius, Yugoslavia, Romania, Chile, Trinidad and Tobago, Kuwait, Jamaica, Costa Rica, Bulgaria, Hungary, Poland, Cuba, Greece, Portugal, Czechoslovakia and Israel. It is barely ahead of Panama, Argentina, China and Sri Lanka. . . .

Paul Wise, a Harvard Medical School expert on infant mortality, said: "The only place where you see social disparities like you see in the U.S. infant-mortality rate is South Africa." The United States and South Africa hold the distinction of being the only two industrialized nations without guaranteed health care.

See also footnote 5 of this chapter.

13. On declining contact time between parents and children, see for example, Sylvia Ann Hewlett, *Child neglect in rich nations*, New York: United Nations Children's Fund, 1993. An excerpt (pp. 2, 7, 10):

Over the last two decades there has been a sharp decline in the amount of time parents spend caring for their children, a trend that has been particularly pronounced in the United Kingdom and the United States. According to Stanford University

economist Victor Fuchs, American children have lost 10 to 12 hours of parental time per week. . . . The data show that the amount of "total contact time" (defined as "all time parents spend with children, including time spent doing other things") has dropped 40 per cent during the last quarter century. . . .

It is a telling comment on the state of affairs that Hallmark, the greeting card company, now markets cards for overcommitted professional parents who find it difficult to actually see their children. "Have a super day at school," chirps one card meant to be left under the cereal box in the morning. "I wish I were there to tuck you in," says another, designed to peek out from behind the pillow at night.

William R. Mattox, Jr., "The Family Time Famine," *Family Policy*, Vol. 3, No. 1, 1990, p. 2.

14. On the rise of two-income families, see for example, Lawrence Mishel, Jared Bernstein and John Schmitt, *The State of Working America, 1998-1999*, Ithaca: Cornell University Press, 1999, especially ch. 1. An excerpt (pp. 17-18, 38):

Were it not for the extra hours of work provided by working wives, the average income of middle-income, married families would have fallen in the 1990s. Between 1989 and 1996, middle-class husbands and wives increased their annual hours of work outside the home from 3,550 to 3,685, or more than three weeks of extra work per year. And, because of falling wages, this 3.8% increase in hours translated into just 1.1% more family income over seven years. Most of the added hours came from wives, and, without their added work effort, these middle-class families would have lost 1.1% of their income. These middle-income families were not alone: the bottom 80% of families increased their annual hours of work but still managed only to stay even. . . .

Unlike the prior decade, wives' contributions were no longer sufficient [in the 1990s] to offset the lower earnings of husbands, whose wages continued to fall (only husbands in the top fifth experienced wage increases). By 1996, the bottom 80% of married-couple families would have experienced flat or declining incomes in the absence of wives' work; even with wives' contributions, families in the bottom 40% lost economic ground in the 1990s.

See also footnote 101 of this chapter.

On the steep increase in the number of working poor in the U.S. since the 1970s, see for example, Robert A. Rosenblatt, "Survey Finds Sharp Rise In Working Poor Salaries: The Number of Full-Time Workers Who Earn Less Than A Living Wage Rose From 12% To 18% In 13 Years," *Los Angeles Times*, March 31, 1994, p. D1. An excerpt:

The percentage of gainfully employed Americans receiving poverty-level wages rose sharply over the last decade, with nearly one in five full-time employees now counted among the working poor, according to a study released Wednesday by the Commerce Department. The study, titled "The Earnings Ladder," shows that 18% of Americans with year-round full-time jobs had earnings of less than \$13,091 in 1992. In 1979, only 12% of all full-time workers earned comparably low wages. A worker trying to support a family on this wage would be living in poverty; the official definition of poverty in 1992 was a family of four earning \$14,428 a year.

Lawrence Mishel, Jared Bernstein and John Schmitt, *The State of Working America, 1998-1999*, Ithaca: Cornell University Press, 1999, chs. 3 and 6. An excerpt (pp. 307, 313, 309, 137):

Despite the popular notion that the poor work very little . . . in 1996, 72.6% of the employable, prime-age [age 25-54] poor either worked (67.1%) or sought work (5.5%). . . . [T]he wage and employment conditions shown in [numerous

accompanying statistical tables] make it difficult to see how low-wage workers can realistically be expected to work their way out of poverty. . . . Low-wage workers . . . are defined as those whose hourly wage [is less than that which] would lift a family of four just up to the poverty line in 1997: \$7.89 per hour. This group's average wage in 1997 was \$5.92, 25% below the poverty-level wage. . . .

[There has been] a significant expansion of workers earning far less than poverty-level wages since 1979, primarily in the 1980s. In 1979, only 4.2% of the workforce were "very low earners," with wages at least 25% below the poverty-level wage. By 1989, 13.4% of the workforce earned such wages, a shift of 9.2% of the workforce into this low-wage group. This group declined by 1.3% between 1989 and 1997, however. Looking at the total group earning poverty-level wages . . . in 1997, 28.6% of the workforce earned poverty-level wages, a rise from 23.7% in 1979. There was no change over the 1989-97 period.

On the systematic undercounting in official unemployment statistics, see for example, Marc Breslow, "The real un(der) employment rate," *Dollars and Sense*, May 1, 1995, p. 35.

15. For some of *Fortune's* celebrations of the rise of profits in the mid-1990s without a corresponding increase in payroll expenditures, see for example, Louis S. Richman, "Why Profits Will Keep Booming," *Fortune*, May 1, 1995, p. 33. An excerpt: Champagne, anyone? Though the final figures for 1994 are still trickling in, it isn't too early to start celebrating the best profit party corporate America has thrown in decades. Net earnings of the S&P [Standard and Poor's, a stock-price index] 500 companies rose a splendid 40% last year -- the fourth successive year of double-digits gains -- and the festivities ain't over yet. . . . You have to look back to the golden years of the mid-1960s to find the last time U.S. companies experienced a six-year run in earnings growth. . . . [Workers] have been off the profit-party guest list so far.

Richard S. Teitelbaum, "Introduction to the Fortune 500; Largest U.S. Corporations A Boom In Profits," *Fortune*, May 15, 1995, p. 226. An excerpt:

Even an anxious Broadway producer couldn't wish for a stronger opening. The premiere of the new Fortune 500, combining industrial and service companies, offers performance numbers that would bedazzle any critic. For the group, profits rose a stunning 54% on a sales gain of 8.2%. That powerful showing came with only modest growth in the cast: employee rolls of Fortune 500 companies gained just 2.6% last year.

Richard S. Teitelbaum, "The Largest U.S. Industrial Corporations; Hats Off! It was a Heck of a Year," *Fortune*, April 18, 1994, p. 210. An excerpt:

[A] dazzling \$62.6 billion in profits. . . . What makes that 15% gain even more impressive is that sales growth in 1993 was virtually stagnant. . . . Employees, though, might well voice a few loud gripes.

"Getting Stronger," *Fortune*, November 14, 1994, p. 14 ("The percentage of corporate income devoted to payrolls is hovering near a record low").

See also, John Liscio, "Is Inflation Tamed? Don't Believe It," *Barron's*, April 15, 1996, "Market Week" section, p. 10 ("The big reason why the bond and stock markets have enjoyed such a heady run for the past 15 years has been capital's clear subjugation of labor"). And see footnotes 14 and 101 of this chapter.

16. Chomsky incisively elaborated on an important aspect of this problem in a 1976 interview broadcast on British television. For the transcript of this discussion, see "The Relevance of Anarcho-Syndicalism/The Jay Interview," in Noam Chomsky, *Radical Priorities*, Montreal: Black Rose, 1981, pp. 245-261. The passage (pp. 254-257):

CHOMSKY: [T]here's a certain amount of work that just has to be done if we're to maintain [something like our current] standard of living. It's an open question how onerous that work has to be. Let's recall that science and technology and intellect have not been devoted to examining that question or to overcoming the onerous and self-destructive character of the necessary work of society. The reason is that it has always been assumed that there is a substantial body of wage-slaves who will do it simply because otherwise they'll starve. However, if human intelligence is turned to the question of how to make the necessary work of society itself meaningful, we don't know what the answer will be. My guess is that a fair amount of it can be made entirely tolerable.

It's a mistake to think that even back-breaking physical labor is necessarily onerous. Many people -- myself included -- do it for relaxation. Well recently, for example, I got it into my head to plant thirty-four trees in a meadow behind the house, on the State Conservation Commission [land], which means I had to dig thirty-four holes in the sand. You know, for me, and what I do with my time mostly, that's pretty hard work, but I have to admit I enjoyed it. I wouldn't have enjoyed it if I'd had work norms, if I'd had an overseer, and if I'd been ordered to do it at a certain moment, and so on. On the other hand, if it's a task taken on just out of interest, fine, that can be done. And that's without any technology, without any thought given to how to design the work, and so on. . . .

But let's assume there is some extent to which it remains onerous. Well, in that case, the answer's quite simple: that work has to be equally shared among people capable of doing it.

PETER JAY: And everyone spends a certain number of months a year working on an automobile production line and a certain number of months collecting the garbage, and . . .

CHOMSKY: If it turns out that these are really tasks which people will find no self-fulfillment in. Incidentally, I don't quite believe that. As I watch people work, craftsmen, let's say, automobile mechanics for example, I think one often finds a good deal of pride in work well done, complicated work well done, because it takes thought and intelligence to do it, especially when one is also involved in management of the enterprise, determination of how the work will be organized, what it is for, what the purposes of the work are, what'll happen to it and so on -- I think all of this can be satisfying and rewarding activity which in fact requires skills, the kind of skills people will enjoy exercising. However, I'm thinking hypothetically now. Suppose it turns out that there is some residue of work which really no one wants to do, whatever that may be -- okay, then I say that the residue of work must be equally shared, and beyond that people will be free to exercise their talents as they see fit. . . .

[N]otice that we have two alternatives: one alternative is to have it equally shared, the other is to design social institutions so that some group of people will be simply compelled to do the work, on pain of starvation. Those are the two alternatives. . . . And I think that the chances for [the former] are enormously enhanced by industrialization. Why? Precisely because much of the most meaningless drudgery can be taken over by machines, which means that the scope for really creative human work is substantially enlarged. . . .

[Y]ou pose a dilemma which many people pose, between desire for satisfaction in work and a desire to create things of value to the community. But it's not so obvious that there is any dilemma, any contradiction. So it's by no means clear -- in fact, I think it's false -- that contributing to the enhancement of pleasure and satisfaction in work is inversely proportional to contributing to the value of the output.

PETER JAY: Not inversely proportional, but it might be unrelated. I mean, take some very simple thing, like selling ice cream cones on the beach on a public holiday. It's a service to society; undoubtedly people want ice creams, they feel hot. On the other hand, it's hard to see in what sense there is either a craftsman's joy or a great sense of social virtue or nobility in performing that task. Why would anyone perform that task if they were not rewarded for it?

CHOMSKY: I must say I've seen some very cheery-looking ice cream vendors . . . who happen to like the idea that they're giving children ice creams, which seems to me a perfectly reasonable way to spend one's time, as compared with thousands of other occupations that I can imagine. . . .

[W]hat I'm saying is that our characteristic assumption that pleasure in work, pride in work, is either unrelated to or negatively related to the value of the output is related to a particular stage of social history, namely capitalism, in which human beings are tools of production. It is by no means necessarily true.

17. On the lack of scientific legitimacy of claims about I.Q., see for example, Richard C. Lewontin, Steven Rose, and Leon J. Kamin, *Not In Our Genes: Biology, Ideology, and Human Nature*, New York: Pantheon, 1984; Stephen Jay Gould, *The Mismeasure of Man*, New York: Norton, 1981; Russell Jacoby and Naomi Glaubergerman, eds., *The Bell Curve Debate: History, Documents, Opinions*, New York: Times Books, 1995. See also, Noam Chomsky, "Equality: Language Development, Human Intelligence, and Social Organization" (1976), in James Peck, ed., *The Chomsky Reader*, New York: Pantheon, 1987, pp. 183-202; Noam Chomsky, "Psychology and Ideology" (1972), in Noam Chomsky, *For Reasons of State*, New York: Pantheon, 1973, pp. 318-369 at pp. 347-363 (note that the relevant passage of this essay was not included in the version of it that is reprinted in *The Chomsky Reader*).

18. On public knowledge of and attitudes towards the "Contract With America" -- the policy program advanced in 1994 when the Republicans gained control of Congress -- see for example, Maureen Dowd, "Americans Like G.O.P. Agenda But Split on How to Reach Goals," *New York Times*, December 15, 1994, p. A1 ("Although Mr. Gingrich has been waving around his copy of the Contract with America, which was printed in TV Guide, 72 percent of those polled [by the *New York Times* and C.B.S. News] said they had not read or heard anything about it"); Marc Breslow, "The G.O.P.'s 17% mandate," *Dollars and Sense*, March 1, 1995, p. 43; John Brennan [Director of the *Los Angeles Times* Poll], "Voters Don't Buy Expert Wisdom That Economy's Perking Along," *Los Angeles Times*, November 20, 1994, p. D2. An excerpt:

This October, as the Republican blowout was brewing, 61% still told *The Times* Poll that spending for domestic programs should be increased. Most, including GOP-leaning voters, had never heard of the now-legendary Republican Contract with America. When told it was a mix of tax cuts, more defense spending and a balanced budget amendment, a majority called it "unrealistic."

Richard Morin [Director of the *Washington Post* Poll], "Myths and Messages in the Election Tea Leaves," *Washington Post National Weekly Edition*, November 21-27, 1994, p. 37. An excerpt:

[P]ublic opinion polls and an analysis of [1994 Congressional] election returns suggest that the vote was something less than what Newt Gingrich and his fellow travelers appear to have in store for the country. According to a Time magazine-CNN post-election survey, six out of 10 persons interviewed said the election was a repudiation of the Democrats, while just one out of six said it was an affirmation of the Republican agenda. . . . Republicans claimed about 52 percent of all votes cast for candidates in contested House seats, slightly better than a two-point improvement from 1992.

Richard Berke, "Poll Finds Public Doubts Key Parts Of G.O.P.'s Agenda," *New York Times*, February 28, 1995, p. A1. An excerpt:

Eight weeks after Republicans assumed control of Congress and vowed to make the Government more responsive, Americans are dubious about central elements of the party's legislative agenda. . . . More than half of Americans said they knew nothing about the Contract With America, the House Republicans' political manifesto. But the number of people who had some familiarity with the contract has risen to 45 percent, from 27 percent in December. Even so, Americans -- Democrats and Republicans alike -- disagreed with or were divided over many particulars in the contract. . . .

Despite the contract's call to increase military spending, 63 percent preferred to keep such spending at the current level. Sixty-nine percent of Americans said it was a poor idea for the House to approve, as it did recently, a bill that would allow the police to make searches without having a warrant.

For one of the most fascinating stories about the so-called "Contract," see Knight-Ridder, "G.O.P. Pollster Never Measured Popularity Of 'Contract,' Only Slogans," *Chicago Tribune*, November 12, 1995, p. 7, zone C. An excerpt:

After recent polls suggested that the "Contract With America's" popularity had fallen, House Speaker Newt Gingrich blamed pollsters for asking "totally dishonest" questions. There may be another explanation.

Republican pollster Frank Luntz, a Gingrich protege, never really measured the contract's popularity in the first place, before assuring reporters last September that at least six out of 10 Americans supported each of its 10 main proposals. Instead, in a survey he won't disclose for publication, Luntz merely measured the popularity of the strongest slogans that the contract's drafters could come up with. Luntz now concedes that his methods were flawed, and even some Republicans suspect that public support for the contract was overstated. . . . This month's Wall Street Journal/N.B.C. News survey, for example, finds that by a 45 percent to 35 percent margin, the public disagrees with most of what the House G.O.P. is proposing to do.

On public attitudes remaining stubbornly social-democratic in important respects since the New Deal years of the 1930s, see chapter 1 of *U.P.* and its footnote 7; and footnote 50 of this chapter.

19. For excerpts from the Contract With America, including "The Job Creation and Wage Enhancement Act," see David E. Rosenbaum, "The 1994 Campaign: The Republicans," *New York Times*, November 1, 1994, p. A20. The exact words of that paragraph of the Contract:

The Job Creation and Wage Enhancement Act. Small business incentives, capital gains cut and indexation, neutral cost recovery, risk assessment/cost-benefit analysis, strengthening the Regulatory Flexibility Act and unfunded mandate reform to create jobs and raise worker wages.

20. On U.S. military spending, see chapter 8 of *U.P.* and its footnote 75.

21. Note that the Japanese bombing of Pearl Harbor in 1941 was not an attack on the United States itself, because Pearl Harbor was a military base on a U.S. colony -- stolen by force and guile from its inhabitants half a century before (as the sources cited below make clear) -- and Hawaii became a State only in 1959.

On the U.S. conquest of Hawaii, see for example, Thomas Hietala, *Manifest Design: Anxious Aggrandizement in Late Jacksonian America*, Ithaca: Cornell University Press, 1985; Noel J. Kent, *Hawaii, Islands Under the Influence*, New York: Monthly Review, 1983; Gavan Daws, *Shoal of Time: A History of the Hawaiian Islands*, New York: Macmillan, 1968.

Chomsky notes that the hijacked airplanes that hit the World Trade Center and Pentagon on September 11, 2001, were "something quite new in world affairs, not in their scale and character, but in the target. For the U.S., this is the first time since the War of 1812 that its national territory has been under attack, even threat."

22. On the real purpose of the Pentagon, see chapter 3 of *U.P.*, "Teach-In: Evening."

On tourism, Boeing, and the Pentagon system, see for example, Leslie Albrecht Popiel, "Aircraft Producers Expect to Make \$5.5 Billion Profit," *Christian Science Monitor*, January 20, 1994, p. 8 (quoting Secretary of Transportation Federico Pena: "The aviation industry is critical to our country. . . . It contributes \$80 billion a year to our economy. It plays a significant role in perhaps the world's largest industry . . . the \$3 trillion global travel and tourism industry"); Mark Trumbull, "Boeing's Defense Division Accelerates Out of the Red," *Christian Science Monitor*, December 16, 1993, p. 9 (on the continuing importance of Pentagon contracts to the Boeing Company); Frank Kofsky, *Harry Truman and the War Scare of 1948: A Successful Campaign to Deceive the Nation*, New York: St. Martin's, 1993, especially pp. 13-15, 36-38 (on the publicly-funded development of the aircraft industry generally); Laura D'Andrea Tyson, *Who's Bashing Whom?: Trade Conflict in High-Technology Industries*, Washington: Institute for International Economics, 1992. An excerpt (pp. 157, 169-170):

Both Boeing's monopoly of the wide-body, long-range market and its consequent position in the global industry have their roots in engine technologies and design competitions funded by the U.S. military. . . . During the first twenty years of its existence . . . Boeing ran losses on its commercial operations. . . . Boeing was able to sustain these losses only because of its military operations. At least through the 1960s, endemic market volatility and subcompetitive returns in the commercial aircraft market were offset by market security and often supercompetitive returns in the military market. Operations in the latter market provided an implicit subsidy for operations in the former.

At critical moments, government contracts provided the safety net to catch a plummeting commercial airframe company. . . . Even as late as the early 1980s, for example, the U.S. Air Force bought 60 K.C.-10s, an airplane that was virtually

identical to the D.C.-10 (except for the addition of in-flight refueling equipment). Without this purchase, McDonnell-Douglas would not have been able to keep its D.C.-10 production line open. . . . The N.A.S.A. R & D budget paled in comparison with the explosion of federal funds for defense R & D in aerospace during the postwar period, but N.A.S.A. continued to play an important role through its research installations and its participation in several collaborative R.&D. projects.

See also footnotes 3, 4 and 10 of chapter 3 of *U.P.*

23. On Pentagon spending in the post-Cold War era, see for example, Center for Defense Information, *Defense Monitor*, July 1993, XXI.3, XXII.4 (noting that Clinton's military budget remained above the Cold War average in real dollars); John Aloysius Farrell, "Clinton seen returning to 'New Democrat' stance," *Boston Globe*, December 3, 1994, p. 7 ("The president scored a preemptive political strike on a Republican Congress -- and shored up his status as commander in chief -- by proposing Thursday a \$25 billion hike in defense spending"). See also chapter 3 of *U.P.* and its footnotes 3 and 10; and chapter 8 of *U.P.* and its footnote 75.

24. On tax deductions for home mortgages and other regressive fiscal measures, see for example, Christopher Howard, "The Hidden Side of the American Welfare State," *Political Science Quarterly*, Vol. 108, No. 3, Fall 1993, pp. 403-436 at pp. 416-417 ("Over 80 percent of the tax benefits for home mortgage interest, charitable contributions, and real estate taxes go to those earning more than \$50,000"); Michael Wines, "Taxpayers Are Angry. They're Expensive, Too," *New York Times*, November 20, 1994, section 4, p. 5. An excerpt:

[P]ayments to the poor add up to less than the three largest tax breaks that benefit the middle class and wealthy: deductions for retirement plans, the deduction for home mortgage interest and the exemption of health-insurance premiums that companies pay for their employees. Perhaps more important, most tax breaks and payments to the well-situated are practically exempt from the debate over controlling expenditures.

See also, Nancy Folbre and The Center for Popular Economics, *The New Field Guide to the U.S. Economy*, New York: New Press, 1995, sections 6.7 and 1.2 (adding together the value of direct benefits and tax breaks, an average household with income under \$10,000 received roughly 60 percent of the welfare provided to households with income over \$100,000 in 1991: \$5,700 to \$9,300. Moreover, "The top tax rate on income fell from 90% during the Kennedy years to 31% during the Reagan years").

For a useful discussion of dozens of the primary welfare programs in the U.S. -- from the Pentagon system, to Savings and Loan bailouts, to insurance loopholes, to the "horse write-off," and many others -- see Mark Zepezauer and Arthur Naiman, *Take The Rich Off Welfare*, Tucson, AZ: Odonian, 1996. An excerpt (pp. 6-7, 10, 35-36, 52-53, 70-71, 96):

Welfare for the rich costs us about 3 1/2 times as much as the \$130 billion we spend each year on welfare for the poor -- an amount the 1996 welfare "reform" bill will reduce significantly. . . . \$448 billion greatly understates the amount of money American taxpayers spend each year on welfare for the rich. . . .

Back in the 1950s, U.S. corporations paid 31% of the federal government's general revenues. Today, they pay just 11%. . . . A series of tax "reforms" that began in 1977 have cut the rate paid by the richest Americans nearly in half, while Social Security taxes -- which are paid overwhelmingly by ordinary wage earners (and not paid at all on income over \$62,700) -- have steadily risen. . . . Social

Security tax is a major technique for transferring the tax burden away from the rich. One reason is that it only applies to "earned" income; income from investments is exempt. Another reason is that there's a ceiling -- currently \$62,700 -- on how much earned income is taxed. Anyone who earns \$62,700 or more pays the same Social Security tax Bill Gates does -- needless to say, it amounts to a slightly higher percentage of their income. This makes Social Security one of our most regressive taxes. A family that made the (1993) median income of \$37,800 paid 7.65% of its income in Social Security tax, while one that made ten times as much paid 1.46% and one that made a hundred times as much paid 0.1% (one-tenth of 1%). . . .

Homeowners get five different federal tax breaks that the 40 million American families who rent their homes don't. . . . [T]wo-thirds of the benefits go to families with incomes of \$75,000 or higher. . . . Although about 63 million U.S. families own their homes, only 27 million -- fewer than half -- claimed the mortgage interest deduction in 1994. That's probably because it isn't worth it for most nonwealthy taxpayers to itemize their deductions. What's more, the lower your tax bracket, the less the deduction is worth to you. . . . The National Housing Institute calculates that this deduction cost the Treasury slightly more than \$58 billion in fiscal 1995, and that half that total -- \$29 billion -- went to people with incomes over \$100,000. . . .

Of the U.S.-based transnationals with assets over \$100 million, 37% paid no U.S. federal taxes at all in 1991, and the average tax rate for those that did pay was just 1% of gross receipts! (We'd tell you what it was as a percentage of profits, but nobody knows. That's just the point -- they avoid paying tax by concealing how much profit they make.) Foreign-based transnationals did even better. 71% of them paid no U.S. income tax on their operations in this country, and the average rate for those that did pay was just 0.6% -- *six-tenths of one percent* -- of gross receipts! . . . The [business] meals and entertainment deduction amounts to an annual subsidy of \$5.5 billion for fancy restaurants, golf courses, skyboxes at sports arenas and the like. And it's applied unequally. Factory workers can't deduct meals or sporting events at which they discuss their jobs with colleagues -- nor can any taxpayer who doesn't itemize deductions.

On the regressive changes in the U.S. tax system during the 1980s, see for example, Edward S. Herman, *Beyond Hypocrisy: Decoding the News in an Age of Propaganda*, Montreal: Black Rose, 1992. An excerpt (p. 89):

Between 1980 and 1990, the bottom 20 percent of income recipients had a federal tax rate increase of 16.2 percent; the top 20 percent had a federal tax reduction of 5.5 percent; and the rate for the top 5 percent fell 9.5 percent. The 59 percent of the population in the lower and middle income ranges had a larger federal tax obligation in 1990 than in 1980, despite the Reagan tax cuts, mainly because of the regressive Social Security tax increases. Going back to a 1977 base, 90 percent of U.S. families paid more federal taxes in 1990; federal tax changes since 1977 cost this 90 percent \$25.6 billion, while the richest 10 percent saved \$93.1 billion. According to the Congressional Budget Office, the bottom 20 percent, with an average family income of \$7,725 before taxes, saw their incomes drop 3.2 percent between 1980 and 1990, while the top 20 percent, with an average family income of \$105,209, enjoyed an increase of 31.7 percent, the top 5 percent rising by 46.1 percent.

On the extraordinary efforts of government and right-wing analysts to conceal and distort the economic facts regarding income redistribution in the 1980s, see Paul Krugman, "The Right, the Rich, and the Facts," *American Prospect*, Fall 1992, pp. 19-31.

For more on the regressive nature of the U.S. tax system, see for example, Lawrence Mishel, Jared Bernstein and John Schmitt, *The State of Working America*,

1998-1999, Ithaca: Cornell University Press, 1999, ch. 2; Donald L. Barlett and James B. Steele, *America: Who Really Pays the Taxes?*, New York: Simon and Schuster, 1994; John F. Witte, *The Politics and Development of the Federal Income Tax*, Madison: University of Wisconsin Press, 1985, especially section IV. On the Canadian tax system, see for example, Linda McQuaig, *Behind Closed Doors: How the Rich Won Control of Canada's Tax System*, Toronto: Penguin, 1987.

25. For McQuaig's book, see Linda McQuaig, *The Wealthy Banker's Wife: The Assault on Equality in Canada*, Toronto: Penguin, 1993, at p. 121 (estimating that it would cost \$1.5 billion in capital spending to create daycare spaces for the 750,000 Canadian children who currently need them, and comparing this figure to the \$1 billion cost to the federal treasury of business "entertainment" deductions alone).

26. On corporate resistance to eliminating Food Stamps, see for example, Hilary Stout, "GOP Drafting Bill to Reform Welfare Plans," *Wall Street Journal*, January 9, 1995, p. A3.

27. On falling A.F.D.C. benefits from 1970 until the time of the "Welfare Reform Act," see for example, Marc Breslow, "Budget-balancing nonsense: the GOP's contract with the devil," *Dollars and Sense*, March 1, 1995, p. 8 ("the average monthly [A.F.D.C.] benefit level dropped dramatically, from \$714 in 1970 to \$510 in 1980 and \$394 in 1993 (all in 1995 dollars)"); Nancy Folbre and The Center for Popular Economics, *The New Field Guide to the U.S. Economy*, New York: New Press, 1995, section 6.9 (in 1970, welfare benefits averaged about \$622 per family per month, or about 71 percent of the poverty line for a family of three; by 1992, they had fallen to \$374, or about 40 percent of the poverty line (all in 1992 dollars)); Nancy Folbre, "Welfare State of Mind," *Village Voice Literary Supplement*, November 1992, p. 31. An excerpt:

[F]ailure to adjust [welfare] benefits for inflation, combined with recent cuts, have resulted in drastic reductions in Aid to Families With Dependent Children (A.F.D.C.). Between 1970 and 1991, the maximum benefit for a family of three with no other income fell 42 per cent in the typical state, after adjusting for inflation. Today the national average value of A.F.D.C. benefits and food stamps combined is down to the same level (adjusted for inflation) as A.F.D.C. benefits alone in 1960, before the food-stamp program was created. . . .

In 1991, this country spent \$26.2 billion on building and operating prisons and supervising individuals on probation and parole. In the same year, it spent \$22.9 billion on A.F.D.C. There were more than 10 times as many people on A.F.D.C. That's \$1696 a year for A.F.D.C. per person, compared to \$23,818 per prisoner. The point of this comparison is not that prisoners are living high off the hog. It's that experts seem to worry more about the possibility that a welfare recipient might lie in bed watching a soap opera than about the possibility that joblessness and urban degradation might contribute to high crime rates.

For a sense of what these welfare-benefit cuts mean for people living in poverty, see for example, Shlomo Maital and Kim I. Morgan, "Hungry Children Are A Bad Business," *Challenge*, Vol. 35, No. 4, July 1992, p. 54. An excerpt:

The average food stamp benefit per meal is sixty-eight cents. . . . In 1970, New York State considered \$279 [per month] minimally essential for a family of three. The benefit level of A.F.D.C. was set at that level. In 1989, A.F.D.C. paid \$539. This is \$325 short of what it would have been, had the 1970 level been fully adjusted for

inflation. That \$325 shortfall can mean the difference between two meals a day, and one or none, for millions of children. . . .

Once, welfare lifted a family above the poverty line. In 1970 New York State's grant for a family of three was 10 percent more than the poverty line. In 1985, the grant was a third less. . . . Two-thirds of all poor children in New York City are on the A.F.D.C. program. Their cash benefits are only two-thirds of the poverty level. To a welfare family in New York, \$1.96 per person per day is allocated to cover the costs of some food and medical needs (food stamps and Medicaid cover a bit of the rest), clothing, furniture, transportation, school supplies, utensils, and so forth. The original food allocation for a four-person family was \$121 in 1970. In 1974 it was raised to \$137. It has never been increased since. Today, it would cost \$357 to buy the same food originally intended to buy the 1970 "standard of need."

See also footnote 5 of this chapter.

28. Because in Europe many social and family support programs are not income-targeted (i.e., as with Social Security in the U.S., there are not income-based restrictions on recipients), it is difficult to make exact comparisons of international spending levels "for the poor." However, comparison of the impact of social spending on poverty rates reveals a vast difference between the U.S. and other industrialized nations. See for example, Lawrence Mishel, Jared Bernstein and John Schmitt, *The State of Working America, 1998-1999*, Ithaca: Cornell University Press, 1999, pp. 375-379 (the U.S. tax and transfer system creates a 28.5 percent reduction in the poverty rate, whereas the tax and transfer systems in all other industrialized countries decrease poverty rates by between 60 and 80 percent, the only exceptions being Britain, Australia and Canada, whose tax and transfer programs still reduce poverty rates by approximately 50 percent). See also footnote 2 of this chapter.

As with domestic poverty-relief programs, U.S. foreign aid also is miserly by international standards. See for example, David Gergen, "America's Missed Opportunities," *Foreign Affairs, America and the World*, 1991-92, pp. 1-19 at p. 4 (in 1989, half of the U.S. public believed that foreign aid was the largest element in the federal budget; in reality, U.S. foreign aid had by then sunk to last place among the industrial countries, barely detectable in the federal budget and a miserly 0.21 percent of Gross National Product); Robin Wright, "Foreign Aid Hits Lowest Level In Two Decades; Other Rich Nations Follow U.S. In Cutting Back While Poverty Spreads, World Surveys Show," *Los Angeles Times*, June 13, 1995, p. 1. An excerpt:

[T]he number of poor around the world has soared to 1.3 billion, about one out of every five, according to the U.N. Development Program. The total is expected to increase to 1.5 billion within the next five years. . . . In 1989, 20% of needs went unmet. In 1994, over half the needs were unmet, [the Agency for International Development] reports. . . . As a percentage of its gross national product, the measure of its economy, the United States is now the lowest aid contributor of the top 21 industrialized nations. The U.N.I.C.E.F. target is for donor states to provide less than 1% -- just 0.70% -- of G.N.P.. The United States gives 0.15%, in contrast with the 0.30% average among the other 20 top donors. . . .

Perhaps ironically, the new reports [documenting these figures] coincide with a new study that finds "a strong majority" of Americans favor either maintaining or increasing U.S. foreign aid. And a strong majority would also be willing to pay more taxes if they believed that more aid would get to the people who need it. . . . The study, conducted by the Center for the Study of Policy Attitudes at the University of

Maryland, concluded that "an overwhelming majority rejects the idea that the United States should only give when it promotes the U.S. national interest."

29. On the plan to remove five million children from the A.F.D.C. program, see for example, Robert Pear, "White House Says Young Will Suffer Under G.O.P. Plan," *New York Times*, December 30, 1994, p. A1. An excerpt:

The Clinton Administration said today that five million children would be dropped from the welfare rolls under House Republican proposals. Republicans who helped write the legislation acknowledged that was a possible result, but asserted that the children would not be harmed.

About 9.7 million children are beneficiaries of the nation's main cash welfare program, Aid to Families with Dependent Children. Donna E. Shalala, the Secretary of Health and Human Services, said her department estimated that more than half of these children -- 5.3 million -- would eventually become ineligible under the bill that House Republicans plan to introduce. . . . An aide to the House Republican leaders acknowledged that . . . "The number 'five million' is approximately correct, but that's at the end of five years."

30. On massive public funding of Gingrich's district, see footnotes 52 and 56 of this chapter.

31. The U.S. prison population quadrupled between 1985 and 1999. See for example, William J. Chambliss, *Power, Politics, and Crime*, Boulder, CO: Westview, 1999, p. 2. See also, "More than any other democracy," *Economist* (London), March 20, 1999, p. 30. An excerpt:

This week the Bureau of Justice Statistics reported that the nation's prison and jail population has increased yet again, by 4.4% to 1.8m in the year to June 1998. This represents slower growth than the annual average of 6.2% since 1990, or the 5.9% growth in 1997. But it is not much of a slowdown. More remarkable is the fact that America's prison population continues to grow at such a steady pace in the teeth of two other facts: rates of reported crime have fallen for each of the past six years, and America has already locked up more people than any country in the world. . . .

Last year one in every 150 American residents (children included) was behind bars. The rate of incarceration, at 668 inmates per 100,000 residents, is five to ten times the rates of countries in Western Europe, six times the rate in Canada and nearly 20 times that in Japan. The number of Americans in prison has nearly quadrupled since 1980 and more than doubled since 1985. Only Russia imprisons a larger proportion of its people but, at the current rate of increase, America should win the top spot in a year or two. Because of its larger population, America already has more people behind bars. . . .

The prison and jail populations have soared not because the police are catching more violent criminals, but because sentences have been lengthened and probation severely curtailed. In addition, there is one type of crime where mass imprisonment seems to have failed abysmally -- illegal drug use. Since America panicked over the crack epidemic ten years ago, toughening drug laws at both the federal and state level, the number of people imprisoned for illegal drug use or trafficking has quadrupled. . . . Despite such large-scale imprisonment, the number of people abusing drugs has not changed since 1988. . . . Blacks comprise 12% of the American population, but represent nearly half of those in prison or jail.

Kathleen Maguire and Ann L. Pastore, eds., *Sourcebook of Criminal Justice Statistics 1997*, U.S. Department of Justice, Bureau of Justice Statistics, Washington: U.S. Government Printing Office, 1998, p. 464, Table 6.1 (in 1997, 1,185,800 adults were in prison and 557,974 in jail, together with 3,261,888 on probation and 685,033 on parole, a total increase of adults under correctional supervision in the U.S. of 88.9 percent since 1985 and 209 percent since 1980).

And see Tom Wicker, "The Iron Medal," *New York Times*, January 9, 1991, p. A21. An excerpt:

[T]he National Council on Crime and Delinquency . . . discloses that in 1987, when about 340,000 Americans were sent to the slam, 65 percent of them went in not for murder, rape or assault but for property, drug and public disorder crimes. An additional 15 percent, making 80 percent of the total, had only violated parole conditions -- "e.g. curfew violations, failure to participate in a program, evidence of drug use, etc."

U.S. Department of Justice, Bureau of Justice Statistics, *Prisoners in 1993*, Washington: U.S. Government Printing Office, June 1994, p. 13, Table 18 (84 percent of the increase in state and federal prison admissions since 1980 is attributable to nonviolent offenders).

32. For specific figures on imprisonment in the U.S., see footnote 31 of this chapter. For a comparison of international prison populations, see for example, Marc Mauer, "Americans Behind Bars -- A Comparison of International Rates of Incarceration," in Ward Churchill and J.J. Vander Wall, eds., *Cages of Steel: The Politics of Imprisonment in the United States*, Washington: Mazonneuve, 1992, pp. 22-37. An excerpt (p. 26):

The United States now has the world's highest known rate of incarceration, with 426 prisoners per 100,000 population. South Africa is second in the world with a rate of 333 per 100,000, and the Soviet Union third with 268 per 100,000 population. . . . Black males in the United States are incarcerated at a rate four times that of black males in South Africa, 3,109 per 100,000, compared to 729 per 100,000. . . . The total cost of incarcerating the more than one million Americans in prisons and jails is now \$16 billion a year. . . . [N]o other nation for which incarceration rates are known even approaches these levels. Rates of incarceration for western Europe are generally in the range of 35-120 per 100,000, and for most countries in Asia, in the range of 21-140 per 100,000.

See also, Marc Mauer and The Sentencing Project, *Race to Incarcerate*, New York: New Press, 1999, Table 2-1 and Figures 2-3 and 2-4 (listing international rates of incarceration and of victimization).

33. On U.S. prisons being condemned for torture by human rights groups, see for example, <http://www.amnesty-usa.org>; Amnesty International, *United States of America: Rights For All*, New York: Amnesty International Publications, 1998, ch. 4 ("Violations In Prisons and Jails: Needless Brutality"); Amnesty International, *Betraying the Young: Human Rights Violations Against Children in the U.S. Justice System*, New York: Amnesty International U.S.A., 1998; Amnesty International, *The High Security Unit, Lexington Federal Prison, Kentucky* (A.I. Index: AMR 51/34/88), New York, 1988; Amnesty International, *Allegations of Inmate Treatment in Marion Prison, Illinois, U.S.A.* (A.I. Index: AMR 51/261/87), New York, May 1987; "The United States of America," in Amnesty International, *The 1996 Report on Human Rights Around the World*, New York: Hunter House, 1996. An excerpt (pp. 314-315):

In January a federal court ordered the authorities to discontinue what it described as a pattern of brutality and neglect at Pelican Bay State Prison, California, including repeated assaults on prisoners by guards; the punitive shackling of inmates to toilets or other cell fixtures; and grossly inadequate medical and mental health care. The court also stated that conditions in the prison's Special Housing Unit (S.H.U.), where inmates were isolated in sealed, windowless cells with no work, educational or recreational programs, "may press the outer bounds of what most humans can physically tolerate. . . ." Chain-gangs, last used in the U.S.A. 30 years ago, were reintroduced into the prison systems of Alabama, Arizona and Florida and legislation permitting the use of chain-gangs was passed in Utah. The practice -- in which prisoners are shackled together with leg-irons and forced to do hard labour such as rock-breaking for hours at a time -- constitutes cruel, inhuman and degrading treatment.

See also, Ward Churchill and J.J. Vander Wall, eds., *Cages of Steel: The Politics of Imprisonment in the United States*, Washington: Maisonneuve, 1992.

34. On imprisonment for drug crimes, see for example, William J. Chambliss, *Power, Politics, and Crime*, Boulder, CO: Westview, 1999, ch. 4; William J. Chambliss, "Don't Confuse Me With Facts: Clinton 'Just Says No,'" *New Left Review*, March/April 1994, pp. 113-126. An excerpt (pp. 114-115):

Drug arrests were the third most frequent category of arrests [in 1992], behind larceny (1,504,500) and driving under the influence (1,624,500). Over two-thirds (68 per cent) of the drug arrests in 1992 were for possession and less than one-third (32 per cent) for the sale or manufacture of drugs. Marijuana arrests accounted for 32 per cent of the total, heroin and cocaine for 53 per cent; the remainder of the drug arrests were for synthetic or "other dangerous drugs."

In 1992, 58 per cent of the inmates in federal prisons and over 30 per cent of state prisoners were sentenced for drug offenses. Approximately one-third of these are sentenced for marijuana and other drugs, two-thirds for heroin and cocaine: official reports make no distinction between these two but it is certain that the vast bulk of these arrests are for cocaine. Over 21 per cent of all federal prisoners are "low-level drug offenders" with no current or prior violent offenses on their records, no involvement in sophisticated criminal activity and no previous prison time. Austin and Irwin [in *Who Goes to Prison?*, San Francisco: National Council on Crime and Delinquency, 1989] estimate that over 50 per cent of the prisoners in state and federal prisons are in for offenses which opinion surveys show the general public think are "not very serious crimes."

U.S. Department of Justice, *An Analysis of Nonviolent Drug Offenders with Minimal Criminal Histories*, Washington: U.S. Government Printing Office, February 4, 1994 (in the federal system, 89 percent of inmates are convicted of nonviolent offenses; in 1992, federal prisons held about 1,800 people convicted of murder for an average time served of 4.5 years, and 12,727 nonviolent first-time drug offenders for an average time served of 6.5 years). See also, Michael Tonry, *Malign Neglect -- Race, Crime, and Punishment in America*, New York: Oxford University Press, 1995, chs. 1 and 3; Marc Mauer and The Sentencing Project, *Race to Incarcerate*, New York: New Press, 1999, p. 81 ("Over half of all state and federal prison inmates are currently serving time for a non-violent drug or property offense").

Chomsky remarks on how public attitudes were developed for the so-called "Drug War" (*Deterring Democracy*, New York: Hill and Wang, 1991, p. 120):

Shortly after the November 1988 elections, 34 percent of the U.S. public had selected the budget deficit as "George Bush's No. 1 priority once he takes office." Three percent had selected drugs as top priority, down from previous months. After the ["War on Drugs"] media blitz of September 1989, "a remarkable 43% say that drugs are the nation's single most important issue," the *Wall Street Journal* reports, with the budget deficit a distant second at 6 percent. In a June 1987 poll of registered voters in New York, taxes were selected as the number 1 issue facing the state (15 percent), with drugs far down the list (5 percent). A repeat in September 1989 gave dramatically different results: taxes were selected by 8 percent while the drug problem ranked far above any other, at a phenomenal 46 percent. The real world had hardly changed; its image had, as transmitted through the ideological institutions, reflecting the current needs of power.

35. On the federal sentencing ratio for crack and powder cocaine, see for example, Steven R. Donziger, ed., *The Real War on Crime: The Report of the National Criminal Justice Commission*, New York: HarperCollins, 1996, pp. 99-129. An excerpt (pp. 118-119).

[After passage of the federal law imposing strict mandatory sentences for possessing or selling crack,] penalties for the use of "crack" cocaine became up to 100 times harsher than the penalties for powder cocaine. Under federal law, possession of five grams of crack cocaine became a felony that carried a *mandatory minimum* sentence of five years, while possession of the same amount of powder cocaine remained a misdemeanor punishable by a *maximum* of one year. Both before and after the law was passed, about 90 percent of "crack" arrests were of African-Americans while 75 percent of arrests for powder cocaine were of whites.

[The media has] trumpeted crack cocaine as a highly addictive drug that ha[s] the potential to destroy communities and wreak wanton violence, but careful research now tells us that this was largely myth. Although some claim that smoking crack cocaine produces a quicker and higher high, the evidence of meaningful pharmacological difference between crack and powder cocaine is exceedingly thin. The violence associated with crack stems more from turf battles between police and crack dealers, and among crack dealers battling to control lucrative markets, than from the narcotic effect of crack itself.

United States v. Armstrong, 116 S.Ct. 1480, 1492-1493 (1996)(Stevens, J., dissenting).

An excerpt:

[T]he Anti-Drug Abuse Act of 1986 and subsequent legislation established a regime of extremely high penalties for the possession and distribution of so-called "crack" cocaine. Those provisions treat one gram of crack as the equivalent of 100 grams of powder cocaine. . . . These penalties result in sentences for crack offenders that average three to eight times longer than sentences for comparable powder offenders. . . . [I]t is undisputed that the brunt of the elevated federal penalties falls heavily on blacks. While 65% of the persons who have used crack are white, in 1993 they represented only 4% of the federal offenders convicted of trafficking in crack. Eighty-eight percent of such defendants were black.

On myths about crack, see for example, Craig Reinerman and Harry G. Levine, eds., *Crack In America: Demon Drugs and Social Justice*, Berkeley: University of California Press, 1997 (on the myth about crack and violence, see ch. 6; on crack's pharmacology, see ch. 7).

36. On the origins of U.S. marijuana prohibitions, see for example, Charles H. Whitebread and Richard J. Bonnie, *The Marihuana Conviction: A History of the Marihuana Prohibition in the United States*, Charlottesville: University Press of Virginia, 1974, ch. 2. An excerpt (pp. 38-39):

Mexican immigration during the first third of the twentieth century increased enormously; the Bureau of Immigration records the entry of 590,765 Mexicans from 1915 to 1930. Two-thirds of these people remained in Texas. The others settled in states in the Rocky Mountain area, most of them as farm laborers. During this period practically every state west of the Mississippi River passed antimarihuana legislation. . . . Whether motivated by outright ethnic prejudice or by simple discriminatory lack of interest, the proceedings before each legislature [involved] . . . little if any public attention and no debate. Pointed references were made to the drug's Mexican origins, and sometimes to the criminal conduct which inevitably followed when Mexicans used the "killer weed."

Alexander Cockburn and Jeffrey St. Clair, *Whiteout: The C.I.A., Drugs and the Press*, London: Verso, 1998, pp. 70f. An excerpt (pp. 71-72):

In 1930 a new department of the federal government, the Bureau of Narcotics and Dangerous Drugs, was formed under the leadership of Harry Anslinger to carry on the war against drug users. Anslinger, another racist, was an adroit publicist and became the prime shaper of American attitudes to drug addiction, hammering home his view that this was not a treatable addiction but one that could only be suppressed by harsh criminal sanctions. Anslinger's first major campaign was to criminalize the drug commonly known at the time as hemp. But Anslinger renamed it "marijuana" to associate it with Mexican laborers who, like the Chinese before them, were unwelcome competitors for scarce jobs in the Depression. Anslinger claimed that marijuana "can arouse in blacks and Hispanics a state of menacing fury or homicidal attack. During this period, addicts have perpetrated some of the most bizarre and fantastic offenses and sex crimes known to police annals." Anslinger linked marijuana with jazz and persecuted many black musicians, including Thelonius Monk, Dizzy Gillespie and Duke Ellington. Louis Armstrong was also arrested on drug charges, and Anslinger made sure his name was smeared in the press. In Congress he testified that "[c]olors with big lips lure white women with jazz and marijuana. . . ." In 1951 Anslinger worked with Democrat Hale Boggs to marshal through Congress the first minimum mandatory sentences for drug possession.

Craig Reinerman and Harry G. Levine, "Crack in Context: politics and media in the making of a drug scare," *Contemporary Drug Problems*, Winter 1989, pp. 535-577. An excerpt:

[I]n 1937, Congress passed the Marijuana Tax Act. This first federal law against marijuana was the result of a marijuana scare orchestrated by yet another moral entrepreneur -- Harry Anslinger, the chief of the Federal Bureau of Narcotics. Before the scare began, there was no evidence of widespread marijuana use, almost no coverage of marijuana in the press, and little, if any, agitation for a clampdown. However, in the midst of the Great Depression, the bureau had endured four straight years of budget cuts, and with opiates and cocaine already outlawed, Anslinger felt he needed a new villain to justify the bureau's existence. Anslinger circulated to newspapers across the nation an unsubstantiated tale of a Florida youth who had murdered his entire family, allegedly under the influence of the "killer weed." After the story had been reprinted in many newspapers, Anslinger held up the clippings before Congress as evidence of the need for a new federal law. This scare too tapped racial fears: the "killer weed," it was said, made Mexicans, in particular, violent.

Kathleen Auerhahn, "The Split Labor Market and the Origins of Antidrug Legislation in the United States," *Law and Social Inquiry* (Journal of the American Bar Foundation), Vol. 24, No. 2, Spring 1999, pp. 411-440 (excellent survey of the history of U.S. opium, cocaine, alcohol and marijuana prohibitions, with numerous references to contemporary sources); Laura M. Rojas, "California's Compassionate Use Act and the Federal Government's Medical Marijuana Policy," *McGeorge Law Review* (University of the Pacific), Vol. 30, No. 4, Summer 1999, pp. 1373-1459 at pp. 1376-1381 (discussing the history of marijuana prohibitions); Craig Reinerman and Harry G. Levine, eds., *Crack In America: Demon Drugs and Social Justice*, Berkeley: University of California Press, 1997, ch. 1; John Kaplan, *Marijuana -- the new prohibition*, New York: World Publishing, 1970.

37. On the class and racial aspect of Prohibition and early drug laws in the U.S., see for example, Kathleen Auerhahn, "The Split Labor Market and the Origins of Antidrug Legislation in the United States," *Law and Social Inquiry* (Journal of the American Bar Foundation), Vol. 24, No. 2, Spring 1999, pp. 411-440. An excerpt (pp. 430-431):

The saloons were not targeted simply out of convenience. In addition to being retail outlets for alcoholic beverages, saloons performed an important function for the immigrant working class in the northern cities. There were intimate connections between saloon owners and political machines, and saloons offered a place where the community could gather and make business deals, plan political strategies, and generally develop as a *community*. . . . The combination of economic threat, political threat, and the potential to organize (to a greater extent than they already had) practically *begged* a social control response from native-born Americans.

Craig Reinerman and Harry G. Levine, "Crack in Context: politics and media in the making of a drug scare," *Contemporary Drug Problems*, Winter 1989, pp. 535-577. An excerpt:

In the first two decades of the 20th century . . . [m]any corporate supporters of prohibition argued that traditional working-class drinking interfered with the rhythms of the modern factory and thus with productivity and profits. To earlier fears of the barroom as a breeding ground of immorality was added the idea of the saloon as alien and subversive. Prohibitionists argued that saloons were where unions organized, where socialists and anarchists found new recruits. For the corporate and political elite, and for much of the old business middle class and the new professional middle class, clamping down on drinking and saloons was part of a much broader strategy of social control, a quest for "order. . . ."

The first law against opium smoking in the U.S. was much more the result of anti-Chinese agitation in California in the 1870s than it was of troublesome opium smoking. Chinese immigrants had been brought in as "coolies" to help build the railroad and work the mines. Many brought the practice of opium smoking with them. But when the railroad was completed and the gold ran out, recession set in. White workers found themselves competing with lower-paid Chinese workers for scarce jobs and viewed the Chinese as an economic threat. The campaign against smoking opium (but not against other, non-Chinese uses of opiates) included lurid newspaper accusations of Chinese men drugging white women into sexual slavery. . . . Broader political and racial issues were also factors in the earliest cocaine scare, which led to the first federal drug law, the Harrison Act of 1914. Just as the current scare blossomed only after the practice of cocaine smoking spread to lower-class, inner-

city blacks and Hispanics, so did class and racial fears fuel the first cocaine scare. . . . As medical historian David Musto has shown, this first cocaine scare was not primarily a response to cocaine use or opiate addiction, or to any drug-related crime wave; rather, says Musto, it was animated by "white alarm" about "black rebellion" against segregation and oppression.

For an early example of a sensationalist report of cocaine use by blacks, see Edward Huntington Williams, M.D., "Negro Cocaine 'Fiends' Are A New Southern Menace," *New York Times*, February 8, 1914, p. 12. An excerpt:

[T]here is no escaping the conviction that drug taking has become a race menace in certain regions south of the line. . . . [T]he negro drug "fiend" uses cocaine almost exclusively. . . . [He is] likely to have peculiar delusions, and develop hallucinations of an unpleasant character. He imagines that he hears people taunting or abusing him, and this often incites homicidal attacks upon innocent and unsuspecting victims. But the drug produces several other conditions that make the "fiend" a peculiarly dangerous criminal. One of these conditions is a temporary immunity to shock -- a resistance to the "knock down" effects of fatal wounds. Bullets fired into vital parts, that would drop a sane man in his tracks, fail to check the "fiend" -- fail to stop his rush or weaken his attack. . . .

A recent experience of Chief of Police Lyerly of Asheville, N.C., illustrates this particular phase of cocainism. The Chief was informed that a hitherto inoffensive negro, with whom he was well acquainted, was "running amuck" in a cocaine frenzy, had attempted to stab a storekeeper, and was at the moment engaged in "beating up" the various members of his own household. Being fully aware of the respect that the negro has for brass buttons, (and, incidentally, having a record for courage), the officer went single-handed to the negro's house for the purpose of arresting him. But when he arrived there the negro had completed the beatings and left the place. A few moments later, however, the man returned, and entered the room where the Chief was waiting for him, concealed behind a door. When the unsuspecting negro reached the middle of the room, the officer closed the door to prevent his escape, and informed him quietly that he was under arrest, and asked him to come to the station. In reply the crazed negro drew a long knife, grappled with the officer, and slashed him viciously across the shoulder. Knowing that he must kill the man or be killed himself, the Chief drew his revolver, placed the muzzle over the negro's heart, and fired -- "intending to kill him right quick," as the officer tells it. But the shot did not even stagger the man. And a second shot that pierced the arm and entered the chest had just as little effect in stopping the negro or checking his attack. Meanwhile, the Chief, out of the corner of his eye, saw infuriated negroes rushing toward the cabin from all directions. He had only three cartridges remaining in his gun, and he might need those in a minute to stop the mob. So he saved his ammunition and "finished the man with his club."

38. On racial disparities in the criminal justice system, see for example, *Harvard Law Review*, "Developments in the Law -- Race and the Criminal Process," Vol. 101, No. 7, May 1988, pp. 1473-1641 (comprehensive dissection of racial discrimination in the criminal justice system, determining that there is evidence that discrimination exists against African-Americans at almost every stage of the criminal justice process); Steven R. Donziger, ed., *The Real War on Crime: The Report of the National Criminal Justice Commission*, New York: HarperCollins, 1996, especially ch. 4. This book analyzes the discrepancy between African American or Hispanic and White crime and incarceration

rates, and examines the influence of race at each stage of the criminal justice system. An excerpt (pp. 102-103, 115-116; emphasis in original):

African-American males make up less than 7 percent of the U.S. population, yet they comprise almost half of the prison and jail population. In 1992, 56 percent of all African-American men aged 18 to 35 in Baltimore were under some form of criminal justice supervision on any given day. In the District of Columbia, the figure was 42 percent. One out of every three African-American men between the ages of 20 and 29 in the entire country -- including suburban and rural areas -- was under some form of criminal justice supervision in 1994. . . . In 1992, 29 percent of prison admissions were white, while 51 percent were African-American and 20 percent were Hispanic. Almost three out of four prison admissions today are either African-American or Hispanic. Ninety percent of the prison admissions for drug offenses are African-American or Hispanic. . . .

African-American arrest rates for drugs during the height of the "drug war" in 1989 were five times higher than arrest rates for whites *even though whites and African-Americans were using drugs at the same rate*. African-Americans make up 12 percent of the U.S. population and constitute 13 percent of all monthly drug users, but represent 35 percent of those arrested for drug possession, 55 percent of those convicted of drug possession, and 74 percent of those sentenced to prison for drug possession. . . . Between 1985 and 1989, the number of African-American arrests for drug offenses nationwide more than doubled from 210,000 to 452,000, while the number of white arrests grew by only 27 percent. . . . In New York City, 92 percent of drug arrests were of African-Americans or Hispanics. In St. Paul, African-Americans were 26 times as likely to be arrested on a drug charge as whites.

Craig Reinerman and Harry G. Levine, eds., *Crack In America: Demon Drugs and Social Justice*, Berkeley: University of California Press, 1997, ch. 13. An excerpt (pp. 262-264):

If we turn the clock back just about fifty years, whites constituted approximately 77% of all prisoners in America, while blacks were only 22%. . . . Notice that in the last half century, the incarceration rate of African-Americans in relation to whites has gone up dramatically. In 1933, blacks were incarcerated at a rate almost three times that of whites. In 1950, the ratio had increased to approximately four times; in 1960, it was almost five times; in 1970, it was six times; and in 1989, it was seven times that of whites. During the last two decades, we have seen the greatest shift in the racial composition of the inmates of our prisons in all of U.S. history. According to our most recent figures, 45% of those in our state and federal prisons are African-American. . .

There is now a near complete consensus among criminologists that drug control strategies account for most of the increase of the U.S. prison population of the last decade. As late as 1980, only 25% of the federal prison population was incarcerated for drug charges. By January 1992, this figure had more than doubled to 58%. . . . According to the government's own best statistics, blacks constitute only 15-20% of the nation's drug users, but in most urban areas, they constitute half to two-thirds of those arrested for drug offenses.

Michael Tonry, *Malign Neglect -- Race, Crime, and Punishment in America*, New York: Oxford University Press, 1995, ch. 2.

Other prominent studies of the criminalization of minorities, arriving at similar conclusions, include those conducted by the following organizations: The Sentencing Project, 1995; Federal Court Special Master in Duval County, Florida, 1993; National Council on Crime and Delinquency, 1992; National Center on Institutions and

Alternatives, 1992; Rand Corporation, 1990; The Sentencing Project, 1989; California Attorney General's Office, 1987; Blumstein and Graddy/Carnegie-Mellon, 1983.

39. On the O.E.C.D. study, see for example, Apolinar Biaz-Callejas [of the Andean Commission of Jurists and Latin American Association for Human Rights], "Violence in Colombia, its History," *Latin America News Update* (Chicago, IL), Vol. 10, No. 12, December 1994, pp. 19-20 (from *Excelsior* of Mexico City, October 14, 1994). An excerpt:

According to the Organization for Economic Cooperation and Development, the money produced by drug trafficking throughout the world reached \$460 billion in 1993, of which the U.S. received \$260 billion, which is circulated through its financial system, as contraband, and through other ways. Colombia, as a producer-exporter, gets only \$5 to \$7 billion, or 2 to 3% of what remains in the U.S. The big business is, therefore, in that country.

See also, Alexander Cockburn and Jeffrey St. Clair, *Whiteout: The C.I.A., Drugs and the Press*, London: Verso, 1998, pp. 365-371.

40. On the elimination of Operation Greenback, see for example, Jefferson Morley, "Contradictions Of Cocaine Capitalism," *Nation*, October 2, 1989, pp. 341-347. See also, Craig Reinerman and Harry G. Levine, eds., *Crack In America: Demon Drugs and Social Justice*, Berkeley: University of California Press, 1997, pp. 282-283.

41. On the C.I.A.'s study, see for example, Nicholas C. McBride, "Bill would regulate chemical exports," *Christian Science Monitor*, July 27, 1988, p. 3. An excerpt:

A report obtained from the Central Intelligence Agency says that since 1983, there has been a sharp increase in Latin American imports of chemicals used to manufacture illegal drugs, among other purposes. It concludes that the imports far exceed those necessary for legitimate uses. Most of the chemicals are produced in the U.S. . . . "Ninety-five percent of the chemicals necessary to manufacture cocaine in Latin America originate in the United States," says Gene R. Haislip, a deputy assistant administrator for the federal Drug Enforcement Administration.

Douglas Jehl, "Cocaine Has A Made In U.S.A. Label; American Firms Make Most Of The Solvents That Routinely Wind Up In Colombian Cocaine Labs -- That Chemical Trail Is Surprisingly Easy To Follow," *Los Angeles Times*, December 5, 1989, p. A1; Brook Larmer, "U.S., Mexico Try to Halt Chemical Flow to Cartels: Latin drug lords rely almost wholly on U.S-made products to turn coca into cocaine," *Christian Science Monitor*, October 23, 1989, p. 1.

42. For Chambliss's studies, see William J. Chambliss, *Power, Politics, and Crime*, Boulder, CO: Westview, 1999, ch. 3; William J. Chambliss, "Policing the Ghetto Underclass: The Politics of Law and Law Enforcement," *Social Problems*, Vol. 41, No. 2, May 1994, pp. 177-194. An excerpt (pp. 177-180):

For the past several years my students and I have been riding with the Rapid Deployment Unit (R.D.U.) of the Washington, D.C., Metropolitan Police. . . . They patrol what Wilson calls the urban ghetto: that is, the area of the city where 40 percent of the black population lives below the poverty level. The R.D.U. organizes its efforts at crime control around three distinct activities: the "rip," vehicular stops, and serving warrants. The "rip" involves the use of undercover agents to buy drugs

and to identify the person who sold the drugs. . . . The following field notes illustrate how this is done . . .:

"It is 10:25 at night when an undercover agent purchases \$50 of crack cocaine from a young black male. The agent calls us and tells us that the suspect has just entered a building and gone into an apartment. We go immediately to the apartment; the police enter without warning with their guns drawn. Small children begin to scream and cry. The adults in the apartment are thrown to the floor, the police are shouting, the three women in the apartment are swearing and shouting 'You can't just barge in here like this . . . where is your goddam warrant?' The suspect is caught and brought outside. The identification is made and the suspect is arrested. The suspect is sixteen years old. While the suspect is being questioned one policeman says: 'I should kick your little black ass right here for dealing this shit. You are a worthless little scumbag, do you realize that?' Another officer asks: 'What is your mother's name, son? My mistake . . . she is probably a whore and you are just a ghetto bastard. Am I right?' The suspect is cooperative and soft spoken. He does not appear to be menacing or a threat. He offers no resistance. The suspect's demeanor seems to cause the police officers to become more abusive verbally. The suspect is handled very roughly. Handcuffs are cinched tightly and he is shoved against the patrol car. His head hits the door frame of the car as he is pushed into the back seat of the patrol car. One of the officers comments that it is nice to make 'a clean arrest.'" When asked whether it is legal to enter a home without a warrant, the arresting officer replies: "This is Southeast [Washington] and the Supreme Court has little regard for little shit like busting in on someone who just committed a crime involving drugs. . . . Who will argue for the juvenile in this case? No one can and no one will."

Chambliss's and his students' field notes also recount "commonplace" stops of "any car with young black men in it," suspicionless searches conducted upon coerced "consent," and similar conduct in poor African-American neighborhoods. In contrast, they report that policing in the predominantly white sections of Washington takes "an entirely different approach."

See also, Charles J. Ogletree et al., *Beyond the Rodney King Story: An Investigation of Police Conduct in Minority Communities*, Boston: Northeastern University Press, 1995; Craig Reinerman and Harry G. Levine, eds., *Crack In America: Demon Drugs and Social Justice*, Berkeley: University of California Press, 1997, ch. 11.

43. On the elimination of Pell Grants to prisoners, see for example, Sheryl Stolberg, "School's Out For Convicts," *Los Angeles Times*, September 14, 1995, p. A1. An excerpt:

Last year, Congress cut off the federal grant money . . . [which] 27,000 inmates across America . . . had used to go to college. The ban on prisoners' use of Pell grants -- which are intended to help indigent students -- was adopted quietly, as an amendment to 1994's anti-crime legislation. . . . [R]esearch has repeatedly shown that education -- and in particular, higher education -- helps keep former inmates out of trouble. While national recidivism rates hover around 60%, a Texas study found that only 13.7% of inmates who earned an associate of arts degree returned to prison; the figure was 5.6% for those who earned a bachelor's degree. In New York, 45% of offenders without college degrees returned, compared to 26% of those who got diplomas in prison. . . .

The prisoners' share of the [Pell Grants] program was small. The 27,000 who received Pell funds in the 1993-94 academic year comprised fewer than 1% of

recipients. The government spent \$35 million on them, as compared to \$6 billion for the entire program. [Congressional Republicans] argued that criminals were taking away grant money from "the honest and hard-working." That is not true, says [Assistant Secretary for Post-Secondary Education of the Department of Education David] Longanecker. Pell grants are an entitlement program. That means that anyone who is eligible is approved. If applicants exceed budget estimates, the government has traditionally allocated more money.

44. On "crime control" spending approaching the scale of Pentagon spending, compare U.S. Department of Defense, *National Defense Budget Estimates for F. Y. 1995*, Washington: Office of the Comptroller of the Department of Defense, March 1994, p. 147, Table 7-1 (\$100 billion of public money is spent on law enforcement every year, and an additional \$65 billion is spent on private security); with Anthony Lewis, "The Defense Anomaly," *New York Times*, January 22, 1996, p. A15 (the U.S. defense budget is approximately \$265 billion). See also, Paulette Thomas, "Making Crime Pay: Triangle of Interests Creates Infrastructure to Fight Lawlessness," *Wall Street Journal*, May 12, 1994, p. A1.

45. On the Fresno S.W.A.T. patrols, see for example, B. Drummond Ayres, Jr., "Fresno Puts SWAT Teams On The Streets Full Time," *Portland Oregonian*, December 18, 1994, p. A29 ("the SWAT squads . . . were ordered onto the streets full time, their booted, masked, heavily armed presence bringing a war-zone feel to this Central California community of 400,000").

46. On the poor being disproportionately victimized by violent and other crime, see for example, Bureau of Justice Statistics, *Criminal Victimization in the United States, 1994*, Washington: U.S. Department of Justice, May 1997. An excerpt (pp. viii-ix, 19):

Males, blacks, Hispanics, the young, the poor, and inner city dwellers were the most vulnerable to crime. . . . Blacks were more likely than whites or persons of other races -- Asians or Native Americans -- to be victims of robbery or aggravated assault. . . . Hispanics had higher violent crime [victimization] rates than Non-Hispanics. . . . Persons from households with lower incomes were more vulnerable to violent crime than those from higher income households. Persons with household incomes of less than \$15,000 per year had significantly higher violent crime [victimization] rates for all categories of violent crime when compared with those who had household incomes of \$15,000 or more per year. . . .

Minorities, urban dwellers, and those who rent their homes experienced the highest rates of property crime. The impact of income varied, depending on the type of property crime. Black households suffered higher rates of property victimization for all property crime than did white households (341 versus 302 per 1,000 households, respectively). Hispanic households had a significantly higher rate of property crime victimization than non-Hispanics (426 incidents per 1,000 households versus 298, respectively). Households earning \$50,000 or more annually had a theft rate 50% higher than those households earning less than \$7,500 annually. Households earning under \$7,500 a year suffered almost twice the rate of household burglary compared to those with the highest annual earnings.

For some context regarding the economic costs of "street" crimes, see for example, Russel Mokhiber, "Underworld U.S.A.," *In These Times*, April 1, 1996, pp. 14-16. An excerpt:

[L]ess than one half of 1 percent (250) of the criminal indictments (51,253) brought by the Department [of Justice] in 1994 involved environmental crimes, occupational safety and health crimes, and crimes involving product and consumer safety issues. . . .

The F.B.I. reports burglary and robbery combined cost the nation about \$4 billion in 1995. In contrast, white-collar fraud, generally committed by intelligent people of means -- such as doctors, lawyers, accountants and businessmen -- alone costs an estimated 50 times as much -- \$200 billion a year, according to W. Steve Albrecht, a professor of accountancy at Brigham Young University. . . . The F.B.I. puts the street homicide rate at about 24,000 a year. But the Labor Department reports that more than twice that number -- 56,000 Americans -- die every year on the job or from occupational diseases such as black lung, brown lung, asbestosis and various occupationally induced cancers. Even these figures, which scarcely meet with any serious public attention or debate, don't get at the full scale of the problem. Most corporate wrongdoing and violence gets unreported.

Nancy Folbre and The Center for Popular Economics, *The New Field Guide to the U.S. Economy*, New York: New Press, 1995. An excerpt (section 6.10):

In 1992, *Business Week* estimated that poverty-related crime in the U.S. cost the country \$50 billion and that productive employment for the poor could generate \$60 billion. In that year, additional public transfers of \$45.8 billion could have brought the incomes of all families over the poverty line. That \$45.8 billion represented: less than 1% of gross domestic product [or] about 15% of military spending. Poverty among children could have been eliminated by transfers of little more than half that amount -- \$28 billion. According to the Congressional Budget Office, the U.S. could easily have raised that amount of money simply by taxing the richest 1% of Americans at the same rates in effect in 1977 [see Christopher Farrell et al., "The Economic Crisis of Urban America," *Business Week*, May 18, 1992, pp. 38f at p. 40].

47. On declining violent crime rates, see for example, Steven R. Donziger, ed., *The Real War on Crime: The Report of the National Criminal Justice Commission*, New York: HarperCollins, 1996. An excerpt (p. 3):

[S]ince the early 1970s, crime rates have remained remarkably stable [in the U.S.] even though they sometimes go up or down from year to year. The murder rate in this country dropped 9 percent from 1980 to 1992 and now is almost exactly the same as it was in the 1970s. The serious violent crime rate for the United States stands 16 percent below its peak level of the mid-1970s.

Keith Bradsher, "Serious Crime Is Still Declining, But Fears Remain, F.B.I. Reports," *New York Times*, December 5, 1994, p. A14.

See also, Robert S. Lichter and Linda S. Lichter, eds., *Media Monitor: 1993 -- The Year in Review*, Washington: Center for Media and Public Affairs, Vol. VIII, No. 1, January/February 1994 (coverage of crime on the three major U.S. television news shows tripled from 571 stories in 1991 to 1,632 stories in 1993, despite the fact that crime declined slightly over that period); William J. Chambliss, "Policing the Ghetto Underclass: The Politics of Law and Law Enforcement," *Social Problems*, Vol. 41, No. 2, May 1994, pp. 177-194 at p. 191 ("the media ha[ve] become so dependent on crime news in recent years that in 1993 crime was the most frequently reported subject on television news"); Marc Mauer and The Sentencing Project, *Race to Incarcerate*, New York: New Press, 1999, p. 93 ("despite significant declines in crime in the 1990s . . . [a 1997 Harris poll] found that 67 percent of U.S. citizens thought that violent crime was

increasing, while a Time/C.N.N. poll the same year showed that half the public believed crime would be worse in their communities by the year 2000").

48. On international crime rates, see for example, Steven R. Donziger, ed., *The Real War on Crime: The Report of the National Criminal Justice Commission*, New York: HarperCollins, 1996. An excerpt (pp. 10-11):

Although it is often assumed that the United States has a high rate of incarceration because of a high crime rate, in reality the overall rate of crime in this country is not extraordinary. The one exception is murder. Largely because of the prevalence of firearms, we have about 22,000 homicides per year, about 10 times the per capita murder rate of most European countries. . . . [However,] it is not our higher violent crime rates that lead to our high incarceration rates -- the 22,000 homicides per year cannot account for the 1.5 million people behind bars. Rather, American rates of incarceration are higher because of our exceedingly harsh treatment of people convicted of lesser crimes. . . . Criminologists in the Netherlands and the United Kingdom recently compared crime across industrialized countries. With the exception of homicide, the United States had the highest crime rate in only one of the fourteen offenses measured -- attempted burglary.

49. On declining welfare rates, see footnotes 27, 28 and 5 of this chapter.

50. On "welfare" versus "assistance to the poor," see for example, Nancy Folbre, "Welfare State of Mind," *Village Voice Literary Supplement*, November 1992, p. 31. An excerpt:

Even many fair-minded, kindhearted ordinary people have become persuaded that welfare is a cause of poverty, not a means of coping with it. The best evidence of this comes from a poll recently published in *The New York Times*. When asked whether we are spending too much, too little, or about the right amount on "welfare," 44 per cent of all respondents said "too much" and 23 per cent said "too little." When the phrase "assistance to the poor" was substituted for "welfare," the percentage who said "too much" dropped to 13. The percentage who said "too little" increased to 64.

Jason DeParle, "The 1994 Election: Issues; Momentum Builds for Cutting Back Welfare System," *New York Times*, November 13, 1994, p. 1 ("the same voters who clamor in opinion polls for a crackdown on 'welfare spending' show much less support when the issue is defined as 'reducing aid to the poor,' especially poor children").

For a study of how the British press and politicians led a successful campaign to dismantle the welfare consensus in England, see Peter Golding and Sue Middleton, *Images of Welfare: Press and Public Attitudes to Poverty*, Oxford: Martin Robertson, 1982.

51. For an estimate of the public relations industry's spending, see John C. Stauber and Sheldon Rampton, *Toxic Sludge Is Good For You!: Lies, Damn Lies and the Public Relations Industry*, Monroe, ME: Common Courage, 1995, p. 13 (citing \$10 billion as a "conservative estimate" of the annual amount of public relations spending in the United States); Sharon Beder, *Global Spin: The Corporate Assault On Environmentalism*, White River Junction, VT: Chelsea Green, 1998. An excerpt (p. 107):

Today public relations is a multi-billion dollar industry. In 1991 the top fifty U.S.-based public relations companies charged over \$1,700,000,000 in fees. The industry employs almost 200,000 people in the U.S.; there are more public relations personnel

than news reporters. More than 5,400 companies and 500 trade associations have public relations departments, and there are over 5,000 P.R. agencies in the U.S. alone. The government also employs thousands of people in Public Affairs. P.R. has gradually replaced advertising in the corporate marketing budget: advertising now makes up less than a third of the money spent on marketing in the U.S., compared with two-thirds in 1980.

See also, Michael Dawson, *The Consumer Trap: Big Business Marketing and the Frustration of Personal Life in the United States Since 1945*, Ph.D. Dissertation, University of Oregon, August 1995 (discussing the huge expenditures on marketing [i.e. advertising and promotion] by American business: approximately \$1 trillion per year, one-sixth of Gross Domestic Product, much of it tax-deductible, so that people pay for the privilege of being subjected to manipulation of their attitudes and behavior).

52. On Cobb County, see for example, Peter Applebome, "A Suburban Eden Where the Right Rules," *New York Times*, August 1, 1994, p. A1. An excerpt:

A 1993 study in Common Cause Magazine found that Cobb took in \$3.4 billion in Federal money in 1992. Only two suburban counties in the nation, Arlington, Va., outside Washington, and Brevard County, Fla., home of the Kennedy Space Center, took in more. . . .

Beneath the suburban idyll [of Cobb] is a more troubling history. . . . With [racial] integration that began in the 1960's, Cobb became the favored destination for whites fleeing Atlanta. Linked by Interstate 75, Cobb was an easily accessible suburb about 20 miles from downtown Atlanta and a place with a history of inhospitability towards blacks. "They love that river down there," Joe Mack Wilson, a State Representative who later became the Mayor of Marietta, said in 1975 of the Chattahoochee River, which separates Cobb County from Atlanta, now 70 percent black. "They want to keep it as a moat. They wish they could build forts across there to keep people from coming up here. . . ." A former Cobb Commissioner, Emmett Burton, said he "would stock the Chattahoochee with piranha" to keep rapid transit out. . . . Blacks make up a slim fraction of Cobb's population, and those who have been attracted to the area, Mr. Gingrich said, "don't want to be black in the unity convention, N.A.A.C.P. sense."

53. On deaths from tobacco versus hard drugs, see footnote 32 of chapter 2 of *U.P.*

54. On the faked passive smoking studies, see for example, Philip Hilts, "Data on Secondhand Smoke Were Faked, Workers Say," *New York Times*, December 21, 1994, p. D23 (the House Health and Environmental Subcommittee report showed that the data were "faked" and that they had been a "significant element" in industry campaigns to bar regulation; the conclusion was supported by the Committee's research staff and an independent review by a chemist at the Naval Research Laboratory). In 1995, pro-tobacco Republican Representative Thomas Bliley of Virginia became the head of the panel's parent committee.

On the leaked tobacco company documents which proved massive fraud across the industry for decades concerning its knowledge of the harmful effects of smoking, see Stanton A. Glantz et al., *The Cigarette Papers*, Berkeley: University of California Press, 1996.

55. On the Oxford study of tobacco deaths in China, see for example, Rajiv Chandra, "China: Trying to Stop Nation's Future From Going Up In Smoke," *Inter Press Service*, July 28, 1993 (available on Nexis database). An excerpt:

Western cigarette companies are now becoming more aggressive in their bid to make more smokers out of China's 1.2 billion people. The country already has 300 million people hooked to cigarettes -- more than the entire U.S. population. . . . Health experts say children are the most affected by the national addiction. Some reports even talk of some provinces where crying babies and toddlers are pacified by a puff on lighted cigarettes. . . . "Of all the children alive today in China under the age of 20 years, 50 million of them will eventually die of tobacco," says Oxford epidemiologist Richard Peto. . . .

The likes of [Dr. Judith] Mackay argue the situation will only worsen if the powerful Western tobacco cartel succeeds in pressuring Beijing to open its market to foreign cigarette firms by threatening the imposition of trade sanctions. Foreign tobacco industries, especially those from Western Europe and the United States, have earlier been successful in prying open markets in Japan, South Korea and Taiwan. Two years ago, U.S. cigarette companies broke into the Thai market when Thailand, fearing trade retaliation from the United States and a General Agreement on Tariffs and Trade (G.A.T.T.) ruling lifted the ban on U.S. cigarettes.

On deaths from tobacco globally, see for example, Thomas H. Maugh II, "Worldwide Study Finds Big Shift In Causes Of Death," *Los Angeles Times*, September 16, 1996, p. A1 (prediction by an international team headquartered at the Harvard University School of Public Health that within 25 years smoking will become the single largest cause of death and disability in the world, nearly tripling from 3 million deaths in 1990 to 8.4 million deaths in 2020); Jonathan Kaufman, "Smoky market: Cigarette makers flock to E. Europe," *Boston Globe*, May 26, 1992, p. 1. An excerpt:

According to a British study released last week, more than one-fifth of the people alive in the developing world today will die of smoking-related causes. . . . While many American companies have been criticized for not being aggressive in investing in Eastern Europe, American cigarette companies have been trail-blazers. Within days of the Berlin Wall's coming down, Marlboro placed billboards in the area around the old border crossings to entice eastern Germans. Prague sometimes seems a city of rolling cigarette cartons, as both Camel and Marlboro have paid to repaint several Prague tram cars to look like boxes of cigarettes. . . .

"There is little awareness of health and environmental problems in Hungary," one Western tobacco executive said here. "We have about 10 years of an open playing field."

See also, Ron Scherer, "Former Surgeon General Criticizes Tobacco Exports," *Christian Science Monitor*, May 23, 1990, p. 8. An excerpt:

U.S. tobacco companies have petitioned U.S. Trade Representative Carla Hills to impose sanctions on Thailand unless the Asian country opens its markets to U.S. brands. Indeed, the overseas sales of cigarettes -- always significant to the leading U.S. and British companies -- have become even more important as the market shrinks in the U.S. . . .

[P]ublic-health experts from around the world predicted a global epidemic from smoking-related deaths as a result of this surge in overseas sales. . . . [Former U.S. Surgeon General C. Everett Koop testified at a Congressional Health and Environment Subcommittee meeting:] "I am appalled at our own government's support of such behavior -- it is the export of death and disease. . . ." When he was surgeon general, Koop testified before Congress against trying to force countries to

accept U.S. cigarettes. "It is the height of hypocrisy for the United States, in our war against drugs, to demand that foreign nations take steps to stop the export of cocaine to our country while at the same time we export nicotine, a drug just as addictive as cocaine to the rest of the world," Koop said.

56. On Cobb County's white-collar jobs and Lockheed, see for example, Peter Applebome, "A Suburban Eden Where the Right Rules," *New York Times*, August 1, 1994, p. A1 ("More than 72 percent of the workforce [of Cobb County] is in white-collar jobs, most of them in expanding areas of the economy like insurance, electronics and computers, and trade. The largest employer is Lockheed Aeronautical Systems Company"); William D. Hartung, "Lockheed Martin: from warfare to welfare," *Nation*, March 2, 1998, p. 11 ("Today the average household pays a 'Lockheed Martin' tax of approximately \$200 per year to cover an array of military and civilian government contracts"). See also chapter 3 of *U.P.* and its footnote 3; footnote 43 of chapter 7 of *U.P.*; and footnotes 22 and 52 of this chapter.

57. On U.S.-based corporations' total production compared to their production in the U.S., see for example, Bob Davis, "The Outlook: World-Trade Statistics Tell Conflicting Stories," *Wall Street Journal*, March 28, 1994, p. A1. An excerpt:

If you want to figure out how the U.S. is faring in its trade battles around the world, don't look to those much-publicized monthly trade numbers everyone rails about. They may not be getting the picture even half right. . . . To try to fix some of the broader problems in the trade numbers, the National Academy of Sciences suggested totting up companies' total sales, no matter where their factories are. That calculation better reflects the competitiveness of companies world-wide -- and shows the U.S. a lot stronger than commonly recognized. Using that method, Commerce Department economists calculated that the U.S. would have posted an overall trade surplus in goods and services of \$164 billion in 1991, rather than a \$28 billion deficit.

58. On the expansion and effects of international finance capital, see for example, John Eatwell [Cambridge University finance specialist], "The Global Money Trap," *American Prospect*, Winter 1993, p. 118. An excerpt:

Financial markets are today dominated by short-term flows that seek to profit from changes in asset prices and currency shifts -- in other words, from speculation. The growth in the scale of pure speculation, relative to other transactions, has been particularly marked in the foreign exchange markets over the past twenty years. In 1971, just before the collapse of the Bretton Woods fixed exchange rate system, about 90 percent of all foreign exchange transactions were for the finance of trade and longterm investment, and only about 10 percent were speculative. Today those percentages are reversed, with well over 90 percent of all transactions being speculative. Daily speculative flows now regularly exceed the combined foreign exchange reserves of all the G-7 governments. . . . Today the sheer scale of speculative flows can easily overwhelm any government's foreign-exchange reserves.

Philip Coggan, "Survey of I.M.F. World Economy and Finance," *Financial Times* (London), September 24, 1993, p. IV. An excerpt:

The amount of money sloshing around the world's financial system is so vast that governments seem almost powerless to resist it -- they might as well attempt to repeal the laws of gravity. To give a few examples: Net daily foreign exchange

turnover last year was about Dollars 1,000bn, compared with central bank reserves which were estimated at Dollars 555.6bn in April 1992. . . .

The World Bank has estimated that global institutional investment funds are worth Dollars 14,000bn. . . . These funds are controlled by professional managers who are well aware of the need to produce good performance to retain their management contracts. They will thus be quick to exploit any profitable opportunities -- such as an expected currency devaluation -- or to desert a stock market if they feel government policy has moved in an uncongenial direction. Conversely, domestic markets can surge if international fund managers decide to increase their country allocation by a couple of percentage points or so. . . . The ability of international capital markets to embarrass governments was demonstrated in September 1992 and August 1993, when speculative attacks twice caused turmoil in the European Exchange Rate Mechanism. . . .

A classic example of a country's economic policy being set with financial markets in mind is that of France in the early 1990s, where interest rates have been kept high to support the franc, in the face of the belief of many economic commentators that substantial interest rate cuts were needed to prevent a drastic recession. . . . Once such countries have become dependent on foreign capital, they may find their economic policies constrained by the need to keep international investors sweet.

The power of international investment institutions will have increased once more.

Doug Henwood, *Wall Street: How It Works and for Whom*, London: Verso, 1997. An excerpt (pp. 10, 9 n.2, 25):

In May 1996, \$1.25 trillion a day crossed the wire connecting the world's major banks. That figure -- which captures most of the world's financial action with the U.S. dollar on at least one side of the trade -- was a mere \$600 billion around the time of the 1987 stock market crash. After that inconsequential cataclysm, daily volume resumed its mighty rise, passing \$800 billion in 1989, and \$1 trillion in 1993. . . . Despite the prominence of the stock market, daily trading volume in U.S. Treasury securities is about ten times that of the N.Y.S.E. [New York Stock Exchange] -- about \$180 billion in federal paper in early 1996, compared with \$18 billion in stocks. . . . At the end of 1992, according to a New York Fed survey, total daily trading volume averaged \$400-550 billion, or over \$100 trillion a year.

See also, Susan Strange, *Casino Capitalism*, Oxford, U.K.: Blackwell, 1986; Howard M. Wachtel, *The Money Mandarins: The Making of a New Supranational Economic Order*, New York: Pantheon, 1986.

For an exceptional overview of the world economy from 1950 to 1998, see Robert Brenner, "The Economics of Global Turbulence," *New Left Review*, No. 229, May/June 1998 (entire issue).

59. On daily speculative capital flows, see footnote 58 of this chapter.

60. On low economic growth and job creation rates in the 1990s, see for example, Lawrence Mishel, Jared Bernstein and John Schmitt, *The State of Working America, 1998-1999*, Ithaca: Cornell University Press, 1999, especially ch. 8. An excerpt (pp. 355, 385):

[T]he 1990s have been a period of slow growth in national income and productivity in all of the O.E.C.D. [Organization for Economic Cooperation and Development] countries, including the United States. Income and productivity growth over the last decade have generally trailed the rates obtained in the 1970s and 1980s and are far

below those of the "Golden Age" from the end of World War II through the first oil shock in 1973. . . . The employment growth data . . . suggest that the current U.S. job creation rate is not particularly high either by its own historical terms or when compared with several other economies with very different labor market institutions. On declining wages and huge profits in the 1990s, see footnotes 15, 65, 66, 67, 68, 69, 70 and 101 of this chapter.

61. On financial speculators' opposition to economic growth, see for example, Louis Uchitelle, "Who Rules? It's the Bond Market, Stupid," *International Herald Tribune*, June 13, 1994, Finance Section. An excerpt:

Favor a weak economy? Who would do that? Enter that mysterious and slightly sinister entity, The Bond Market, the pre-eminent force in the economy today. More than any other group, the bond market determines how many Americans will have jobs, whether the jobholders will earn enough to afford a house or a car, or whether a factory might have to lay off workers. In sum, the American economy is governed by the bond market -- a loose confederation of wealthy Americans, bankers, financiers, money managers, rich foreigners, executives of life insurance companies, presidents of universities and nonprofit foundations, retirees and people who once kept their money in passbook savings accounts (or under a bed) and now buy shares in mutual funds.

While some would recoil at being called enemies of economic growth, the fact is that the confederation has ruled in recent months that the economy should lose strength, not gain it. "The bond market's members speak in a monologue, and their message is contract the economy," a U.S. official said. . . . Mr. Clinton's administration does not aggressively challenge the bond market's preference for subdued economic growth.

Keith Bradsher, "U.S. Shifts Stance In Effort To Slow Economic Growth," May 8, 1994, *New York Times*, p. A1 ("After a year and a half of seeking faster economic growth, the Clinton Administration has now reluctantly changed course, putting the stability of financial markets ahead of rapid economic expansion. . . . [The shift] is in keeping with Mr. Clinton's political goal of positioning himself as a Democrat who is not feared on Wall Street"); Antonia Sharpe and Peter John, "Sharp Decline in U.S. Jobless Rate Unsettles Bonds," *Financial Times* (London), June 4, 1994, p. 1; James C. Cooper and Kathleen Madigan, "Just What the Doctor Ordered: Slower Growth," *Business Week*, June 13, 1994, p. 27; Mark Memmott, "Jobless Rate Increase Seen As Good News," *U.S.A. Today*, May 8, 1989, "Money" section, p. 1B. See also footnote 62 of this chapter.

62. For the *Wall Street Journal's* article, see Douglas R. Sease and Constance Mitchell, "The Vigilantes: World's Bond Buyers Gain Huge Influence Over U.S. Fiscal Plans," *Wall Street Journal*, November 6, 1992, p. A1. An excerpt:

They aren't elected, and you may not know any of them. Many are citizens of other countries. But big bond investors around the world may now hold unprecedented power -- perhaps even a veto -- over U.S. economic policy. Bill Clinton got a taste of that power in the past four weeks. Bondholders, increasingly anticipating the Arkansas Democrat's victory in the presidential race, pushed down prices of U.S. Treasury bonds and thus pushed up long-term interest rates to about 7.7% from 7.3% a month ago. It was the bond market's way of warning Mr. Clinton that as the new president he will long be on probation, with his every move

instantaneously scrutinized. Since the election, bond prices have slipped only slightly. . . .

[If Clinton] proposes big spending programs or policies that accelerate inflation -- bondholders' deepest fear -- the reaction could be swift and painful. . . . If thousands of investors world-wide dump U.S. Treasury bonds, they could drive up long-term interest rates, which move inversely to bond prices, hobble America's economic growth and even plunge the nation back into recession. . . . With the U.S. government's seemingly relentless borrowing, both Wall Street and Washington increasingly view the bond market as a potent force that U.S. officials have to take into account. . . . Even modest stimulatory proposals could prove self-destructive. Based on campaign promises and economists' projections, Mr. Clinton seems to be proposing changes in government spending and taxation that would result in a net \$20 billion increase in the fiscal 1994 budget deficit -- though the president-elect himself says there won't be any net increase in the deficit. If bond investors react with even a modest dose of anxiety that sends longterm rates up just one percentage point, the deficit would increase another \$20 billion, effectively doubling to \$40 billion the program's cost as estimated by outside economists.

See also footnote 58 of this chapter.

On the Reagan/Bush debt and its effects, see for example, Richard B. DuBoff, *Accumulation and Power: An Economic History of the United States*, Armonk, NY: M.E. Sharpe, 1989, p. 163 (Reaganite policies turned the United States into the world's largest debtor nation by 1987, after seventy years as a creditor nation); Daniel Patrick Moynihan [Chairman of the Senate Finance Committee], "Reagan's Inflate-the-Deficit Game," Op-Ed, *New York Times*, July 21, 1985, section 4, p. 21. An excerpt:

[The Reagan administration made a] deliberate decision to create deficits for strategic, political purposes. . . . The Reagan Administration came to office with, at most, a marginal interest in balancing the budget -- contrary to rhetoric, there was no great budget problem at the time -- but with a very real interest in dismantling a fair amount of the social legislation of the preceding 50 years. The strategy was to induce a deficit and use that as grounds for the dismantling.

It was a strategy devised by young intellectuals of a capacity that Washington had not seen for years. They were never understood, and as they depart they leave behind an alarming incomprehension of the coup they almost pulled off. The key concept was that individual Government programs are relatively invulnerable to direct assault. The Congress, the staff, the constituency can usually beat you and always outwait you. On the other hand, the Budget Act of 1974 contained little understood powers of huge potential. The budget committees, assuming agreement by the full Congress, could require other committees to cut back programs. The power -- technically a "reconciliation" instruction -- had never been used to the fullest, but it was there. Thus, the plan: Reduce revenues. Create a deficit. Use the budget process to eliminate programs.

A hidden strategy? Not really. On Feb. 5, 1981, 16 days in office, the President in his first television address to the nation said: "There were always those who told us that taxes couldn't be cut until spending was reduced. Well, you know, we can lecture our children about extravagance until we run out of voice and breath. Or we can cure their extravagance by simply reducing their allowance. . . ." The deficit was policy, a curious legacy of the young radicals who came to power in 1981, but not a symptom of a failed system of Government.

See also, David Felix, "Financial globalization and the Tobin tax," *Challenge*, May 1, 1995, pp. 56f. An excerpt:

[Financial and productive] sectors are now bonded by a common objective -- made more politically feasible by the Cold War victory of capitalism. That objective is to shrink, perhaps even to liquidate, the welfare state. The ability of financial capital, with its instant international mobility, to terrorize governments, makes it a valued ally in any effort. Its disruptive behavior raises capital costs and instability for the productive sectors, but coordinated crisis management by the governments of the major capitalist economies will suffice, they hope, to contain the instability without undermining their broader objective.

Felix's article also describes a proposal, first suggested in 1978 by Nobel Laureate James Tobin, for curbing the trend towards expansion of unregulated finance capital and short-term speculative flows. The so-called "Tobin Tax" on foreign-exchange transactions would cut their yield, and thereby eliminate some of the incentive for them. While such a mechanism would enhance economic stability and is technically feasible, the author concludes that the chief barriers to its adoption are "ideological and political."

63. For the *Economist's* article, see "Politics Versus Policy: Polish Economic Reform Progresses Despite Political Disfavor," *Economist* (London), April 16, 1994, p. 9. An excerpt:

The elections of September 1993 [in Poland] sounded like a death-knell for reform. Voters turned out parties that sprang from the Solidarity movement and chose instead the Democratic Left Alliance (S.L.D.) and the Polish Peasant Party (P.S.L.). These two parties won in September by promising higher wages, fatter pensions and more aid to farmers -- pledges that, if kept, would have wrecked reform. The coalition quickly set about breaking its promises. The 1994 budget passed on March 5th by the Sejm, the more-important lower house of parliament, offered little relief from earlier austerity.

Clearly, policy works better than democracy. Coalitions rise and fall but the main outlines of policy have been remarkably consistent since the semi-free elections of June 1989 that thrust Solidarity into power. The first Solidarity government, led by Tadeusz Mazowiecki, was as unprepared for power as the communists were to relinquish it. Its shock therapy was as alien to most Solidarity members as it was to central planners. Governments have stuck to it in part because the strongest Polish institutions stand outside politics. . . .

Does that matter? It is sometimes necessary to insulate policy from the chaos of politics, as Russia has signally failed to do. And in some ways Poland has the best of both worlds: a vigorous press and free elections, coupled with apolitical sanity in the making of policy.

64. For the term "New Imperial Age," see James Morgan, "Rip van Winkle's new world order: The fall of the Soviet bloc has left the I.M.F. and G7 to rule the world and create a new imperial age," *Financial Times* (London), April 25, 1992, p. 1. An excerpt:

Quite unnoticed, imperialism is back in fashion. Nobody calls it that, except for those who believed it never went away and, therefore, fail to recognise its present character. It is in the know-how funds and systems for technology transfer operating in eastern Europe and, above all, in a vast framework under construction in the developing world; bringing in experts from Washington, Paris and Frankfurt to tell others how to run their affairs. Englishmen draw up plans for privatisation in Prague. In India last October, the Frenchman who runs the International Monetary Fund, Michel Camdessus, went to New Delhi to nod approvingly at plans drawn up there for economic and social reform to the standard I.M.F. template. The construction of a

new global system is orchestrated by the Group of Seven, the I.M.F., the World Bank and the General Agreement on Tariffs and Trade (Gatt). But it works through a system of indirect rule that has involved the integration of leaders of developing countries into the network of the new ruling class. . . .

The vehicle by which the free-market gospel has been transmitted has received scant attention in the rich countries but is omnipresent in the media of the poor: the Structural Adjustment Programme [S.A.P.] . . . [The I.M.F. and World Bank] run large parts of the developing world and eastern Europe while insisting that the governments concerned are merely implementing their own plans. "We are there to help," as the British used to say. The essence of the S.A.P. is to encourage governments to follow the right kind of reform policy. A developing country can receive large, cheap loans if it adopts the programmes embodied in the orthodoxy of (more or less) balanced budgets, devaluation, privatisation, and a hearty welcome for foreign investment. . . . Calling this phenomenon the New Imperialism will be resented. But imperialism was not always a pejorative term. It described the integration -- admittedly by force rather than choice -- of the world economy. The British, 100 years ago, saw it as a civilizing power. The Americans, too.

See also footnote 59 of chapter 5 of *U.P.* And see Michael Prowse, "World Bank/I.M.F. Meeting: Theorising on an Eastern Promise: An Attempt to Explain East Asia's Dynamic Growth," *Financial Times* (U.K.), September 27, 1993, p. 3 (term "technocratic insulation" in chart).

65. On increased worktime and stagnating incomes in the U.S. in the 1990s economy, see Lawrence Mishel, Jared Bernstein and John Schmitt, *The State of Working America, 1998-1999*, Ithaca: Cornell University Press, 1999, especially chs. 1, 3 and 8. An excerpt (pp. 83, 381-382):

[A]mong married-couple families with children in the middle fifth [of income distribution], hours of work grew 6.9%, or 247 hours since 1989. Since 1979, these middle-class families added 615 hours, more than 15 weeks of full-time work to their schedules. While these added hours have surely helped to raise middle-class income, they also leave significantly less time for nonmarket activities. . . . Workers in the United States worked, on average, more hours per year (1,952) than workers in any of the other countries, even more than the historic leader in hours worked, Japan (1,898). . . . The U.S. average [of vacations], about 16 days per year, is below the statutory minimum in all but two of the [European] countries in the [accompanying] figure.

See also footnotes 1, 13, 14, 15, 67, 68, 69, 70 and 101 of this chapter.

66. On stock income and stock ownership in the U.S. in the 1990s, see for example, Lawrence Mishel, Jared Bernstein and John Schmitt, *The State of Working America, 1998-1999*, Ithaca: Cornell University Press, 1999, ch. 5 at pp. 209-212 (on C.E.O.s), and p. 260 (top 1 percent own more than 50 percent of stocks and top 10 percent own most of the rest) and p. 271 (85 percent of stock gains went to the top 10 percent). An excerpt (pp. 256-258, 9):

[A]ll of the growth in wealth during the 1990s has been a consequence of the increase in financial assets . . . (primarily the long-term rise in the value of stocks), a form of wealth that is concentrated in a small portion of the population. Wealth held in tangible assets, which is much more widely held, actually declined over the 1989-97 period. . . .

The stock market boom of the 1980s and 1990s has had little or no impact on the vast majority of Americans for the simple reason that most working families do not own much stock. While the share of households owning stock has risen in the 1990s, by 1995 almost 60% of households still owned no stock in any form, including mutual funds or defined-contribution pension plans. Moreover, many of those new to the stock market have only small investments there. In 1995, for example, fewer than one-third of all households had stock holdings greater than \$5,000. In the same year, almost 90% of the value of all stock was in the hands of the best-off 10% of households. Not surprisingly, then, projections through 1997 suggest that 85.8% of the benefits of the increase in the stock market between 1989 and 1997 went to the richest 10% of households.

On the distribution of wealth gains in the U.S. in the previous decade, see for example, Peter G. Gosselin, "Study: U.S. workers laboring for less," *Boston Globe*, September 7, 1992, p. 47 ("The top 1 percent of families captured more than half all income gains between 1980 and 1989 while the bottom 60 percent experienced income declines"); Mark Zepezauer and Arthur Naiman, *Take The Rich Off Welfare*, Tucson, AZ: Odonian, 1996. An excerpt (pp. 10-11):

Between 1983 and 1989, 99% of the increase in Americans' wealth went to the top 20% of the population, and 62% of it went to the top 1% of the population (currently made up of families whose net worth is \$2.35 million or more). . . . The total net worth of that top 1% is now equal to the total net worth of the bottom 90% of the population! In other words, the 2.7 million Americans who are worth \$2.35 million or more have as much money as the 240 million Americans who are worth \$346,000 or less.

67. On net worth loss by the second decile of the U.S. population in the 1990s, see for example, Lawrence Mishel, Jared Bernstein and John Schmitt, *The State of Working America, 1998-1999*, Ithaca: Cornell University Press, 1999, pp. 262-264.

68. On declining entry-level wages in the U.S. in the 1990s, see for example, Lawrence Mishel, Jared Bernstein and John Schmitt, *The State of Working America, 1998-1999*, Ithaca: Cornell University Press, 1999, ch. 3. An excerpt (pp. 120, 119):

[T]he wages earned by new high school graduates has continued to decline, although more slowly in 1989-97 as in the 1979-89 period. The result is that the entry-level wages of high school graduates in 1997 were 27.6% less for young men and 18.3% less for young women than in 1979. . . . Many high-wage workers, particularly men, failed to see real wage improvements in the 1989-97 period. Male white-collar wages, including those for managers and technical workers, have been stagnant or have declined, and the wages of male college graduates have stagnated and remain below their level of the mid-1980s or early 1970s. The wages of new college graduates have declined by 7% among both men and women over the 1989-97 period despite a recent upturn, indicating that each year's graduates are accepting more poorly paying jobs than their counterparts did at the end of the 1980s.

See also footnote 42 of chapter 9 of *U.P.*

69. On median real income again reaching its 1989 level only in 1997, see Lawrence Mishel, Jared Bernstein and John Schmitt, *The State of Working America, 1998-1999*, Ithaca: Cornell University Press, 1999, ch. 1. An excerpt (p. 90):

Since 1989, median family income growth has been stagnant for most family types, and the 1997 median is just \$285 (in 1997 dollars) above its 1989 level. In prior

recoveries, the income of the median family had far surpassed its prerecession level by this point in the business cycle.

70. On public perceptions of the 1990s economy, see for example, Celinda Lake and Robert Borosage, "Money Talks," *Nation*, August 21/28, 2000, pp. 29-31 (reporting a poll which found that, of Americans who vote, 54 percent believe the economic boom has not "reached people like me"; 72 percent of voters believe that despite the alleged wave of prosperity, most Americans "are just holding their own"; and 64 percent of voters believe "the wealthy and big corporations" have "benefited most from the upturn in the economy").

71. On Canadian job loss in the first years of the original Free Trade Agreement, see for example, Virginia Galt, "226,000 jobs lost since pact, C.L.C. says," *Globe & Mail* (Toronto), December 15, 1990, p. A1 (the Canadian Labour Congress reported the loss of over 225,000 Canadian jobs in the first two years of the 1989 Free Trade Agreement, many to the Southeast U.S., along with a wave of takeovers of Canadian-based companies); Bruce Campbell, *"Free Trade": Destroyer of Jobs -- An Examination of Canadian Job Loss Under the F.T.A. and N.A.F.T.A.*, Ottawa: Canadian Center for Policy Alternatives, 1993. An excerpt (pp. 1-2):

The facts themselves are not seriously disputed. Statistics Canada provides a neutral data base. Differences arise over their interpretation -- what caused the crisis and how to solve it. The Statistics Canada labour force survey gives us the broadest picture of the crisis. During the four years from December 1984 to December 1988, the last month before the trade deal was implemented, 1.3 million jobs were created and the unemployment rate stood at 7.5%, hardly a record of which to be proud. In the next four and a half years, that is to August 1993, the economy added zero jobs. During 1984-88, 1.1 million full-time jobs were created. In the next 4 1/2 years there was a net destruction of 291,000 full-time jobs.

On N.A.F.T.A., see chapter 8 of *U.P.*, "Popular Struggle."

72. On Caterpillar's developing overseas production capacity to break strikes, see for example, James Tyson, "As Unions Fight Irrelevance, Caterpillar Racks Up Profits," *Christian Science Monitor*, January 24, 1995, p. 1. An excerpt:

[T]he world's biggest manufacturer of earth-moving equipment, based in Peoria, Ill., logged record fourth-quarter sales and earnings in 1994, despite the United Auto Workers (U.A.W.) seven-month-long walkout. . . .

Like many U.S. companies, Caterpillar has pursued a business strategy that has nudged American workers away from defiance toward compliance. It has responded to rising global competition by manufacturing at cheaper facilities abroad. . . . [B]y relying on imports from factories in Brazil, Japan, and Europe, Caterpillar is better able to meet demand and smooth out disruptions from a strike. And it has hired 1,100 new employees and 4,730 contract and temporary laborers at lower pay than the roughly \$17 hourly wage U.A.W. workers earn. The union walked out after compiling 101 complaints of intimidation, harassment, unjustified dismissal, and other unfair labor practices.

On other corporations also using this same technique, see for example, Louis Uchitelle, "U.S. Corporations Expanding Abroad at a Quicker Pace," *New York Times*, July 25, 1994, p. A1. An excerpt:

[There are] situations in which a company can export its product inexpensively enough, particularly when the dollar is weak, but chooses instead to manufacture abroad, mainly for "insurance," as [Harvard Economist Raymond] Vernon puts it. . . . The Gillette Company embraces the strategy of manufacturing abroad rather than exporting, generating jobs overseas rather than in the United States. That has happened most recently in the case of Gillette's new Sensor XL razor blade cartridge. . . .

The new Sensor model is to be sold in the United States starting this year. But rather than expand the Boston operation [at Gillette's main plant] to handle the additional production -- and add jobs, perhaps -- Gillette is adding the extra capacity to its Berlin plant, a high-technology factory that will take over the European market. Cost is not the issue; blades are small and not difficult to ship, and the weak dollar gives the United States an advantage -- but one that [Gillette senior vice president Thomas] Skelly, and other corporate executives, dismiss as insignificant. "In the long run, these currency fluctuations, up and down, don't mean a whit in the decision where to manufacture," he said. . . .

Being close to a market is a priority, promising better returns than exporting from the United States, Mr. Skelly says. "We are also concerned about having only one place where a product is made," he said. "There could be an explosion, or labor problems." If the Boston workers struck, for example, Gillette would supply the Sensor XL to Europe and the United States from the Berlin plant, and vice versa. The upshot of this approach is that Gillette employs 2,300 people in the manufacture of razors and blades in the United States and 7,700 -- more than three times as many -- abroad. Some of those workers are making blades at Gillette plants in Poland, Russia and China, where production costs are less than in the United States. But that is not the case in Germany. "You could ship the blades from here, but you set up there for insurance," Mr. Vernon said.

On the Caterpillar strike, see for example, Stephen Franklin, Peter Kendall, and Colin McMahon, "Downshifting: Blue collar blues" [five part series on the Caterpillar strike in the context of the changing world economy], *Chicago Tribune*, September 6 to 10, 1992, zone C, p. 1 (describing how, when Caterpillar recruited scabs to break the strike, the union was "stunned" to find that unemployed workers crossed the picket line with no remorse, while Caterpillar workers found little "moral support" in their community; the union, which had "lifted the standard of living for entire communities in which its members lived," had "failed to realize how public sympathy had deserted organized labor"). See also, David Gordon, "Real Wages Are on a Steady Decline," *Los Angeles Times*, July 16, 1989, part 4, p. 2. An excerpt:

In 1978, Douglas Fraser, then president of the United Auto Workers, resigned in protest from a private and informal discussion group of leading corporate executives and labor leaders called the Labor-Management Group. He explained his resignation in a widely circulated letter: "The leaders of industry, commerce and finance in the United States have broken and discarded the fragile, unwritten compact previously existing during a past period of growth and progress. . . . I am convinced there has been a shift on the part of the business community toward confrontation, rather than cooperation. . . . I believe leaders of the business community, with few exceptions, have chosen to wage a one-sided class war in this country -- a war against working people, the unemployed, the poor, the minorities, the very young and the very old, and even many in the middle class of our society."

On other aspects of the business campaign against labor and unionism, see footnote 23 of chapter 8 of *U.P.*; footnotes 24 and 26 of chapter 9 of *U.P.*; and footnote 81 of this chapter.

73. On the global destruction of unions after World War II and the role of the American labor leaders, see chapter 5 of *U.P.* and its footnotes 65, 71 and 79.

74. On post-World War II business fears about popular attitudes, see for example, Elizabeth Fones-Wolf, *Selling Free Enterprise: the Business Assault on Labor and Liberalism, 1945-1960*, Urbana: University of Illinois Press, 1992. An excerpt (pp. 37, 71, 36):

One public relations firm . . . warned in 1947 that "our present economic system, and the men who run it, have three years -- maybe five at the outside -- to resell our so-far preferred way of life as against competing systems. . . ." In 1946, the Psychological Corporation found that 43 percent of surveyed workers believed they would do as well or better if American manufacturing firms were run entirely by the government. A 1950 Opinion Research Corporation sample of industrial workers found that over 30 percent believed that the government should control prices and limit profits, 26 percent wanted to see the government limit salaries of top executives and 21 percent would vote for government ownership of four key industries. . . .

[A 1946 survey in] the business journal *Factory* . . . found that 47 percent of factory workers thought that the government would do most in providing new peacetime jobs. Similarly, the Opinion Research Corporation discovered that over 70 percent of workers believed that the government should guarantee jobs. For some corporate leaders the most startling revelation in terms of the outlook for business growth and survival was a *Fortune* poll that showed less than half of those interviewed believed hard work would pay off.

Alex Carey, *Taking the Risk Out of Democracy: Corporate Propaganda versus Freedom and Liberty*, Urbana: University of Illinois Press, 1997. An excerpt (p. 147):

[A] review in November 1945 of a dozen [popular opinion] surveys carried out in the previous five years concluded that: "[People] have two serious reservations about industry; that great industrial corporations lack warmth and friendliness in their human relationships; and that the owners of industry, the stockholders, realise too great a return on their contribution to industry. [Thus] two counts on which industry is most vulnerable are (1) its human relationships and (2) the widespread public misunderstanding about corporate profits."

The corporate fears that intensified after World War II resumed a trend that had been evident in the 1930s (p. 24):

By 1934 American business, led by the N.A.M. [National Association of Manufacturers] had oriented itself for a massive campaign to recapture public opinion. "Public policies in our democracy are eventually a reflection of public opinion," the N.A.M. warned its members, so public opinion must be reshaped "if we are to avoid disaster. . . ." [In] 1938 the N.A.M.'s Board of Directors . . . found the "hazard facing industrialists" to be "the newly realized political power of the masses." It warned that unless their thinking was directed, "we are headed for adversity."

For some reports in the press of this post-war "crisis," see for example, Russell Porter, "Research in Human Relationship Seen Needed for Reconversion," *New York Times*, April 21, 1946, p. 1. An excerpt:

No reasonable observer could deny that the country is facing a crisis within the next few years, in view of the way reconversion [from wartime production] has been stalled by one major strike after another. . . . Although the tremendous demand for goods from all over the world and the unprecedented productive capacity of the American industrial machine as expanded during the war no doubt insure the nation of prosperity during the next few years, both economists and business men are worried over the longer future. . . . [T]hey believe efforts must be begun right now to solve critical problems in the social and economic fields through management-labor cooperation. . . .

In the broader perspective, many also realize that the future of the free enterprise system is at stake, in view of its world-wide competition from Socialism and Communism, as we succeed or fail in the coming years to provide greater economic democracy and social justice to match our political democracy. . . . If the free enterprise system, including free labor as well as free industry, is to be saved, something . . . will have to be done.

Russell Porter, "Hunt Is Sharpened For Labor Peace," *New York Times*, May 20, 1946, p. 2. An excerpt:

Just as research in the biological sciences has accomplished wonders in preventive medicine, the social sciences hope to prevent disease in and indefinitely prolong the life of the American system of free enterprise or democratic capitalism. This would be done by getting at the roots of the trouble instead of waiting for specific complaints to develop, any one of which under certain circumstances might prove fatal. . . . The current wave of major strikes has stimulated new interest in industrial, labor and scientific circles in encouraging and expanding such activities. Hundreds of thousands of dollars have been contributed as grants and endowments to universities and other institutions for the pursuit of such work.

Editorial, "Business Is Still In Trouble," *Fortune*, May 1949, pp. 67f. An excerpt:

Sixteen turbulent years have rolled by since the New Deal began to rescue the People from the Capitalists, and no one can say that business has retrieved the authority and respect it ought to have if the drift to socialism is to be arrested. Every U.S. businessman, consciously or unconsciously, is on the defensive. . . . A majority of the people . . . [according to public opinion polls] believe that very few businessmen have the good of the nation in mind when they make their important decisions. They think business is too greedy and that it has played a large part in keeping prices too high. They think, therefore, that government should keep a sharp eye on business. And they have been thinking just about that way for fifteen years.

This *Fortune* editorial then describes the business community's response to the "crisis," providing a revealing articulation of the theme of "manufacture of consent" which is discussed in chapter 1 of *U.P.* and its footnote 41. The relevant passage:

The immense expansion of the art of public relations in the past ten years was financed mainly by industry. . . . It is as impossible to imagine a genuine democracy without the science of persuasion [i.e. propaganda] as it is to think of a totalitarian state without coercion.

The daily tonnage output of propaganda and publicity . . . has become an important force in American life. Nearly half of the contents of the best newspapers is derived from publicity releases; nearly all the contents of the lesser papers and the hundreds of specialized periodicals are directly or indirectly the work of P.R. departments. . . . The day is surely coming when American business, so long run by its production men and supersalesmen, must be run by men who put public relations ahead of everything else. . . . [Public relations] is a corporate way of life.

75. On the business community's post-World War II propaganda program, see footnotes 77 to 81 of this chapter.

In general, corporate propaganda and its pervasive role in the world -- particularly in the United States -- is a vastly understudied topic. Yet it is perhaps the most important one that there is. For some careful studies that merit much wider circulation, see for example, John C. Stauber and Sheldon Rampton, *Toxic Sludge Is Good For You!: Lies, Damn Lies and the Public Relations Industry*, Monroe, ME: Common Courage, 1995 (extremely important and eye-opening examination of the scope, impact, and tactics of corporate propaganda today); Alex Carey, *Taking the Risk Out of Democracy: Corporate Propaganda versus Freedom and Liberty*, Urbana: University of Illinois Press, 1997 (the seminal study; with an introduction by Chomsky). An excerpt (pp. 18, 21, 129, 24):

The twentieth century has been characterized by three developments of great political importance: the growth of democracy, the growth of corporate power, and the growth of corporate propaganda as a means of protecting corporate power against democracy.

There have been two principal aspects to the growth of democracy in this century: the extension of popular franchise (i.e. the right to vote) and the growth of the union movement. These developments have presented corporations with potential threats to their power from the people at large (i.e. from public opinion) and from organized labour. American corporations have met this threat by learning to use propaganda, both inside and outside the corporation, as an effective weapon for managing governments and public opinion. They have thereby been able to subordinate the expression of democratic aspirations and the interests of larger public purposes to their own narrow corporate purposes. . . . It is arguable that the success of business propaganda in persuading us, for so long, that we are free of propaganda is one of the most significant propaganda achievements of the twentieth century. . . . The disastrous consequences for critical thought and American democracy resulting from corporate propaganda could not have happened but for an almost unbelievable neglect by liberal scholars and researchers to give critical attention and exposure to the extent, character and consequences of this development. . . .

[In 1939] the La Follette Committee, a committee of the U.S. Senate which had been established to investigate violations of the rights of labour, incidentally exposed the extraordinary scale of business's assault on public opinion. Of the N.A.M. [National Association of Manufacturers] in particular, the committee reported that it "blanketed the country with a propaganda which in technique has relied upon indirection of meaning, and in presentation of secrecy and deception. Radio speeches, public meetings, news, cartoons, editorials, advertising, motion pictures and many other artifices of propaganda have not, in most instances, disclosed to the public their origin within the Association."

Elizabeth Fones-Wolf, *Selling Free Enterprise: the Business Assault on Labor and Liberalism, 1945-1960*, Urbana: University of Illinois Press, 1992 (another extremely important and carefully documented study).

See also, Stuart Ewen, *PR!: A Social History of Spin*, New York: Basic Books, 1996 (survey of the intellectual background and development of public relations); Joshua Karliner, *The Corporate Planet: Ecology and Politics in the Age of Globalization*, San Francisco: Sierra Club, 1997, ch. 6; Richard S. Tedlow, *Keeping the Corporate Image: Public Relations and Business, 1900-1950*, Greenwich, CT: J.A.I., 1979, pp. 59-73;

Howell John Harris, *The Right to Manage: Industrial Relations Policies of American Business in the 1940s*, Madison: University of Wisconsin Press, 1982, pp. 184-198; Curtis D. MacDougall, *Understanding Public Opinion: A Guide for Newspapermen and Newspaper Readers*, New York: Macmillan, 1952, pp. 566-570; Vladimir Orlando Key, *Politics, Parties, and Pressure Groups*, New York: Crowell, 1958, pp. 103f; Robert A. Brady, *Business as a System of Power*, New York: Columbia University Press, 1943, pp. 274-293; Herbert I. Schiller, *Culture, Inc.: The Corporate Takeover of Public Expression*, New York: Oxford University Press, 1989.

On the degree to which "news" material is provided by public relations press releases, see for example, Martin A. Lee and Norman Solomon, *Unreliable Sources: A Guide to Detecting Bias in News Media*, New York: Lyle Stuart, 1990. An excerpt (p. 66):

Newspapers are . . . inundated by corporate P.R. A study by Scott M. Culip, ex-dean of the School of Journalism and Mass Communications at the University of Georgia, found that 40 percent of the news content in a typical U.S. newspaper originated with public relations press releases, story memos, or suggestions. . . . Charles Staebler, former assistant managing editor of the *Wall Street Journal*, estimated that up to 50 percent of the *Journal's* stories are generated by press release. . . . The *Columbia Journalism Review*, which scrutinized a typical issue of America's leading business paper, found that more than half the *Journal's* news stories "were based solely on press releases." Oftentimes the releases were reprinted "almost verbatim or in paraphrase," with little additional reporting, and many articles carried the slug, "By a *Wall Street Journal* Staff Reporter."

Sharon Beder, *Global Spin: The Corporate Assault On Environmentalism*, White River Junction, VT: Chelsea Green, 1998. An excerpt (pp. 114-116):

News releases do not necessarily go directly to newspapers. Often a P.R. service will place it with a wire service first. (Some large agencies have their own wire services.) By 1985, P.R. Newswire was transmitting 150 stories a day from a pool of 10,000 companies directly into 600 newsrooms belonging to newspapers, radio and television stations. Such stories may be picked up by newsrooms or rewritten by wire services such as A.P., Reuters and Dow Jones. In this way the news release becomes a "legitimate" news story and will be more likely to be taken up by journalists on the newspapers. . . .

During the 1980s P.R. firms began sending out video news releases (V.N.R.s) -- fully edited news segments for broadcast as part of television news. Hill and Knowlton established its own fully staffed television production facilities (as did Burson-Marsteller) and by 1985 was already sending video news releases via satellite all over the U.S.A., rather than relying solely on the old-fashioned press release. It is popular nowadays to accompany the fully edited piece ready to be broadcast (A-roll) with unedited footage (B-roll) and a script so the television station crew can put together and edit the story as if they had shot it themselves, inserting their own journalist's voice over, or adding their own material.

It might be noted that the corporate propaganda counteroffensive that was initiated in the 1970s -- in response to the popular movements of the 1960s -- was marked by an important new development. For important further discussion, see Carey, *Taking the Risk Out of Democracy*, cited above in this footnote, pp. 88-98:

The kind of propaganda that was employed on such a large scale in the United States in the period around World War II is known as "grassroots" propaganda. Its purpose is to reach as vast a number of people as possible in order to change public

opinion so that it is sympathetic to business interests. . . . The 1970s propaganda campaign in the United States largely replicated the grassroots program of 1945-50. To this extent it contains little that is novel except for its scale and its impact on U.S. politics. But the 1970s campaign also involved a great expansion of a more sophisticated form of propaganda which one might call, for purposes of distinction, "treetops" propaganda, aimed at the leaders of society. . . .

[T]he sole novelty of the neo-conservative movement lies in its demonstrated capacity to recruit intellectuals who will convert, in an elite version of the factory system, millions of corporate dollars into up-market propaganda for corporate interests. . . . "Treetops" propaganda is not directed at the person on the street. It is directed at influencing a select group of influential people: policy-makers in parliament and the civil service, newspaper editors and reporters, economics commentators on T.V. and radio. Its immediate purpose is to set the terms of debate, to determine the kinds of questions that will dominate public discussion -- in a word to set the political agenda in ways that are favourable to corporate interests. . . .

The 1970s saw the emergence of an aggressive new breed among [the private think-tank organizations that carry out "policy research" on a range of national issues], which were lavishly funded by corporations and produced an endless flow of market-oriented studies. . . . [For example,] the American Economic Institute for Public Policy Research[']s (A.E.I.) . . . board of trustees is comprised "almost entirely of representatives of major corporations." Its budget grew from less than \$1 million in 1970 to over \$7 million in 1978, its staff from 24 to 125, and in addition it has 100 adjunct scholars working on A.E.I.-sponsored studies. In 1977 its "vast outpouring of material and activities," the *New York Times* reported, "included 54 studies, 22 forums and conferences, 15 analyses of important legislative proposals, 7 journals and newsletters, a ready-made set of editorials sent regularly to 105 newspapers, public affairs programs carried by more than 300 television stations and centers for display of A.E.I. material in some 300 college libraries. . . ." The Heritage Foundation [another neo-conservative think-tank] . . . provides newspaper columns, published as local editorials, to "several thousand newspapers" throughout the United States. . . .

[T]he Business Roundtable . . . comprises the Chief Executive Officers of 194 of America's largest corporations . . . [and] represents approximately half the G.N.P. of the United States . . . [and its share of] G.N.P. is greater than the G.N.P. of any country in the world apart from the United States. It is a prototypical treetops propaganda and lobbying organization. In the same year it was founded, Justice Lewis Powell (shortly afterwards elevated to the Supreme Court by the Nixon administration) wrote a famous memorandum for the U.S. Chamber of Commerce which was a virtual manifesto for the neo-conservative movement. In it Powell urges business "to buy the top academic reputations in the country to add credibility to corporate studies and give business a stronger voice on the campuses."

In the following decade business founded and funded more than forty chairs of Free Enterprise, with appropriately selected incumbents. . . . From early in the 1960s American corporations began to fund chairs of free enterprise with the explicit purpose of promoting and defending the free-enterprise system. Examples of these "chairs for propaganda" are the Goodyear Chairs of Free Enterprise at Kent State University and the University of Akron, the W.H. David Chair of the American Free Enterprise System at Ohio State University and the Irwin Maier Chair of American Enterprise at the University of Wisconsin. The first such chair was established at Georgia State University in 1963; the next was not established till 1974. By 1978 there were twenty; by 1981 there were more than forty.

See also, William E. Simon [former U.S. Treasury Secretary], *A Time for Truth*, New York: Reader's Digest, 1978. An excerpt (pp. 230-231):

Funds generated by business (by which I mean profits, funds in business foundations and contributions from individual businessmen) must rush by multimillions to the aid of liberty, in the many places where it is beleaguered. Foundations imbued with the philosophy of freedom (rather than encharged with experimental dabbling in socialist utopian ideas or the funding of outright revolution) must take pains to funnel desperately needed funds to scholars, social scientists, writers and journalists who understand the relationship between political and economic liberty. . . .

One does not work from "within" the egalitarian world to change it; one can only work from without -- and this absurd financing of one's philosophical enemies must not be tolerated in the new foundations. On the contrary, they must serve explicitly as intellectual refuges for the non-egalitarian scholars and writers in our society who today work largely alone in the face of overwhelming indifference or hostility. They must be given grants and more grants in exchange for books, books and more books. This philosophical restriction placed on the beneficiaries of the new foundations will not result in a uniformity of intellectual product. There is an enormous diversity of viewpoints within the center-to-right intellectual world which endorses capitalism. The point is simply to make sure that the thinkers on that broad band of the American spectrum are given the means to compete in the free market of ideas. Today they constitute an impoverished underground.

Alexander Cockburn and Ken Silverstein, *Washington Babylon*, London: Verso, 1996. An excerpt (pp. 12-13):

The Heritage Foundation publishes hundreds of books, monographs and studies annually, with complimentary copies mailed to journalists across the country. Heritage's 1995-1996 *Guide to Public Policy Experts* lists some 1,800 policy wonks and 250 policy groups which "share our commitment to public policies based on free enterprise, limited government, individual freedom, traditional American values, and a strong national defense." The cross-referenced guide provides deadline-weary journalists with cooperative specialists in dozens of areas, ranging from "intelligence and counter-terrorism" to "wildlife management" and "bilingual education."

Think-tank scholars make money on the side by renting themselves out to public relations firms and lobbyists looking for "independent" supporters of their clients' viewpoints. One P.R. industry rep describes his technique in the following way: "I call up an 'expert,' feign interest in his or her work, confirm that it's consistent with the industry viewpoint and then seek to strike a deal," normally for either a study or an appearance at a press event. "We don't say that we want an industry mouthpiece, but that's what it amounts to -- and they know it. There are many people in this town who are willing to prostitute themselves and their work."

76. The quotations noted in the text are discussed in Elizabeth Fones-Wolf, *Selling Free Enterprise: the Business Assault on Labor and Liberalism, 1945-1960*, Urbana: University of Illinois Press, 1992 (citing *N.A.M. News*, December 16, 1950, and February 17, 1951; and S.C. Allyn, "Industry as a Good Neighbor," Address before the 53rd Annual Congress of American Industries, December 1, 1948, in the archives of the N.A.M. Museum and Library, Wilmington, Delaware). An excerpt (pp. 52, 177):

J. Warren Kinsmann, chairman of the N.A.M.'s [National Association of Manufacturers] Public Relations Advisory Committee and vice president of Du Pont, reminded businessmen that "in the everlasting battle for the minds of men" the tools

of public relations were the only weapons "powerful enough to arouse public opinion sufficiently to check the steady, insidious and current drift toward Socialism. . . ." S.C. Allyn of National Cash Register . . . [summarized] corporate objectives. The goal was to "indoctrinate citizens with the capitalist story."

77. On the Advertising Council's campaign, see for example, Curtis D. MacDougall, *Understanding Public Opinion: A Guide for Newspapermen and Newspaper Readers*, New York: Macmillan, 1952, pp. 568-570; Alex Carey, *Taking the Risk Out of Democracy: Corporate Propaganda versus Freedom and Liberty*, Urbana: University of Illinois Press, 1997. An excerpt (pp. 30-31):

In April 1947 the council announced a \$100 million advertising program which, over the next twelve months, would use all media "to 'sell' the American economic system" to the American people. The program was officially described as a "major project of educating the American people about the economic facts of life. . . ."

Daniel Bell, then an editor of *Fortune* . . . [reported:] "The Advertising Council alone, in 1950, inspired 7 million lines of newspaper advertising stressing free enterprise, 400,000 car cards, 2,500,000,000 radio impressions. . . . By all odds it adds up to the most intensive 'sales' campaign in the history of industry."

Carey notes that the Advertising Council also promulgated a similar campaign in the 1970s (p. 89):

To counter [the] critical public sentiment [of the 1960s] the Advertising Council in 1975 once again initiated a national program of conservative "economic education" on a scale similar to the postwar program. In 1977 *Fortune* described the continuing Ad Council campaign as "a study in gigantism, saturating the media and reaching practically everyone." By 1978, according to an expert witness before a Congressional inquiry, American business was spending \$1 billion per annum on grassroots propaganda. This expenditure was aimed at persuading the American public that their interests were the same as business's interests.

78. On the N.A.M.'s [National Association of Manufacturers] public relations budget, see for example, Elizabeth Fones-Wolf, *Selling Free Enterprise: The Business Assault on Labor and Liberalism, 1945-1960*, Urbana: University of Illinois Press, 1992. An excerpt (pp. 25, 52-53):

In the last part of the 1930s, the N.A.M., other employer associations, and individual firms launched a campaign to convert the American public to the economic goals, ideals, and program of business. The N.A.M.'s budget for public relations shot up from \$36,000 in 1934 to \$793,043 in 1937 representing 55 percent of the organization's total income. The N.A.M. utilized numerous communications media, including weekly radio programs, film strips, educational films, paid advertisements, direct mail, displays for schools and plants, a speakers bureau, and an industrial press service, providing editorials and news stories to seventy-five hundred small papers.

By 1940, the N.A.M. was beginning to experiment with methods to more systematically influence the institutions of education and religion and to reach more directly into the community with the story of free enterprise. General Electric and other firms supplemented the N.A.M.'s efforts with films, traveling industrial exhibits, merchandise displays, and pamphlets and programs for school children. . . . [In the late 1940s, the N.A.M.] also began new initiatives, including a new \$1.5 million radio program featuring singers and interviews with business leaders. In 1950, the N.A.M. turned to television, launching a weekly program, "Industry on Parade," which

showcased companies, explained how products were made, and demonstrated what industry gave to individuals, communities, and the nation. . . . By late 1951, business-sponsored movies reached an audience of 20 million people every week, more than one-third of the nation's weekly attendance at commercial movies. That represented a 30 percent larger audience than in 1950 and a 500 percent increase since 1946.

Alex Carey, *Taking the Risk Out of Democracy: Corporate Propaganda versus Freedom and Liberty*, Urbana: University of Illinois Press, 1997. An excerpt (pp. 28, 111, 21):

In the four years from 1946 to 1950 the N.A.M. distributed 18,640,270 pamphlets. Of this number 41 percent went to employees, 53 percent to high school and college students and 6 percent (i.e. still more than one million) to community leaders, including ministers of religion and women's club leaders throughout the entire nation. The N.A.M. reported that the most popular propaganda weapon "to reach masses of people in both the employee and student market with broad messages" was the full-colour "comic type" booklet. Dramatizing the scale of its activities, the N.A.M. reported: "If all N.A.M.-produced pamphlets ordered for distribution to employees, students and community leaders in 1950 had been stacked one on top of the other they would have reached nearly four miles into the sky -- the height of sixteen Empire State Buildings . . . a record . . . distribution [of] 7,839,039 copies. . . ."

In 1955 the secretary of [Australia's Institute of Public Affairs, a business lobbying and popular-proselytizing organization,] was sent to the United States to study business's economic education programs. His report attempted to convey some idea of the "vast sums" spent on the American operation and its enormous scale. He was able to inform us that General Motors produced more booklets as part of its "economic education" program for employees than it produced automobiles; that the U.S. Chamber of Commerce produced a "colour cartoon film" which had been seen by more than sixty million people and conducted a "Business-Education Day" annually on which 300,000 teachers had been given in-plant acquaintance with the free-enterprise viewpoint; that Sears Roebuck spent \$1 million on a film about "the economic facts of life" which was shown, in work time, to its 200,000 employees; that U.S. Steel produced an economic education program for its 250,000 employees which was also used widely in schools and elsewhere; and that the N.A.M. produced a weekly series of films for T.V. which was shown nationwide. . . .

[Even much earlier, in] 1913, a committee of the U.S. Congress had been established to investigate the mass dissemination of propaganda by the National Association of Manufacturers (N.A.M.), the leading business organization of the time, for the purpose of influencing legislation by influencing public opinion. The committee . . . reported that the "aspirations" of the N.A.M. were "so vast and far-reaching as to excite at once admiration and fear -- admiration for the genius that conceived them and fear for the effects which the . . . accomplishment of all these ambitions might have in a government such as ours."

79. On business-supplied material in schools, see for example, Elizabeth Fones-Wolf, *Selling Free Enterprise: The Business Assault on Labor and Liberalism, 1945-1960*, Urbana: University of Illinois Press, 1992. An excerpt (pp. 204, 202):

In 1950, the N.A.M. alone distributed almost four and a half million pamphlets to students, representing a 600 percent increase over 1947. It also doubled school usage of its films between 1947 and 1949; by 1954 over 3.5 million students watched about sixty thousand showings of N.A.M. films. That year, school superintendents estimated the investment in free material at \$50 million, about half the amount public

schools spent annually on regular textbooks. At the end of the decade, one in five corporations reported supplying teaching aids. . . . In 1953, over 2 million school children read B.F. Goodrich Company's cartoon-type booklet "Johnson Makes the Team," in which Tommy Johnson, a son of a Goodrich tire dealer, learns about the American free enterprise system through teamwork in football. Hundreds of thousands of others watched the N.A.M.'s film, "The Price of Freedom," which explored the hidden danger of security achieved through the growth of the government.

80. On corporate propaganda films during worktime, see for example, Alex Carey, *Taking the Risk Out of Democracy: Corporate Propaganda versus Freedom and Liberty*, Urbana: University of Illinois Press, 1997. An excerpt (pp. 29-30):

Corporations realized they could use captive audiences of employees for proselytizing purposes. "Many of the countr[y's] largest firms," *Fortune* magazine observed in 1950, "have started extensive programs to indoctrinate employees." These programs consisted of so-called "Courses in Economic Education." They were given to employees during working hours, in groups of ten or twenty, with tests to measure increase in commitment to the free-enterprise system. Sears Roebuck, for example, took three years to produce its own economic education program, which included a series of films and the training of 2600 "meeting leaders." In 1952 these leaders conducted 71,000 meetings to put Sears's 200,000 employees through the course at a total cost of \$6 million. The two leading economic education programs, both "evangelistic" in temper, were produced by Dupont and Inland Steel. By 1953 they had been used with about nine million employees.

Elizabeth Fones-Wolf, *Selling Free Enterprise: The Business Assault on Labor and Liberalism, 1945-1960*, Urbana: University of Illinois Press, 1992, ch. 3. An excerpt (pp. 53, 83):

By late 1951, business-sponsored movies reached an audience of 20 million people every week, more than one-third of the nation's weekly attendance at commercial movies. That represented a 30 percent larger audience than in 1950 and a 500 percent increase since 1946. . . .

A dozen educational and business organizations and over thirty large firms, ranging from progressives like Johnson & Johnson to such staunch antiunion conservatives as I.B.M. and Du Pont, developed economic education programs, many of which were distributed nationwide to other firms. These entailed taking workers or supervisors off the shop floor for one or more days for a period of three to fifteen hours to participate in discussion classes. Approximately 105,000 Westinghouse, 180,000 U.S. Steel and 20,000 Swift Company employees were among the first to be exposed to this new technique. G.E. demonstrated its commitment to promoting "a better understanding of our American way of life" by assigning an executive full time as "Manager of Economic Training." In early 1951, a leading management consultant observed in the *Harvard Business Review* that "practically every prominent leader of business in the United States today is talking about teaching economics to employees. Many of the largest corporations have launched economic-education programs."

Wallace F. Bennett [President of the N.A.M.], "Preface" to *Employee Communications for Better Understanding*, New York: National Association of Manufacturers, June 1949. An excerpt:

Think of it! About fifteen million American men and women spend eight or more hours a day, five or six days a week, in the mills, factories, or plants of America --

figuratively at the very elbows of the managers of manufacturing industry. . . . Armed with the economic facts, these millions with their families could be a mighty force, probably a determining factor, in the growing struggle between American individualism and foreign-bred collectivism. So in our plants we're not only manufacturing goods. We're manufacturing reactions to our way of life.

81. On business's use of "scientific" methods of strike-breaking, see for example, Keith Sward, "The Johnstown Strike of 1937: A Case Study of Large-Scale Conflict," in George W. Hartmann and Theodore Newcomb, eds., *Industrial Conflict: A Psychological Interpretation*, New York: Cordon, 1940, pp. 74-102. An excerpt (pp. 86-87):

The strikebreaking measures employed at Johnstown conform to the so-called "Mohawk Valley Formula," a systematic back-to-work tactic perfected by the Remington Rand Company. The National Association of Manufacturers publicized the plan in a special release sent to its members in July, 1936. . . .

It stated, "If there ever was a strike that was BROKEN BY PUBLIC OPINION and determination of employees to work, it was the one called June 11, 1937, at 11 P.M. at the Cambria Plant of the Bethlehem Steel Corporation." In essence, the "Formula" consists in employer mobilization of the public or "The Third Party" in a labor dispute. "A citizens' committee is formed under the slogan of 'law and order.' Mass police powers are invoked against the strikers by dramatizing real, imaginary, or provoked instances of 'violence.' Back-to-work sentiment is stimulated by the presence of massed vigilantes, a pretense of normal plant operations, mass meetings, press and radio publicity, dissemination of demoralizing propaganda, the circulation of back-to-work petitions, and a well-timed dramatic opening of the plant so prearranged that a substantial body of non-strikers or outside recruits marches into the plant *en masse*. The employer manipulates pressure groups to discredit the strike as the 'lost cause' of a 'radical minority.' With public support, he can, if necessary, employ extra-legal means of thwarting unionization."

Alex Carey, *Taking the Risk Out of Democracy: Corporate Propaganda versus Freedom and Liberty*, Urbana: University of Illinois Press, 1997. An excerpt (pp. 25-27; emphasis in original):

Until the passage of the Wagner Act in 1935, which required management to bargain with representatives of labour, unions had few rights, and attempts to organize workers were commonly met with violence and intimidation. After the Wagner Act the industrialists sought, in the words of the [Congressional] La Follette Committee, "a new alignment of forces." That is, they sought, through propaganda and other means, to arouse and organize the public at large "to do to labour on industry's behalf what the individual employer himself could no longer do legally." This tactic, it was reported at the time, "envisages a public opinion aroused to the point where it will tolerate the often outrageous use of force by police or vigilantes to break a strike. . . ." [I]ts use foreshadow[ed] the general *subordination of industrial relations to public relations* that developed in the decades after World War II.

Fourteen years [after the Johnstown steel strike], in 1950, John Streuben wrote: "Since then these 'scientific' methods of strike-breaking have been applied in every major strike in the country. . . ." "As one executive explained to the La Follette Committee, 'strike breakers and violence and things of that kind [are] things of the past. The way to win or combat a strike was to organize community sentiment.'"

On the Wagner Act of 1935, see chapter 9 of *U.P.* and its footnote 17. On the continued use of "strikebreakers and violence" after the Wagner Act, see chapter 6 of *U.P.* and its footnote 14; and chapter 9 of *U.P.* and its footnotes 26 and 27.

82. On the business community's and liberals' instigation of so-called "McCarthyism," see for example, Alex Carey, *Taking the Risk Out of Democracy: Corporate Propaganda versus Freedom and Liberty*, Urbana: University of Illinois Press, 1997, ch. 4 and pp. 27f; Peter H. Irons, "American Business and the Origins of McCarthyism: The Cold War Crusade of the United States Chamber of Commerce," in Robert Griffith and Athan Theoharis, eds., *The Specter: Original Essays on the Cold War and the Origins of McCarthyism*, New York: New Viewpoints, 1974, pp. 72-88; Ann Fagan Ginger and David Christiano, eds., *The Cold War Against Labor: An Anthology*, Berkeley, CA: Meiklejohn Civil Liberties Institute, 1987 (2 volumes); Mary Sperling McAuliffe, *Crisis on the Left: Cold War Politics and American Liberals, 1947-1954*, Amherst: University of Massachusetts Press, 1978; Richard M. Freedland, *The Truman Doctrine and the Origins of McCarthyism: Foreign Policy, Domestic Politics, and Internal Security, 1946-1948*, New York: New York University Press, 1985; Michael Paul Rogin, *The Intellectuals and McCarthy: the Radical Specter*, Cambridge: M.I.T. Press, 1967; Patricia Cayo Sexton, *The War on Labor and the Left: Understanding America's Unique Conservatism*, Boulder, CO: Westview, 1991, ch. 9. See also chapter 8 of *U.P.* and its footnote 6.

83. On the American labor leaders' records, see chapter 5 of *U.P.* and its footnote 71.

84. On U.S. assistance to the Haitian coup, see chapter 5 of *U.P.*

85. For one of the scientific reports that was released at the end of 1994, see Malcolm Browne, "Most Precise Gauge Yet Points to Global Warming," *New York Times*, December 20, 1994, p. C4. An excerpt:

During the first two years of its operation, the most accurate system ever devised for measuring changes in global sea level has discerned a steady rise of more than three millimeters, or about one-tenth of an inch, a year. It may not sound like much, but if this trend continues for another few years, scientists say, it will be solid evidence that the earth is undergoing a long-term warming trend, probably related to increases in atmospheric carbon dioxide.

See also footnote 46 of chapter 2 of *U.P.*

86. For the Georges Bank report, see Scott Allen, "Georges Bank: Comeback Is No Sure Thing," *Boston Globe*, December 19, 1994, p. 29. An excerpt:

Two years ago, the Canadian government bit the bullet and closed its vast northern cod fishery off the Newfoundland coast, throwing scores of remote fishing villages into turmoil in an attempt to save the fast-shrinking fish population from annihilation. . . . New England started down this same sorry road last week with the unprecedented closure of parts of Georges Bank, once the world's richest fisheries. . . . If anything, scientists say, Georges Bank is in worse shape than the Canadian fisheries: Because U.S. officials rejected warnings for nearly a decade, fishermen [spurred by federal tax credits] depleted Georges Bank to all-time lows, taking more than 70 percent of the groundfish swimming on the bank each year. . . . Even a 12-year comeback is no sure thing. . . .

[T]he collapse has been more than offset by increasing cod imports from Norway, whose government took strong measures to stop overfishing years ago. "We have a

tradition that the government can tell individual economic actors, 'This is allowed, and this is not allowed.' This is a philosophical difference from North America," explained Kare Bryn, director of the resources department in Norway's fisheries ministry. Norway faced a plummeting cod population due to overfishing in the mid-1980s, prompting the federal government to cut fishing quotas up to 50 percent.

87. On the G.E. and Honeywell firings and the American unions' response, see for example, Geri Smith and John Pearson, "Which Side (Of the Border) Are You On?," *Business Week*, April 4, 1994, p. 50. An excerpt:

Honeywell says most of the dismissals were the result of work transfers. But the employees and the U.S. unions that back them charge they were punished for trying to organize a union at the *maquiladora*, where 493 workers earn an average of \$1 an hour making thermostats and other products. . . . Ironically, U.S. unions, militantly anti-N.A.F.T.A., now are using the law to help their cross-border campaigns. The Teamsters have filed a complaint against Honeywell with the National Administrative Office, set up by the U.S. Labor Dept. to help implement the labor pact. And the U.E. [United Electrical Workers] has filed one against General Electric Co. . . . In any case, there's only so much U.S. unions can do for Mexican workers under the N.A.F.T.A. labor pact. . . . [Its provisions] will have only limited powers to influence labor conditions in the three countries.

See also, Dan La Botz, *Mask of Democracy: Labor Suppression in Mexico Today*, Boston: South End, 1992. An excerpt (pp. 148-149, 151, 158):

In 1986, as a result of years of struggle by local union members, the Ford Cuautitlán plant had one of the best labor union contracts in the Mexican auto industry, with higher wages and better working conditions than in many other auto plants. Then, in 1987, the Ford Motor Company closed its Cuautitlán plant, and paid final severance pay to all 3,400 union employees, eliminating the union contract. A few months later, Ford reopened the plant, and rehired many of the workers, but with a new contract which drastically reduced salaries and benefits, and which compacted job titles, eliminating whole categories. The "official" C.T.M. Ford auto workers union, run at the time by General Secretary Lorenzo Vera Osorno, accepted the new arrangement, to the detriment of the workers. The workers, who had no say in accepting the contract, were understandably angry about the loss of labor standards. . . .

When Ford announced that the legally mandated annual Christmas bonus would be reduced in late December -- many workers who would have received 600,000 pesos (200 dollars) would only receive about 10,000 pesos (three dollars) -- . . . the workers engaged in a work stoppage. The next day, they demanded not only that they receive their full annual bonus and profit sharing payments required by law and their union contract, but also that their fired union leaders be reinstated, and that they be allowed to elect their own union leaders. . . . [A] group of 30 thugs, most of them reported to be officers of the Judicial Police of the state of Mexico, and reputed to have been hired by the C.T.M. and Ford, attacked and beat several leaders. Six workers . . . were either kidnapped or arrested. . . . One worker, Cleto Nigno, died a few days [after another confrontation with armed men presumably hired by Ford and the company "union"]. He had been shot in the back. . . . For years, workers were consistently terrorized by C.T.M. and Ford hired gunmen and thugs who attacked their meetings, demonstrations, and picket lines.

And see footnote 11 of chapter 7 of *U.P.*

88. On the Labor Department's decision, see for example, Allen R. Myerson, "U.S. Backs Mexico Law, Vexing Labor," *New York Times*, October 13, 1994, p. D1. An excerpt:

The United States refused today to pursue complaints that Mexico had failed to enforce union organizing rights at two plants owned by American corporations. The rulings, by Secretary of Labor Robert B. Reich, were the first test of how far the Clinton Administration would go, under a labor side accord to the North American Free Trade Agreement, in taking up the cause of Mexican workers against their Government and employers. Although his department heard the two cases over protests by the corporations and Mexican officials, whose reading of the labor accord is narrow, he in time sided with them. American and Mexican unions accuse Honeywell and General Electric of dismissing dozens of workers and using illegal tactics, condoned by the Mexican Government, to foil organizers. In a report issued tonight, the Labor Department found that the Mexican Government had not failed to protect worker rights and that Mr. Reich had no grounds for bringing the cases to his Mexican and Canadian counterparts. . . .

The available information, [Secretary of the Labor Department's National Administrative Office Irasema T. Garza] said, "does not establish that the Government of Mexico failed to promote compliance with, or enforce the specific laws involved." But as she also noted, "The timing of the dismissals appears to coincide with organizing drives at the two plants."

For commentary on Mexican labor law, see for example, Ian Robinson, *North American Trade As If Democracy Mattered: What's Wrong with N.A.F.T.A. and What Are the Alternatives?*, Ottawa: Canadian Centre for Policy Alternatives/ Washington: International Labor Rights Education and Research Fund, 1993. An excerpt (p. 71 n.245):

[T]he principal problem with Mexican labour standards is poor enforcement, rather than low standards. . . . [W]hile Mexican labour standards are generally high, Mexican federal labour law -- in spite of the language of the Mexican constitution -- greatly restricts workers' rights to organize their own unions and to democratically elect their own leaders.

For some indications of how the rule of "law" operates in Mexico generally, see Christopher Whalen [Director of The Whalen Company and Editor of *The Mexico Report*], "Reality Check: Doing Business in the Real Mexico," *World Trade*, November 1992, p. 41. An excerpt (emphasis in original):

Mexico is an authoritarian country where men rather than written laws govern both civil and commercial life. Government-run elections are a charade maintained to blunt foreign criticism. Information flows about economic and business conditions, and government finances are limited and frequently unreliable. In order to do business in Mexico successfully, companies must identify the business leaders and their political patrons that rule over a given industry sector or market. In other words: Make sure you're paying the right person. Bribes are part of doing business in Mexico. A payoff is often required at each level of the government, right up to the highest levels. It is impossible to do business in Mexico on a long-term basis without paying "gratuities" to administrative and political officials who hold sway over a given industry. *Indeed, contrary to government propaganda about "reforms," the situation with respect to corruption in the highest levels of government has actually worsened under the Salinas government.*

Geri Smith, "A Tear in Mexico's Curtain of Democracy," *Business Week*, March 22, 1993, p. 47. An excerpt:

At a dinner held in [Mexican President Salinas's] honor on Feb. 23 [1993], nearly 30 of Mexico's most powerful executives were presented with a proposal that most of them would find hard to refuse. Each was asked to contribute a cool \$25 million to a proposed \$1 billion trust fund aimed at providing Salinas' Institutional Revolutionary Party (P.R.I.) with a permanent source of financing to help make it invincible in upcoming 1994 elections. The executives didn't blanch. Most have benefited tremendously from Salinas' policies, such as his huge sell-off of state-owned assets.

In attendance, for example, was Carlos Slim, a Salinas intimate and majority owner of Telefonos de Mexico (Telmex), the nation's only telephone company. Its market value has zoomed from \$200 million to \$26 billion since its privatization three years ago. . . . [A]t least one dinner guest was inclined to fatten the kitty. T.V. tycoon Emilio Azcarraga Milmo, whose Televisa network enjoys a near monopoly in Mexico, offered \$30 million. . . . When the dinner-party news leaked [to the American press], Salinas quickly dropped the \$25 million plan and proposed new limits on political contributions.

89. On public subsidies to DuPont and other chemicals corporations to replace fluorocarbons, see for example, Joshua Karliner, *The Corporate Planet: Ecology and Politics in the Age of Globalization*, San Francisco: Sierra Club, 1997, pp. 51-52; Mark Zepezauer and Arthur Naiman, *Take The Rich Off Welfare*, Tucson, AZ: Odonian, 1996, pp. 111-113. See generally, Joshua Karliner, "The Environment Industry: Profiting from Pollution," *Ecologist*, Vol. 24, No. 2, March/April 1994, pp. 59-63.

90. For the *Wall Street Journal* editors' concern about the ozone layer, see for example, Editorial, "Press-Release Ozone Hole," *Wall Street Journal*, February 28, 1992, p. A14. An excerpt:

The frightening news story [that N.A.S.A. predicted the opening of an "ozone hole"] raises the possibility of "exposing people and plant life to higher levels of harmful ultraviolet radiation from the sun. . . ." We ourselves are not prepared to dismiss the theory of ozone depletion. But the problem hasn't been ignored. . . . If federal policy makers are going to ask the American people for a crash project at huge expense, as they did with the Clean Air Act, they'd better have their science nailed down.

See also, G. Pascal Zachary, "The Outlook: Greenhouse Emissions Pose Tricky Problems," *Wall Street Journal*, March 10, 1997, p. A1.

91. For Adam Smith's remarks, see Adam Smith, *The Wealth of Nations*, Chicago: University of Chicago Press, 1976 (original 1776). An excerpt (Book I, ch. VIII, p. 75; Book I, ch. IX, p. 110):

We rarely hear, it has been said, of the combinations of masters, though frequently of those of workmen. But whoever imagines, upon this account, that masters rarely combine, is as ignorant of the world as of the subject. Masters are always and every where in a sort of tacit, but constant and uniform combination, not to raise the wages of labour above their actual rate. To violate this combination is every where a most unpopular action, and a sort of reproach to a master among his neighbours and equals. We seldom, indeed, hear of this combination, because it is the usual, and one may say, the natural state of things which nobody ever hears of. Masters too sometimes enter into particular combinations to sink the wages of labour even below this rate. These are always conducted with the utmost silence and secrecy, till the moment of execution, and when the workmen yield, as they sometimes do, without

resistance, though severely felt by them, they are never heard of by other people. . . . Our merchants and master-manufacturers complain much of the bad effects of high wages in raising the price, and thereby lessening the sale of their goods both at home and abroad. They say nothing concerning the bad effects of high profits. They are silent with regard to the pernicious effects of their own gains. They complain only of those of other people.

Smith's statement about the "vile maxim of the masters of mankind" is in the following passage (Book III, ch. IV, p. 437):

[W]hat all the violence of the feudal institutions could never have effected, the silent and insensible operation of foreign commerce and manufactures gradually brought about. These gradually furnished the great proprietors with something for which they could exchange the whole surplus of produce of their lands, and which they could consume themselves without sharing it either with tenants or retainers. All for ourselves, and nothing for other people, seems, in every age of the world, to have been the vile maxim of the masters of mankind. As soon, therefore, as they could find a method of consuming the whole value of their rents themselves, they had no disposition to share them with any other persons. For a pair of diamond buckles perhaps, or for something as frivolous and useless, they exchanged the maintenance, or what is the same thing, the price of the maintenance of a thousand men for a year, and with it the whole weight and authority which it could give them. The buckles, however, were to be all their own, and no other human creature was to have any share of them; whereas in the more ancient method of expence they must have shared with at least a thousand people. With the judges that were to determine the preference, this difference was perfectly decisive; and thus, for the gratification of the most childish, the meanest and the most sordid of all vanities, they gradually bartered their whole power and authority.

See also chapter 5 of *U.P.* and its footnote 1.

On corporate planning groups and meetings, see for example, Edward S. Herman, *Corporate Control, Corporate Power*, Cambridge, U.K.: Cambridge University Press, 1981, pp. 194-230; "Babel's Tongues," in Alexander Cockburn and Ken Silverstein, *Washington Babylon*, London: Verso, 1996; John C. Stauber and Sheldon Rampton, *Toxic Sludge Is Good For You!: Lies, Damn Lies and the Public Relations Industry*, Monroe, ME: Common Courage, 1995, pp. 33-34. See also footnotes 75, 77 and 78 of this chapter.

92. The cover title of *Z*'s June 1996 issue advertised: "Chomsky On Corporate Greed."

On the alternative political monthly *Z Magazine*, see chapter 6 of *U.P.* and its footnote 2.

93. It is a fundamental tenet of corporate law that corporate directors have a "Duty of Care" and "Duty of Loyalty" to the corporation and its shareholders. There is statutory liability for their "misconduct," and removal "for cause" -- or, if the certificate of incorporation or corporate bylaws allow it, "without cause." In some circumstances, shareholders can bring "derivative actions" (i.e. on behalf of "the corporation") to compel official actions, such as the payment of stock dividends, based upon possible "mismanagement" by the directors in breach of their duties to "the corporation." One such cause of action is for "waste" -- in other words, for improvident disposition of corporate assets in neglect or violation of the director's legal duties. See generally,

Edward S. Herman, *Corporate Control, Corporate Power*, Cambridge, U.K.: Cambridge University Press, 1981, chs. 2 and 3.

94. On corporate support for the New Deal in the 1930s, see for example, Thomas Ferguson, *Golden Rule: The Investment Theory of Party Competition and the Logic of Money-Driven Political Systems*, Chicago: University of Chicago Press, 1995, especially the appendix and chs. 1, 2 and 4. Ferguson's book marshals a compelling case that at the center of the new type of political coalition that Roosevelt built were not the workers, blacks and poor that have preoccupied liberal commentators, but rather a new block of high-technology industries, international oil companies, investment banks, and internationally-oriented commercial banks. In general, Ferguson argues that from the early nineteenth century the history of American politics is the history of groups of investors banding together to invest to control the state. When several groups of powerful investors happen to have conflicting interests there are what appear to be political conflicts, and when they have shared interests there are periods of political quiescence -- but to an overwhelming degree, it is these groups of investors who put together the political party programs, select and fund the candidates, impose the external constraints within which political decisions are made, and so on. See also, Thomas Ferguson and Joel Rogers, *Right Turn: The Decline of the Democrats and the Future of American Politics*, New York: Hill and Wang, 1986 (discussing similar themes and focusing on the Carter and Reagan years).

For routine acknowledgment by a mainstream source of the uncontroversial fact that the New Deal was supported by business, see for example, Leonard W. Levy, ed.-in-chief, *Encyclopedia of the American Constitution*, New York: Macmillan, 1986. An excerpt (pp. 447-448):

While encouraging the growth of big labor and ministering to the needs of the elderly and the poor, the New Deal also provided substantial benefits to American capitalists. Business opposition to Roosevelt was intense, but it was narrowly based in labor-intensive corporations in textiles, automobiles, and steel, which had the most to lose from collective bargaining. The New Deal found many business allies among firms in the growing service industries of banking, insurance, and stock brokerage where government regulations promised to reduce cutthroat competition and to weed out marginal operators. Because of its aggressive policies to expand American exports and investment opportunities abroad, the New Deal also drew support from high-technology firms and from the large oil companies who were eager to penetrate the British monopoly in the Middle East.

Sophisticated businessmen discovered that they could live comfortably in a world of government regulation. The "socialistic" Tennessee Valley Authority [a government corporation founded in 1933 to develop the Tennessee river basin in a seven-state area through projects like building hydroelectric power stations] lowered the profits of a few utility companies, but cheap electric power for the rural South translated into larger consumer markets for the manufacturers of generators, refrigerators, and other appliances. In addition to restoring public confidence in the stock exchanges and the securities industry, the Securities and Exchange Commission promoted self-regulation among over-the-counter dealers. Motor trucking firms received a helping hand from the Interstate Commerce Commission in reducing rate wars, and the major airlines looked to the Civil Aeronautics Board to protect them from the competitive rigors of the marketplace.

See also chapter 2 of *U.P.* and its footnote 51; and chapter 9 of *U.P.* and its footnote 18.

95. For the *Wall Street Journal's* article about the corporations that funded the Gingrich movement, see Jill Abramson and David Rogers, "Shifting Fortunes: As G.O.P. Tries to Shrink Government, Coffers Swell With New Money," *Wall Street Journal*, February, 9, 1995, p. A1.

On the tobacco company executives as mass murderers, see footnote 32 of chapter 2 of *U.P.*; and footnotes 54 and 55 of this chapter.

96. For the *Fortune* article, see Richard I. Kirkland, Jr., "Today's G.O.P.: The Party's Over for Big Business," *Fortune*, February 6, 1995, p. 50. An excerpt:

[T]he links between the corporate community and the G.O.P. are weaker and more strained than at any time in memory. . . . [I]f the Republican National Committee published a tabloid newspaper, the headline heralding the dawn of the Newt Gingrich era might well blare: G.O.P. TO BIG BUSINESS: DROP DEAD. "A lot of the newer Republicans in Congress simply don't like big business," says Richard Rahn, former chief economist of the U.S. Chamber of Commerce. Indeed, party chairman Haley Barbour went out of his way to deliver that message, albeit more politely, in the wake of the G.O.P.'s November 8 triumph, observing "ours is the party of small business, not big business; of Main Street, not Wall Street." In particular, the new G.O.P. draws its strength from the neighborhoods on Main Street populated by religious conservatives (mainly born-again Christians as opposed to, say, mainline Protestants and Catholics with a small-government bent) and by conservative-cause groups, such as the National Rifle Association. Their common ideological ground: an intense dislike, even hatred, for meddlesome big government and all its minions. . . .

Most of the current G.O.P. partisans don't actively hate, much less fear, big business. They just feel contempt for it. . . . "There's a real cultural disconnect between the FORTUNE 500 and social conservatives," says Gary Bauer, 48, who runs the Family Research Council, a lobbying outfit with strong ties to Christian fundamentalist groups and the new Republicans. . . . [In] the "culture war . . ." big business has so far been either missing in action -- or on the wrong side. Oft-cited in point: a study by the Capital Research Center, a conservative policy group, which found that in 1992 major corporations gave \$3.42 in donations to "left" or "liberal" charities -- Planned Parenthood, the National Organization for Women (N.O.W.), the Mexican American Legal Defense and Educational Fund, and the like -- for every dollar given to nonprofits on the right side of the war. . . .

[A] poll conducted exclusively for FORTUNE by the opinion research firm of Clark Martire & Bartolomeo . . . [found that] just 4% of executives rated passing a constitutional amendment to allow voluntary school prayer as highly important. . . . By contrast, a whopping 98% said Congress should make cutting or slowing the growth of federal spending a top priority. In addition, 82% gave a high score to reducing government regulation, and 78% thought it critical to pass a tort reform bill. . . . [O]n the litmus-test issue of abortion -- the last four Republican party platforms and a majority of G.O.P. primary voters favor imposing stringent restrictions -- 59% of C.E.O.s were adamantly pro-choice, agreeing with the statement that "a woman should be able to get an abortion if she wants one, no matter what the reason."

97. For the *New York Times's* editorial, see Editorial, "In Praise of the Counterculture," *New York Times*, December 11, 1994, section 4, p. 14.

98. Chomsky is actually referring to a lengthy and sympathetic profile of him and his work in the *Boston Globe*. See Anthony Flint, "Divided legacy: Noam Chomsky's theory of linguistics revolutionized the field, but his radical political analysis is what gave him a cult following," *Boston Globe Magazine*, November 19, 1995, p. 25.

99. For the discussions of "class war," see for example, Jason DeParle, "Class is No Longer a Four-Letter Word," *New York Times Magazine*, March 17, 1996, p. 40; Meg Greenfield, "Back to the Class War," *Newsweek*, February 12, 1996, p. 84; Dennis Farney, "Great Divides: Scenes From the Politics of American Culture," *Wall Street Journal*, December 14, 1994, p. A1.

See also, Editorial, "The Backlash Building Against Business," *Business Week*, February 19, 1996, p. 102. An excerpt:

[S]omething very serious is afoot in the land. So far, most Americans have tended to blame Big Government for their economic woes. But now their anger may be shifting in some measure toward Big Business. The role of the corporation in society is being challenged. Only the foolish would ignore the signs. . . . Voices from a reviving left are . . . calling for changes in the ways corporations operate. . . . C.E.O.s would be wise to ponder these tectonic changes. One thing is certain: U.S. corporations may have to strike a new balance between the need to cut costs to be globally competitive and the need to be more responsible corporate citizens.

100. The U.S. Constitution's Second Amendment provides: "A well regulated Militia, being necessary to the security of a free State, the right of the people to keep and bear Arms, shall not be infringed." On the constitutional meaning of this "militias" clause, see for example, *United States v. Miller*, 307 U.S. 174 (1939).

101. On falling real wages after 1973, see for example, Maude Barlow and Tony Clarke, *M.A.I. (the Multilateral Agreement on Investment) and the Threat to American Freedom*, New York: Stoddart, 1998. An excerpt (p. 50):

Despite robust economic growth, the [Council on International and Public Affairs]'s study reveals that the real wages of U.S. workers have declined by 19.5 percent from their level of twenty-five years ago. Indeed, virtually all of the income gains during the past decade have reportedly gone to the top 5 percent of American families, thereby dramatically increasing inequality and poverty in the country.

Lawrence Mishel, Jared Bernstein and John Schmitt, *The State of Working America, 1998-1999*, Ithaca: Cornell University Press, 1999, especially chs. 3 and 6. An excerpt (pp. 5, 2, 1-2):

After adjusting for inflation, hourly wages stagnated or fell between 1989 and 1997 for the bottom 60% of all workers (wages over the 1990s did increase 1.4% for workers at the 10th percentile). In real terms, earnings of the median worker in 1997 were about 3.1% lower than they were in 1989. . . . In the most recent period for which we have data, 1989-97, median family income rose by only \$285, or 0.6%. Income stagnation of this magnitude is unprecedented in the postwar era. In every other postwar expansion, the income of the typical family had, at this point, already far surpassed the level reached in the preceding peak. . . .

The significant improvements in 1997 and 1998 in wages for most workers have still left wage trends in the 1990s no better than they were for most workers in the 1980s. Wage declines have also pulled down new groups of workers in the 1990s, including many white-collar workers and recent college graduates. Women workers

in the middle and upper-middle part of the wage distribution, who saw real wages rise significantly in the 1980s, have experienced a sharp deceleration in the 1990s. At the same time, jobs have become less secure and less likely to offer health and pension benefits. Middle-class wealth (the value of tangible assets such as houses and cars, plus financial assets, minus debts) has also fallen. These same factors have kept economically less-advantaged families in poverty despite an extended economic recovery. . . . [T]he typical American family is probably worse off near the end of the 1990s than it was at the end of the 1980s or the end of the 1970s, despite an increase in the productive capacity of the overall economy. To the extent that the typical American family has been able to hold its ground, the most important factor has been the large increase in the hours worked by family members.

See also, Juliet B. Schor, *The Overworked American: The Unexpected Decline of Leisure*, New York: BasicBooks, 1991, p. 81 ("just to reach their 1973 standard of living, [workers in 1990] must work 245 more hours, or 6-plus extra weeks a year").

For a celebration in the business press of this downward trend in wages, see Alfred Malabre, "The Outlook: Economy's Slow Pace Masks Competitiveness," *Wall Street Journal*, September 13, 1993, p. A1. An excerpt:

Concern about the economy's sluggish pace obscures a welcome development of transcendent importance: a remarkable improvement in America's ability to compete in world markets. Behind this improvement is the increasingly competitive cost of U.S. labor. . . . In the U.S., labor costs per unit of output fell 1.5% last year. These costs, expressed in terms of the dollar's international value, rose sharply in most of the other countries studied. Among the sharpest increases: 18.3% in Japan, 12% in Germany, 11.3% in the Netherlands and 7.2% in France. . . . Data for such emerging industrial nations as South Korea and Taiwan are less complete, but they also point to the improving U.S. competitiveness. While labor costs in the U.S. were falling last year, such costs, expressed in dollar terms, rose 12.4% in Taiwan and 0.5% in South Korea. . . . In 1985, hourly pay in South Korea, Taiwan and Mexico all averaged about 10% of the U.S. level. Last year, the South Korean rate reached 30% of the comparable U.S. pay figure, the Taiwanese rate reached 35% and the Mexican rate rose to about 15%.

In 1985, hourly pay in the U.S. was also a good deal higher than in the other members of the so-called Group of Seven, the seven major trading nations. In Canada, the pay level was about 85% of the U.S. rate. The German pay rate was 75% of the U.S. level. Lower still were the comparable rates in Italy (60%), France (58%), Japan (50%) and Britain (45%). Last year, by comparison, hourly pay in the U.S. was lower than in most other G-7 nations. In Germany, the hourly rate was some 60% higher than in the U.S. In Italy, the rate was about 20% above the U.S. figure. Only in Britain was hourly pay still below the U.S. level, but the once-huge gap was nearly gone.

See also footnote 14 of this chapter.

102. On Chinese factory fires, see chapter 8 of *U.P.* and its footnote 32.

103. On the disappearance of water supplies in Nicaragua and Haiti, see for example, "Nicaragua: Very Briefs," *envío: The Monthly Magazine of Analysis on Central America* (Universidad Centralamericano, Managua, Nicaragua), Vol. 12, No. 142, May 1993, p. 21. An excerpt:

In March, Managua's Nejapa lagoon dried up completely -- perhaps irreversibly. It left only a round bed of mud in which dozens of turtles burrowed for survival. This

environmental tragedy is only one indicator of the ecological disaster toward which Nicaragua could be heading. It was attributed to the widespread drought that has affected a large part of the Pacific coast for several years, due largely to massive and indiscriminate deforestation. More than 100 rivers in the Pacific region have been reduced to dry and dusty ditches in the past 5 years. Ecologists say that if Nicaragua continues with its current level of generalized poverty, without plans for sustainable development, the Pacific coast will be a total and irreversible desert in 50 years.

Patrick Bellegarde-Smith, *Haiti: the Breached Citadel*, Boulder, CO: Westview, 1990. An excerpt (pp. 115-116):

Haiti suffers from what is described as an irreversible ecological disaster. First, a large population for the amount of land, of which only a part is arable, results in a density of 565 persons per arable square kilometer (1,462 per arable square mile), and overcultivation of the land is one consequence of this density. Second, charcoal is the only source of energy for home energy needs, and in the late 1980s, about 80 percent of Haiti's energy came from that source. As a result, according to the experts, the equivalent of 11 hectares (27 acres) of wood are used every day to meet that need. In the mid-1950s, Haiti's forests -- which up to the time of Spanish colonization had covered the whole island -- were already estimated to cover only a low 7 percent of the land, and the decline continues at the rate of 5 percent of reserves yearly. A direct result of the search for both cultivable land and fuel is erosion, which is taking its toll. In the mid-1980s, an estimated 6,000 hectares (14,800 acres) of good soil was lost each year. . . . [I]n twenty-five years the whole country will be a desert according to some scientific estimates.

104. For a study early in the twentieth century describing Haiti as a rich resource center, see for example, William A. MacCorkle, *The Monroe Doctrine in Its Relation to the Republic of Haiti*, New York: Neale, 1915. An excerpt (pp. 25-26):

This island has within its shores more natural wealth than any other territory of similar size in the world. By reason of its rich valleys and splendid mountains it has every temperature known to man. All tropical plants and trees, as well as the vegetable and fruits of the temperate climes, grow there in perfection. The best coffee known to commerce grows wild, without planting or cultivation. Sugar cane, indigo, bread fruit, melons, mangoes, oranges, apples, grapes, mulberries, and figs all grow with little labor or care. Mahogany, manchineel, satinwood, rosewood, cinnamon-wood, logwood, the pine, the oak, the cypress, and the palmetto grow in rich profusion in its splendid soil. Here are the best dyestuffs known to commerce, and in the earth are silver, gold, copper, lead, iron, gypsum, and sulphur.

We hazard the statement that this island is more capable of supporting life in all its phases, more able to create wealth and diffuse happiness to its people, than any other land of its size on the face of the earth. Its harbors are incomparable, and will float the navies of the world. Its atmosphere is salubrious and its climate healthy. It is a natural paradise, and the description of its beauty and resources by Columbus is as true to-day as it was more than four hundred years ago.

The study then quotes Columbus's impressions of Haiti (pp. 26-27):

"In it there are many havens on the seacoast, incomparable with any others I know in Christendom, and plenty of rivers, so good and great that it is a marvel. The lands there are high, and in it are very many ranges of hills and most lofty mountains incomparably beyond the island of Centrefei (or Teneriffe); all most beautiful in a thousand shapes and all accessible, and full of trees of a thousand kinds, so lofty

that they seem to reach the sky. And I am assured that they never lose their foliage, as may be imagined, since I saw them, as green and as beautiful as they are in Spain in May and some of them were in flower, some in fruit, some in another stage, according to their kind. And the nightingale was singing, and other birds of a thousand sorts, in the month of November, round about the way I was going. There are palm trees of six or eight species, wondrous to see for their beautiful variety; but so are the other trees and fruits and plants therein. There are wonderful pine groves and very large plants of verdure, and there are honey and many kinds of birds, and many mines in the earth; and there is a population of incalculable number. Espanola [i.e. the island of Haiti and the Dominican Republic] is a marvel; its mountains and hills, and plains, and fields, and the soil, so beautiful and rich for planting and sowing, for breeding and cattle of all sorts, for building of towns and villages."

Haiti's richness made it a prize for colonial robbery and exploitation. See for example, Hans Schmidt, *The United States Occupation of Haiti, 1915-1934*, New Brunswick, NJ: Rutgers University Press, 1971. An excerpt (pp. 19-20):

At the time of the French Revolution, Saint Domingue [Haiti] was the wealthiest European colonial possession in the Americas. As early as 1742 the sugar production of Saint Domingue exceeded that of all the British West Indies, and on the eve of the revolution the colony accounted for more than one-third of the foreign commerce of France. In 1789 French trade with Saint Domingue amounted to £11 million, while the whole of England's colonial trade totaled only £5 million. In the same year the ports of Saint Domingue received 1,587 ships, a greater number than Marseilles, and France employed 750 ships exclusively for the Saint Domingue trade. The chief exports of the colony were sugar, coffee, cotton, indigo, molasses, and dyewoods. The French built an elaborate network of roads, irrigation systems, and magnificent plantations.

Paul Farmer, *The Uses of Haiti*, Monroe, ME: Common Courage, 1994. An excerpt (p. 63):

At one time or another, the colony was first in world production of coffee, rum, cotton, and indigo. On the eve of the American Revolution, Saint-Domingue [Haiti] -- roughly the size of the modern state of Maryland -- generated more revenue than all thirteen North American colonies combined. By 1789, the colony supplied three-fourths of the world's sugar. Saint Domingue was, in fact, the world's richest colony and the busiest trade center in the New World.

Patrick Bellegarde-Smith, *Haiti: the Breached Citadel*, Boulder, CO: Westview, 1990. An excerpt (pp. xviii, 109):

In the second half of the eighteenth century . . . [Haiti] created more wealth than any other colony in the world. At that time, 50 percent of France's transatlantic commerce involved Haiti, and nearly 20 percent of the French population depended on trade with Haiti for its livelihood. . . . Overall investments in the Haitian economic infrastructure were meager compared to the enormous profits and trade advantage gained by France. Economically, Saint-Domingue [Haiti] was the world's most profitable colony. It soon became known as "the pearl of the Antilles" and was the standard by which the profitability of other colonies was judged. Socially, however, Saint-Domingue may have been the most repressive colony in the eighteenth century because of its disproportionate slave-to-master ratio and the exceedingly exploitative economic structure the French had devised. Terror and coercion were used to keep the Africans in line, and the French systematically exported the resources and profits of Saint-Domingue to France itself. . . .

Food imports, expensive by definition, now account for about half of all Haitian imports. . . . This economic situation is a far cry from that of the first decade of the nineteenth century when Haiti was self-sufficient in food production and when the country was evolving a manufacturing base. The Haitian peasantry at that time had the highest standard of living of any peasantry in the Western Hemisphere after the United States.