The Tendency to Privatize

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A key feature of neoliberal economic policies in both poor and rich nations is the mania for the privatization of socially-owned assets and services. The shift from publicly to privately-produced goods and services is designed to phase out public programs and to repudiate governmental responsibility for social welfare. Socially-owned land, infrastructure, and enterprises are to be sold to private investors. Or, in a less direct approach, advocated commonly in the United States, there is partial privatization. Instead of directly producing public services (such as highway construction and education), the state finances their provision either by purchasing the services from private vendors (contracting out), or else by providing vouchers to individuals, agencies, or corporations to purchase the services. Although the two forms of privatization are not the same, privatizers of all stripes have always made it clear that their ultimate goal is to eliminate the base of political support for government spending for social purposes.

The origins of the tendency to privatize in its current phase are found in three related developments in the early and mid-1970s: the rise of third world economic nationalism; the huge explosion of third world debt, compounded by the emergence of a massive pool of petrodollars in first world banks; and the reassertion of capitalism's tendency to stagnation on a global scale.

The new nationalism was initiated by third world states in the late 1960s and early 1970s. It was marked by a series of nationalization and indigenization policies, in which enterprises and assets owned by private interests in the imperialist countries were taken over by the state or, in some cases, sold to local bourgeoisies. This was the era of state-led development policies, in which government was active in both internal and external markets. Tariffs and other import controls were established, and domestic subsidies were available for staple foods and petroleum.

The declared right of third world countries to own their own resources came at a heavy price, as would soon be recognized. First world owners had to be compensated for their losses, and governments in the poor countries typically found themselves without the resources to meet these obligations. This put them under considerable pressure to turn to private international banks, whose deposits were beyond the jurisdiction of any government, and were often based in countries that were closed to financial regulation, such as Switzerland and the Cayman Islands. The banks had been accumulating unregulated offshore dollar deposits, mainly resulting from U.S. military spending abroad (since deposited primarily in European banks, they were dubbed "Eurodollars") and from payments to the oil-producing states after the 1973 oil crisis (leading to the term "petrodollars"). Under these circumstances, the banks were happy to lend to third world governments at a historically unprecedented rate in the late 1970s and into the 1980s.

Easy access to private bank loans had contradictory consequences for the poor countries. It made possible the state funding of both the nationalization of foreign-owned companies and extensive development programs. But it simultaneously generated the massive enlargement of third world debt. By the end of the 1970s, it was commercial lending, rather than state-initiated foreign aid, which accounted for the bulk of third world debt.

Meanwhile, industrial stagnation beset the rich countries in the mid-1970s, a stagnation that quickly intensified in the poor countries, as the terms of trade turned increasingly against them. During the 1970s, the developing countries as a whole increased their share of world manufacturing exports from 7 to 10 percent. Mainstream economists have cited this as evidence of economic advancement in the poor countries. But, as the 1982 United Nations Commission on Trade and Development (UNCTAD) trade report reminds us, "fewer than ten newly industrialized developing countries accounted in 1980 for nearly 30 percent of developing countries' GDP and nearly half of their manufacturing output, even though their share of the population of the underdeveloped countries was no more than 10 percent."

When the third world debt crisis erupted in the summer of 1982, a growing number of poor countries experienced mounting financial strain. This provided the occasion for the ruling interests in the advanced capitalist states to prescribe Structural Adjustment Programs (SAPs) for the poor countries, and to make their implementation a condition of eligibility for further credit and debt rescheduling. SAPs required "market
reform,” which included cuts in spending on health, education, and welfare, as well as the privatization of state enterprises and across-the-board deregulation of private markets.

Privatization proceeded apace throughout the 1980s, and by the early 1990s more than eighty developing countries had privatized 6,800 previously state-owned enterprises, most of which were monopoly providers of essential public services including water, electricity, and telecommunications. The poorly developed stock markets in these countries made it especially easy for international conglomerates to buy shares of these utilities. This scenario was also repeated in the formerly centrally planned economies of Eastern Europe. By the mid-1990s, the total value of privatizations in the poor countries and in Eastern Europe amounted to more than $58 billion. The results were not pretty. As Davison Budhoo, a senior World Bank manager who resigned after twelve years of service, averred, “Everything we did from 1983 onwards was based on our sense of mission to have the south privatized or die; towards this end we ignominiously created economic bedlam in Latin America and Africa.”

Throughout the 1980s, the rich countries also embarked upon a policy of privatization. The focus was first on public utilities but was quickly extended to welfare services. Margaret Thatcher was an exceptionally avid initiator of privatization. In a phrase that harkens back to Hobbes and Locke, the policy was called “government by contract,” in accordance with which, in the 1980s, state assets worth sixty billion pounds were sold or contracted out to private investors. Every state activity was fair game, from prisons to passport issuance. As in the poor countries, the results were grim. For example, the carving up of British Rail produced some of the worst rail accidents in British history. Prior to privatization, inspectors had warned that disasters were highly likely unless certain repairs and modifications of the system were undertaken. But the new private owners were interested only in profits and had no inclination to incur any additional costs. Employment figures give a revealing picture of the scope of privatization in the United Kingdom: when Thatcher came to power, there were 770,000 civil servants in government services; by the mid-1990s, there were 50,000.

In the United States, the most common proposals called only for partial privatization. This could take various forms. For example, the state might finance the private provision of services through contracting out or vouchers, it might deregulate existing private enterprises, or it might permit private entry into areas, such as prisons, previously treated as the exclusive domain of the state.
THE TENDENCY TO PRIVATIZE

There seems to be no small measure of confusion surrounding contracting out and voucher schemes, both of which are typically associated by their proponents with reduced public spending. But what is, in fact, reduced is public accountability for the results of these policies. Since contracting out merely shifts the locus of service production, what is privatized is the means of policy implementation, not government's role in making such activity possible. Government still pays for the work, and there is ample evidence that pressures from private contractors for bigger appropriations far exceed the demands of public employees. A similar illogic is evident in the voucher system, which provides recipients of vouchers with a great incentive to demand larger vouchers. None of this even appears to reduce pressures on tax revenues. The same applies to the private production of defense equipment, which is associated with spectacularly high cost overruns and extraordinarily high prices.

While I shall not discuss in detail more thoroughgoing forms of privatization, such as the sale of public assets to private owners, it is clear that even these require residual forms of public subsidy and social control. The tax incentives that are typically offered to spur private substitutes for public services produce a government-promoted influence on market outcomes and a reduction of tax revenues. Even mainstream economics tells us that these conditions are not likely to lead to a balanced budget. Accordingly, common claims that these forms of privatization will tend to reduce public sector deficits are incoherent.

A Systemic Problem

To some, particularly those who see in neoliberal globalization a distinct stage of capitalist development, perhaps with its own laws of historical motion, neoliberal privatization reflects an epochal transition for which a correspondingly novel type of theoretical model is required. This position is incorrect and hinders an adequate historical and theoretical comprehension of neoliberal globalization and of the tendency to privatize. I contend that the neoliberal mania to privatize is a tendency rather than a policy, and this means that the temptation to see neoliberal privatization as something significantly new should be dispelled.

In this connection, let us reflect for a moment on a familiar dispute between socialists and left-of-center moderates. One of the principal points of analytical contention between radicals and liberals has been the proper classification of certain objectionable features of capitalist political and economic behavior. While the contestants often agree on the badness of a given course of action, they disagree as to whether the mis-
behavior was a mere blunder on the part of otherwise well-meaning policymakers or yet another instance of a structurally-based imperative, the structure, of course, being capitalism.

A classic example was the proper analysis of the war in Indochina. Liberal critics of the war were inclined to see it as an aberration, a case in which a benign and idealistic leadership bumbled into a situation that was far more complex than they had imagined, and then found themselves in a quagmire from which extrication was very difficult. Radicals replied that this alleged blunder was, in fact, an extension of the historical syndrome of colonialist and neo-imperialist intervention characteristic of capitalist development. And imperialism, we reminded our liberal friends, is a system, not a policy. It was not as if policymakers had simply made a regrettable idiosyncratic choice in Indochina, but rather that this repetition of a centuries-old pattern of attempted domination and exploitation in the global periphery was one defining dimension of capitalism as an international system. The possibility of doing away with this pattern, we argued, was inseparable from the project of building a popular movement to do away with capitalism itself.

The mania for privatization characteristic of neoliberal globalization is similar to the Indochina War in this same respect. It can be seen either as a policy, standing in no structural relation to long-term patterns of capitalist evolution, or as a tendency of capitalist development, a structure-driven dynamic evident in one form or another in the historic unfolding of capitalist social relations from the very beginning.

Old Wine in New Bottles

Privatization is a critical feature of neoliberalism. Despite the claims of many analysts, neither privatization nor neoliberalism is really new. Neoliberalism is, in fact, an attempt to turn back the clock to capitalism in its pre-Keynesian form. In capitalism's new incarnation, market forces have once again been freed from government regulation of business activity, public ownership of certain enterprises, and the services and income supplements that constituted, in effect, a social wage. The so-called Golden Age (roughly from the late 1940s to the mid-1970s), when a significant portion of the working class was offered some measure of protection from the unbridled dynamics of the system, has been dismantled and succeeded by a return to the bad old days when workers were almost entirely dependent on the vagaries of the market and the demands of capital.

This new orthodoxy is in fact a resumption of capitalist business as
usual. This should not be news. The very term "neoliberalism" suggests an attempt to restore the classical liberalism of Thomas Hobbes, Adam Smith, and John Locke. What is new about neoliberalism can best be appreciated by a historical analogy. An essential element of early capitalism was the primitive accumulation of capital, a significant component of which was the forced enclosures of common land first begun on a large scale in sixteenth-century England, and dramatically furthered in subsequent centuries as hundreds of acts of Parliament formally reconstituted common resources as lawful private property. We might term this formative development primitive privatization.

Neoliberal privatization, like its primitive predecessor, needs to overcome social barriers, this time not common customary feudal use rights, but rather Keynesian-social democratic restrictions on the unfettered freedom of capital, some of which lessened the dependence of the working population on the vicissitudes of the market and the needs of capital. European social democracy, and to a much lesser extent the New Deal in the United States, led to the partial regulation of business, the nationalization of some large-scale private enterprises, and both public services and income supplements that constituted an addition to the means of making a living available through the market alone. What is new about the post-primitive privatization of the Reagan/Thatcher era is to be found in what it is attempting to undo. Its attempts to annul Keynesian reforms are what constitute it as a restoration rather than a shift to a new epoch. It just wants to get back to the old-time religion. Third world societies had also succeeded in erecting barriers to international capital to forward their own national development possibilities. These too, neoliberalism demands, must now be thrust aside.

The stagnation of the domestic and global real economy since the mid-1970s has been both the mainstream justification for the initiation of neoliberal privatization, and the ongoing framework within which its policies have been implemented. However, the historically sluggish global growth rates of the post-Thatcher/Reagan era are merely the intensification of tendencies already in operation prior to the neoliberal revolution. The historically contingent factors which offset the stagnation of the 1930s—the military spending of the Second World War and the Cold War, suburbanization, the resumption of the expansion of the automobile industry, and the postwar rebuilding of the economies of Europe and Japan—had, by the mid-1970s, run their course and spent their effectiveness. The result was that the tendency
to stagnation reasserted itself in the recession of 1974–1975, the worst downturn since the Great Depression, and the beginning of a long period of slower growth.

What Are Tendencies?

The argument here is rooted in the conception that there are certain definite tendencies of capitalism, including the tendency to privatize. Marx described certain features of capitalism as tendencies. There are, among others, the tendencies of capital to concentrate and centralize, to develop the forces of production, to generate excess productive capacity in relation to profitable industrial investment opportunities, and to privatize potentially profitable resources. Marx was a serious student of Aristotle, and his employment of the concept of tendency accords closely with Aristotle's employment of that concept in his *Nicomachean Ethics* and *Physics*. A thing's tendencies are a function of its *nature* or *character*. Nature (*physis*) in Attic Greek connotes an internal source of *movement*. Thus, a thing's nature is dynamic and is exhibited in characteristic inclinations or dispositions. We might say of someone: "He has a tendency to exaggerate." We mean that a disposition to exaggerate is a natural expression of his character.

Tendencies are not the same as trends. The latter are merely observed regularities; there need be no implication that an *underlying structural feature* of the entity in question *generates* the regularity. For Aristotle and Marx, what makes a thing the kind of thing it is—what constitutes its essence or nature—is its specific mode of material organization or structure, what Aristotle called its "formal cause." The nature of any proper object of scientific investigation tends to generate a characteristic behavior. Thus, to use Aristotle's well-known example, the type of biochemical organization of matter called "acorn" tends, in ordinary circumstances, to develop into an oak tree. This same kind of analysis applies to the tendency of gases to expand when heated and the tendency of falling bodies to accelerate at a constant rate. Similarly, the structural organization of capitalism generates the tendencies identified at the beginning of the preceding paragraph.

It is important to note that tendencies produce their characteristic outcomes *ceteris paribus*, i.e. other things being equal (i.e. other things being absent). When we identify the tendency of a thing, we specify what will happen, as a matter of course, if interfering conditions are absent. That is the point of vacuums in the *closed systems* created in numerous laboratory experiments: they permit *exercised* tendencies, i.e.
tendencies in operation, to be realized. If we want to know what gases tend to do when acted upon by heat, we eliminate all potential counter-tendencies by creating a vacuum in the chamber, so that both gas and heat can express their natures unimpeded. Implicit in both physical- and social-scientific practice is the crucial distinction between the exercise and the realization or manifestation of a tendency. This distinction is essential to structural analysis in political economics because of the impossibility of creating the social equivalent of a vacuum in the social sciences, which deal with the open systems of everyday life, where a great many tendencies collide. Accordingly, just as the law of the tendency of falling bodies to accelerate at a constant rate is not falsified by the failure of falling bodies to behave accordingly in open systems, so too the law of the tendency of the growth of productive capacity to outpace the growth of profitable investment opportunities is not undermined by the remarkable growth rates of the Golden Age. In both cases, the presence of offsetting factors prevents the structurally generated tendency from being realized or manifested.

Privatization Did Not Originate In A ‘New Conservative Agenda’

The transformation of economic theory and policy from Keynesianism into a rebirth of classical liberal economics is typically referred to in mainstream circles as the “Reagan Revolution.” But it was professionally prestigious and politically influential liberal Keynesian economists who initiated the rejection of the neoclassical synthesis (the grafting of some of Keynes’s ideas onto traditional economic theory), and argued for a renewed commitment to what was, in effect, nineteenth-century economic theory. Although it is commonly believed that Ronald Reagan initiated the battles for neoliberalism, in fact, liberals had already largely won the economic-theoretical and political battles for neoliberalism before Reagan took office.

Two factors played decisive roles in the liberal abandonment of Keynes: the internal theoretical contradictions of the neoclassical synthesis itself, which predispose it in a neoliberal direction, and the stagnation of the 1970s, indications of which had become evident to mainstream economists in the early years of the decade.

The original neoclassical synthesis was theoretically out of tune with its elements. At its core was microeconomics (the study of how prices are determined in disaggregated markets), whose main assumptions remained classical: perfect competition was typical and individual markets tended toward equilibrium. These assumptions were left intact with
the addition of pseudo-Keynesian macroeconomics (the study of the
determinants of changes in the economy as a whole, i.e. variations in
aggregate prices, employment, and output), whose defining claims were
not derivable from, and therefore remained unintegrated with, the
propositions of microeconomics. This theoretical discord came as no sur-
prise. What made macroeconomic theory Keynesian was its admission
that when the price mechanism was aggregated to the economy as a
whole, the quantity of goods and services supplied did not necessarily
equilibrate with the quantity demanded. It was entirely possible, and, in
an industrially developed capitalist economy, likely, that the economy
would generate a level of effective demand that fell short of the available
supply of labor power and productive capacity.

The Keynesian solution to this problem was that government demand
management was necessary to guarantee the employment of available
labor power, to make profitable use of non-human productive capacity,
and to forestall the political unrest that might result from chronic unem-
ployment. But there was the rub. The admission that government inter-
vention was necessary if the economy was to employ all available
productive resources impeached the central microeconomic boast that
the unfettered price mechanism, the free market, was sufficient to make
productive and profitable use of all available inputs. Not only was there
no microeconomic basis for macroeconomics, the latter plainly contra-
dicted the classical foundation of microeconomics. Macroeconomic the-
ory was incompatible with both received neoclassical wisdom and the
emerging neoliberal consensus.

Accordingly, the very existence of macroeconomic theory was a per-
petual embarrassment to conventional economists and an obstacle to the
theory and practice of neoliberalism. It had been reluctantly added to
microeconomic theory in the wake of the Great Depression, prior to
which it was universally assumed among mainstream economists that
there simply were no intractable macroeconomic problems. Individual
markets might be out of balance at a given time, it was admitted, but the
overall economy was bound to return to equilibrium. Thus, for every
apparent failure of demand for a particular good, there had to be a cor-
responding excess of demand for some other good. Sectoral overproduc-
tion was held to be compatible with a theory that proclaimed the
impossibility of general excess capacity.

The Great Depression would appear to have given the lie to this con-
ceit, and to the microeconomic theology that underpinned it. But pre-
Depression neoclassical theory was the only ideological game in town, so
the consensus of both conservative and liberal economists was to tack onto the old religion a new article of faith, a macroeconomic encyclical proclaiming that fiscal and monetary tinkering by public authorities would guarantee the long-run health of the private economy. Still, the ad hoc character of macroeconomics remained a thorn in the side of orthodoxy, and for good reason. From its inception, macroeconomics had borne little resemblance to microeconomics. And over the course of the twentieth century, neoclassical microeconomic theory, the hard core of neoclassical theory as a whole, had become increasingly interwoven with advanced mathematics and the latter's requirement of a high level of formal integration. The formal disconnection of micro- and macroeconomics, i.e. the non-derivability of the latter from the former, was therefore perceived as a deficiency of the entire apparatus. There was the enduring sense that there was something suspicious about macroeconomics, on the sole grounds that its assumptions were neither grounded in nor integrated with those of an increasingly mathematical and esoteric microeconomics.

It has now been roughly a half-century since the birth of the neoclassical synthesis, and the worm has taken a major turn. Macroeconomics is now a virtual branch of microeconomics and no longer an intellectual impediment to the implementation of neoliberal policy. The subsumption of the public-sector-relevant component of mainstream economics by nineteenth-century private-sector theory was not the product of a conservative backlash. It was given its initial stimulus by liberal Democrats at the Brookings Institution, each of whom had served as chair of the Council of Economic Advisers to Democratic presidents. And the stagnation of the 1970s, evident to many conventional economists in the immediate aftermath of the Indochina war, encouraged the belief that their lingering suspicion of state-interventionist macroeconomics was finally vindicated.

It was Arthur Okun's Equality and Efficiency: The Big Tradeoff and Charles Schultz's The Public Use of Private Interest that provided the theoretical bases for the unabashed return of liberal economic analysis to its fundamentalist roots in laissez-faire theory. Okun claimed that the interventionist goal of greater equality had inefficiency costs that were ultimately detrimental to the private economy. Schultz argued that objective evidence demonstrated that government policies, which impact markets in the name of fairness and equality, are necessarily inefficient. He was quite explicit that the promotion of social goods as the direct object of government policy was bound to be counterproductive and
destabilizing of the private economy. Schultze contended that proponents of the mixed economy, including himself, had unduly denigrated markets and harbored utopian fantasies about the ameliorative potential of government economic activity:

Market-like arrangements...reduce the need for compassion, patriotism, brotherly love, and cultural solidarity as motivating forces behind social improvement...Harnessing the “base” motive of material self-interest to promote the common good is perhaps the most important social invention mankind has yet achieved...In most cases the prerequisite for social gain is the identification, not of villains and heroes but of the defects in the price system that drive ordinary citizens into doing things contrary to the common good.

Neoliberals such as Newt Gingrich and Charles Murray could not have said it better. And thus began the extensive reactionary revision of macroeconomic theory that preoccupied orthodox economists during the 1970s and 1980s.

The resumption of the historical tendency to privatize in the Reagan/Thatcher era has found its most conspicuous political-economic expression in the concentrated assault on post-Depression social-democratic reforms. These had, for a brief historical moment, counteracted the tendency to ubiquitous privatization in the private economy theorized by neoclassical micro theory. Thus, just as microeconomic theory cannot, in the final analysis, tolerate adulteration by a macro theory that acknowledges, however minimally, the significance of social goods, so too classical market-dominated capitalism cannot in the long run tolerate social-democratic dilution.

That this kind of born-again consensus emerged simultaneously, at the onset of a period of intensified global stagnation, from both liberal and conservative economists, is a strong indication that powerful structural forces and tendencies are at work in the emergence of the theory and practice of neoliberalism, globalization, and one of their core constituents, the tendency to privatize.

**The Tendency To Privatize and the Potential Economic Surplus**

Capital’s historic tendency to commodify everything that can be commodified is of course identical to the tendency to privatize anything that can be privatized. *The drive to expand exchange value is limitless and structurally generated, and so therefore is the tendency to privatize.*

The centrality of privatization to the capital accumulation process is
evident in its intensification under two types of historical circumstance, each of which is central to the accumulation process: periods of epoch-making, growth-enhancing innovation, and periods of crisis. An example of the former was the growth of the transcontinental railroads, which was made possible by massive federal land grants to the railroad magnates—the privatization of 250,000,000 square miles of public property. Another example was the growth of the automobile industry, which was facilitated by the deliberate destruction of many major public transit systems. The death of both the privately- and publicly-owned electric streetcar was planned and executed in its initial phases by Alfred P. Sloan Jr., the driving force behind General Motors.

The acceleration of privatization in periods of crisis was especially evident in the aftermath of the Great Depression of 1929–1940. The relatively large increases in government spending for social purposes in the 1930s were not sufficient to offset the tendency to underutilize productive capacity. The Depression ended only with the rapid expansion of military spending as a result of the Second World War. The emergence of the military-industrial complex, which made a higher level of military spending a built-in reality of the post-Second World War era, effectively pledged enormous sums of public revenue to private defense contractors. This constituted a privatization of tax revenues, a transfer to private hands of public funds whose use neither competed with capitalist industry, nor set a precedent for the large-scale commitment of public monies to meet social needs, which might generate a sense of public entitlement.

The resumption of stagnationist tendencies on a global scale in the mid-1970s constituted the most conspicuous crisis of its kind since the Great Depression, and it too has been met with privatization. To understand the structural imperatives at work here it is useful to turn to the concept of the potential economic surplus, formulated by Paul Baran in *The Political Economy of Growth*.

Any economy with a given level of development of its productive forces and a given level of output can reproduce itself over time only if it can produce sufficient output to sustain its working population and replace the non-human inputs used up in production. In this case, the difference between the value of total output and the cost of producing that output need not be greater than zero. But the requirement is more stringent for an economy that depends on growth for its proper functioning. The growth imperative necessitates that the economy be able to produce more than is required to replace the labor force and its instruments of production. This excess or surplus is what makes further
growth possible, and its magnitude determines the rate at which the economy is able to grow. Thus, what Baran designates as the actual economic surplus is “the difference between society’s actual current output and its actual current consumption.” In Monopoly Capital, Baran and Paul Sweezy restated this concept in simpler terms as “the difference between what a society produces and the costs of producing it.” In the case of a capitalist economy with an unlimited growth imperative, this difference must of course be increasingly greater than zero.

It is important to note that the concept of the actual economic surplus is socially neutral. It comes from no particular social perspective and can be used to analyze many different societies. The same cannot be said of the concept of the potential economic surplus. This concept, as developed by Baran, was formed from the perspective of the working class, many of whose needs remain unmet even as the means of meeting these needs are employed for purposes essential only to the reproduction of the capitalist system, and that contribute not at all to human flourishing. Thus Baran defined the potential economic surplus as “the difference between the output that could be produced in a given natural and technological environment with the help of employable productive resources, and what might be regarded as essential consumption.”

This definition is composed of two key conceptions. The term “essential consumption” is, Baran reminds us, at least tacitly acknowledged in mainstream culture, for example in the employment by the Bureau of Labor Statistics and the Department of Labor of the concept of a “decent livelihood” in its compiling of the cost of living index. This is the concept of a just living wage. Now the difference between a just living wage and the actual average wage/salary is substantial, since the latter is bloated by the excessive and/or unnecessary and capitalism-specific content of actual average consumption, especially that portion of it which is concentrated among the upper-income echelons. The difference between the actual and the potential surplus, then, appears in the form of a number of factors all of which are, from a working-class point of view, species of waste, including:

- excess consumption by the middle and upper classes;
- salaries paid to and the output lost by employing unproductive workers such as those employed in the production of armaments, luxury goods and articles of conspicuous display and social distinction;
- resources consumed by the employment of corporate attorneys,
advertising executives, producers of commercials, property lawyers, public relations experts, and of course stock brokers, investment bankers and speculators;

- resources consumed by members of the military establishment and many other State officials and bureaucrats; and
- resources consumed by unemployed workers and idle productive facilities.

All of these represent lost productive potential and would not exist were it not for the specific organization and requirements of the capitalist system. Thus, capitalism requires a large-scale misallocation of productive resources—that is, uses of resources that are less desirable, from a working-class perspective, than specifiable alternative uses of the same human and non-human resources.

But of course from the perspective of the capitalist class the above examples of waste represent an entirely reasonable and desirable use of resources. From a capitalist viewpoint, then, there is less direct incentive to form the concept of the potential economic surplus. The latter is promoted primarily from the perspective of the working class. The point of characterizing the capitalism-specific uses of the surplus as wasteful is to underscore their character as useless and superfluous from the vantage point of a class which would: 1) utilize the resources represented by the potential surplus to meet its unmet needs, and 2) contribute to the creation of an environment conducive to the cultivation of social equality, solidarity, and working-class autonomy.

Yet, upon reflection, the capitalist tendency to commodify and privatize suggests a transposition of the logic underlying Baran's concept of the potential surplus from the realm of working-class needs and interests to that of capitalist needs and interests. The parallels are striking. The potential surplus, conceived from a working-class perspective refers to 1) what is wastefully produced, but wouldn't be produced but for the requirements of capitalism, and 2) the use values (universally accessible health care, good affordable housing, effective and environmentally responsible public transportation—the list is long) that could and would be produced were the disposition of the surplus democratically controlled. The potential surplus, conceived from a capitalist perspective, refers to the exchange value that would be available to capitalists were it not for the existence of a modicum of socially-owned use and exchange values such as public schools, prisons, public utilities, water supplies, and of course the socially-owned assets managed and distributed by the
Social Security Administration. And just as a class-conscious working class would attempt, through organized political activity, to redirect the surplus to the satisfaction of working people's needs, so too would a class-conscious capitalist class seek to sustain into perpetuity the primitive privatization, begun long ago, of socially-owned resources, in order continually to maximize the magnitude of exchange value at their command.

From a capitalist perspective, social resources represent a use of the actual economic surplus that does not directly contribute to the expansion of exchange value. It should now be apparent that the concept of waste is both a normative and a class concept: what counts as waste will depend upon the class perspective, and the needs and interests peculiar to that perspective, from which that determination is made. From an orthodox economic perspective, which regards the expansion of capital as the ultimate good, all public assets represent waste. They are perceived as unnecessary obstacles to the accumulation of exchange value. This valuation is evident in the remarks of former Treasury Secretary Paul O'Neill, in an interview with the Financial Times. In the context of a discussion of the abolition of Social Security and Medicare, O'Neill claimed, "Able-bodied adults should save enough on a regular basis so that they can provide for their own retirement, and, for that matter, health and medical needs" [and, one supposes, the education of their offspring]. When asked whether this represents the position of the Bush administration, he said, "The president is also intrigued about the possibility of fixing this mess."

I noted above that from a capitalist viewpoint there is no incentive to form a working-class concept of the potential economic surplus. But when working people succeed in appropriating for themselves, as a class, resources which would otherwise have been employed by capital for the accumulation of ever more exchange value, the capitalist class has a tendency (i.e. an inclination generated by its structurally imposed need to accumulate without limit) to form its own concept of a potential surplus based on its definition of what is wasteful for society. If the capitalist inclination to employ a concept of potential economic surplus—placing it in conflict with existing conditions—has often seemed weaker, it is because capital's needs are more fully realized in the status quo. However, in times of a crisis of accumulation for capital, particularly when the class struggle from below is also weak, this breaks down and capital's natural tendency to see unlimited growth of profits (an enlargement of the sphere of the surplus) as the answer to society's ills reasserts
THE TENDENCY TO PRIVATIZE

itself. For both classes, the notion of a potential surplus represents an awareness of foregone production possibilities and unmet vital needs. In this era of pronounced stagnation, the capitalist class has an especially urgent need to target hitherto-untapped sources of exchange value. Since sources of capital accumulation are not available on the required scale in saturated industrial markets, capital seeks instead to transform existing social use values into exchange value through privatization. And ubiquitous industrial overcapacity has not seemed to capital to stand in the way of turning newly privatized resources into self-expanding exchange value. As is now painfully evident, financial speculation had been imagined to be a realm of unbounded capital accumulation unencumbered by the increasingly difficult task of producing use values. The coveting of Social Security funds by stockbrokers and investment bankers is a paradigm case of this strategy. But this recourse now stands transparently bankrupt in the wake of recent stock-market crashes, mounting bankruptcies and foreclosures, a housing bubble comparable in magnitude to the stock-market bubble of the 1990s and poised to burst, and rising poverty and unemployment.

If the current contradictions of global capitalism are to be progressively resolved, they must be resolved in the realm of production. This was recognized as self-evident by both mainstream and progressive analysts, prior to the widespread delusion that the "New Economy" had rendered economic crises obsolete and significantly loosened the connection between material well being and real production. Of course, there never was a "New Economy," and that spreading realization heightens the insecurity of the working class. Not since the Great Depression has it been so urgently necessary that working people adopt for themselves the working-class counterpart of the strategy pursued by the ruling class in these neoliberal times: to develop an awareness of their increasingly unmet needs and to attempt, through organized political struggle, to seize control of the enormous potential of the productive forces developed under capitalism, and democratically redirect that potential toward the end of meeting everyone's genuine human needs.

The war [the planned U.S. invasion of Iraq] "is totally about oil," says a top executive at France's TotalFinaElf.

—"It's Not 'All About Oil,' But...," Business Week Online, January 30, 2003