

The Erosion of Non-Capitalist Institutions and the Reproduction of Capitalism

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1. Introduction

More than 150 years ago, in *The Communist Manifesto*, Marx and Engels observed that capitalism has a powerful tendency to destroy pre-capitalist relations and institutions:

The bourgeoisie, wherever it has got the upper hand, has put an end to all feudal, patriarchal, idyllic relations. It has pitilessly torn asunder the motley feudal ties that bound man to his "natural superiors"... (Marx and Engels, 1848, p. 475).

Since those words were written, the continuing history of capitalism has borne them out. The vigorous accumulation process that capitalism gives rise to has continued to erode non-capitalist institutions. Feudal and semi-feudal relations throughout the world have, over time, dissolved under the pressure of capitalist penetration. Relations of independent commodity production, while not entirely eliminated, have been gradually reduced and increasingly marginalized.

However, capitalism has not eliminated all pre-existing non-capitalist institutions. In certain instances it reshaped them to suit its needs while retaining them as non-capitalist in form. Three examples that have been essential to capitalist reproduction are states, families, and educational institutions. Such institutions are able to play a role in the reproduction of capitalism, not in spite of their internally non-capitalist form, but because of it, as will be explained below.

The tendency of capitalism to erode non-capitalist institutions potentially clashes with the need for non-capitalist institutions to be maintained in their supportive role in capitalist reproduction. A social system made up entirely of institutions that operate on capitalist principles and embody capitalist relations would not be viable. As capitalist development erodes key non-capitalist institutions, partly by injecting capitalist principles into them and partly through the pressures that capitalist development exerts upon them, the continued reproduction of capitalism is threatened.

This paper applies the above line of analysis to the three institutions mentioned above: states,

families, and educational institutions. It argues that, in recent times, as capitalist development has both injected capitalist principles into those three non-capitalist institutions and also put pressure on their ability to function effectively, the capacity of these non-capitalist institutions to contribute effectively to the reproduction of capitalism has tended to be undermined. The examples given will be drawn from recent developments in U.S. capitalism, although it seems unlikely that the trends identified here are exclusively found in the U.S.A.

Section 2 of this paper explains what is meant by non-capitalist institutions and discusses their role in the reproduction of capitalism. Sections 3, 4, and 5 consider, in turn, the erosion of the ability of each of three key non-capitalist institutions to effectively contribute to the reproduction of capitalism: the state, families, and educational institutions. Section 6 offers brief concluding comments.

2. Non-capitalist Institutions and the Reproduction of Capitalism

By institutions that are non-capitalist in form is meant institutions that do not operate according to capitalist principles or embody capitalist relations. Such institutions do not follow the capitalist principles of pursuit of profit; the treatment of everything including human labor power as a commodity to be sold to the highest bidder or purchased at the lowest possible price; the drive to cut costs; the acceptance of market valuation as the measure of social worth; the drive to expand output or sales; or the accumulation drive. Non-capitalist institutions do not embody such capitalist relations as the appropriation of surplus value from wage labor or competition among producers.

When capitalism first arose historically, it coexisted with feudal and semi-feudal institutions, which operated according to different principles from those of capitalism. For example, landlord-peasant relations still existed that had elements of feudal obligation on the part of both landlord and peasant, in contrast to the impersonal market relationships that characterize capitalism. While capitalism tended to abolish such relations, as Marx and Engels stated in the quotation at the

beginning of this paper, capitalism could not eliminate all non-capitalist institutions. Capitalism is an incomplete system which cannot exist without having, associated with it, a set of non-capitalist institutions. Certain functions essential to capitalist reproduction cannot be effectively performed by institutions that operate according to capitalist principles. These functions include the protection of capitalist property rights, the enforcement of contracts, the provision of means of exchange, and the reproduction of the working class.¹

The most obvious case is the reproduction of the working class. Suppose that new workers were conceived and raised to working age by organizations that operated on capitalist principles. This would mean that the worker-raising organization would undertake this task solely for the purpose of gaining profits. This would require that the worker-raising organization be able to sell the "completed" new workers. To do so, it would have to own the newly produced workers. After sale, the workers would become the property of the enterprise that purchased them. That is, the workers would be slaves rather than the free wage laborers that are an essential feature of capitalist relations of production.² Free wage laborers can be conceived and raised only by means of non-capitalist institutions which leave the new workers as free human beings. Of course, the family has been the primary institution that has performed this function under capitalism, although educational institutions and some other non-capitalist institutions also play an important role in this process.³

Humans beings have always lived in families. Capitalism, which arose out of peasant societies in most cases, inherited a family that operated as a productive unit. Capitalism reshaped the pre-capitalist family, largely removing production from the family and turning it into an institution for the reproduction of the wage laboring class.⁴ In early capitalism an extended family performed this role. In the mid-twentieth century the single-wage-earner nuclear family developed, in which mothers specialized in raising children and other domestic labor while fathers specialized in wage labor. Recently the single wage earner nuclear family has been largely replaced by a form in which

both parents, or a single present parent, engage in substantial wage labor.

The working class family in the capitalist era, in the various forms it has taken over time, has always been a non-capitalist institution. Families do not operate based on any of the capitalist principles, such as pursuit of profit, treatment of family members as commodities, or the acceptance of market valuations as measures of social worth. There may be some tendency to economize on expenditures, to increase family income, and to accumulate savings, but these are pale echoes of the related capitalist drives. The adults in the family may provide a money allowance to the children, but they do not appropriate surplus value from them. On the contrary, parents devote substantial labor time to meeting the needs of dependent members of the family. Families do not compete with one another like capitalist firms, although there is an effort to maintain a "normal" living standard.

Families are a different kind of social entity from the capitalist firm. Operative principles include patriarchal power of husband over wife and of parents over children, the provision of "caring labor" for others without monetary compensation, and the sharing of economic resources.⁵ It is the non-capitalist character of the family which makes it suitable for reproducing the working class under capitalism.

There is one relation within the working class family which some analysts view as involving appropriation of a surplus, which is that between husband and wife. However, those who interpret the husband-wife relation as based on exploitation have not considered that relation as one of *capitalist* exploitation.⁶ In any event, it is not necessary here to consider the nature of the husband-wife relation, since we are concerned with the family as an institution for the reproduction of the working class. For this purpose, it is the relation between parents (and other childraisers in the family) and children that matters.

Educational institutions have played an increasingly important role over time in the reproduction of the working class in the capitalist era. In the feudal era, schools served as institutions

for reproducing the religious section of the ruling class as well as certain subsidiary functions. Capitalism reshaped them into institutions for training and socializing the wage-earning class.⁷

Like families, schools differ from capitalist institutions. The great majority of schools are state run or are private non-profit institutions. In primary and secondary public schools, the aim is provision of a service to all local residents of the appropriate age without charge. Evaluation and graduation are supposed to be based on performance, not wealth or willingness to make payments. Private non-profit schools also seek to operate by the merit principle, in their admissions policies as well as their policies regarding evaluation and graduation.⁸ Those who teach in schools are engaged in a craft process rather than capitalist wage labor.⁹ Efficiency does not play a large role in the production process in schools; rather, the main aim is to achieve a certain standard for the product.

In some capitalist countries, such as the USA, there are some schools organized as for-profit firms. However, this form of school is not well suited to reproducing the working class. The most serious deficiency of capitalist schools is that capitalist principles conflict with the enforcement of reasonable educational quality standards, which require that students and their families not be allowed to purchase admission, grades, or diplomas. In the US scandals involving departures from defensible academic standards are common in for-profit schools.

There is also a problem concerning who will pay for the necessary education of the working class if it is to be delivered by capitalist schools. The prospective employer of a worker is not motivated to pay for basic education because, once educated, the worker is free to work for whatever employer s/he chooses. If the prospective employer will not pay for a worker's education, neither is it practical to expect the family of the individual worker to pay for her/his education. A sizeable proportion of working class families lacks the capital to pay for an education that requires many years. Only the state has the resources and motivation to provide basic education for the working class as a whole, and if the state must pay for it, then the need for acceptable educational standards

mentioned above runs counter to contracting with for-profit schools for this purpose.

The protection of capitalist property rights also requires a non-capitalist institution for its effective enforcement. Protecting such rights requires a mechanism of coercion. While ideology is a powerful support of the sanctity of capitalist property, an organization is needed that can use overwhelming force to protect against any threat to capitalist property in case ideology proves insufficient. Such an organization must represent the interests of the capitalist class as a whole in carrying out this function. It must be dedicated to preserving the existing property rights of all capitalists. If such an organization were based on capitalist principles, it would sell its services to individual capitalists, and presumably would be ready, for a fee, to use its coercive power to redistribute property from one capitalist to another. Even worse, the group of officials who ran such a state would have an interest in stealing from the capitalists, and if they followed the capitalist principle of pursuing maximum profits, that is just what they would do.

A capitalist system needs a state that operates based on principles quite different from those of capitalism. The state arose historically with the earliest class society. When capitalism first developed, it reshaped the pre-existing feudal or semi-feudal state into a form suitable for capitalism. Eventually it gave rise to the modern bourgeois-democratic nation-state.

The bourgeois-democratic nation-state operates by different rules from those of a capitalist enterprise. There is at least the form of popular sovereignty rather than the rule of money, and the form has some substance.¹⁰ However, popular sovereignty is limited by a commitment to protecting "private property," which is interpreted to include capitalist property.¹¹ Individuals are held to be equal before the law, regardless of their wealth or their ability to generate profits for a capitalist.¹² Efficiency is sacrificed to other aims in the operation of the state, such as dispensing justice or achieving political compromise. The direct compulsion available to the state is contrary to the free contract and free choice that characterize capitalist institutions.¹³ These features of the capitalist

state make it suitable for effectively carrying out the function of protecting capitalist property.

The enforcement of contracts is also essential to capitalism, since capitalism is a form of market economy. The exchange process cannot proceed smoothly unless the contracts on which exchange is based are effectively and impartially enforced. As in the case of protection of capitalist property, so to in the case of enforcement of contracts an institution organized according to capitalist principles would be unfit for the job. If the contract enforcement agency were organized on capitalist principles, market participants would have the opportunity to purchase the result they wanted, renege on contracts for a fee when it was advantageous. Such a system would seriously inhibit the development of exchange. The bourgeois-democratic state, with the features described above, is well suited to the kind of enforcement of contracts that capitalism requires.

Finally, capitalism requires that a state that can effectively organize the creation and regulation of means of exchange, that is, money. Capitalism cannot exist based on barter, contrary to the conception of capitalism found in neoclassical economic theory. But money cannot be created or properly regulated by institutions that follow capitalist principles. Money as a means of exchange is a social convention, an entity that must be accepted in exchange for goods and services by all sellers. If a capitalist organization were free to create money based on the usual capitalist principle of pursuit of maximum profit, there would be no reason for all sellers to accept such money. Sellers would rightly suspect that such money might operate as a means to transfer wealth to the issuer of the money. This was indeed the situation at times in the nineteenth century US west, where banks issued their own money with little state supervision. Such money circulated at a steep discount and was sometimes simply not accepted.

In modern capitalism the creation of means of exchange has substantially been delegated to a kind of capitalist institution, the commercial bank. However, these institutions operate under strict supervision and regulation by the state, without which they could not effectively perform that

function. The overall regulation of the money supply is directly undertaken by the state, through a central bank. State guarantees and regulations ensure that, within the borders of each capitalist state, its money must be accepted by all sellers at face value in exchange for goods and services.

The crucial role of the state in providing and regulating money becomes clear in exchanges across state boundaries. Since there is no international state in the capitalist era, there is no true international money. Various systems have been devised over the centuries to facilitate exchange between parties in different countries, but all of them have been problematic and at times have ceased to function effectively, leading to international monetary crises.

3. The State

During the post World War II era of regulated capitalism in the U.S. in 1948-73, the state not only effectively performed the functions of protecting capitalist property relations, enforcing contracts, and issuing and regulating money, it also actively intervened in the economy in ways that facilitated the accumulation of capital. One example of such intervention was the federal government's program to encourage home ownership, which spurred a huge wave of homebuilding by means of the creation and close regulation of a special set of financial institutions (saving banks, or savings and loan associations) that funneled cheap credit into home construction and home mortgages plus a large tax subsidy to enable working class families to afford home mortgages. Other examples included Keynesian macro-stabilization through counter-cyclical fiscal and monetary policy; regulation of certain naturally unstable prices in agriculture and primary products; and government promotion of peaceful collective bargaining between labor and capital.

The regulated form of capitalism in the U.S. succeeded in promoting rapid capital accumulation, producing the highest rate of growth in real gross domestic product (GDP) of any period for which data are available for the U.S. From 1948-73 real GDP grew at 4.0 per cent per year. The regulated form of capitalism was dismantled during approximately 1973-79, and by the

latter year the neoliberal era had begun. Economic growth has been slower since the end of the regulated capitalist period. GDP growth averaged 3.0 per cent during the period of transition from regulated capitalism to the neoliberal form during 1973-79, then rose slightly to 3.1 per cent per year during the neoliberal era of 1979-2000 (U.S. Bureau of Economic Analysis, 2006, table 1.1.6).¹⁴

Since the beginning of the neoliberal era at the end of the 1970s, the state in the US has significantly reduced its formerly active role in the economy in several respects. There has been deregulation of formerly regulated sectors in transportation, power, communication, finance, and agriculture. In addition to the state's withdrawal from micro-regulation, it has also withdrawn from Keynesian-type macro-regulation. The Federal Reserve, the central bank in the US, has remained interventionist, but its focus in the neoliberal era has shifted entirely to control of inflation. The state's former commitment to using both fiscal and monetary policy for stabilizing real output and stimulating aggregate demand growth was renounced in the early 1980s. It was not reintroduced even during the Clinton Presidency despite Clinton's promise to do so when he first ran for that office in 1992.¹⁵

The welfare state has been sharply reduced since the late 1970s, when President Carter first called for cutbacks in social spending. All state income maintenance programs have been pared back, including the overwhelmingly popular social security retirement pension program, although the current Bush Administration's effort to privatize it was overwhelmingly defeated. Public support for meeting the housing needs of the population practically disappeared in the neoliberal era. Under a Democratic President in 1996, the 1930s-era federal commitment to support those without a means of income was rescinded. Federal taxes on business and the rich have been reduced sharply over this period, although in the 1990s the top personal income tax rates were raised somewhat and an income tax credit was introduced that benefits low-income working people. Even public spending for building infrastructure, one of the most essential state contributions to the reproduction of

capitalism, was reduced over this period, even during the Clinton Administration which had argued strongly for more spending for this purpose.¹⁶

Sometimes individual episodes capture the character of an era better than data series. One episode involved a U.S. Supreme Court decision, *United States versus Lopez*, on April 26, 1995. In a 5-4 decision overturning a ban on gun possession within 1,000 feet of a school, the Supreme Court questioned, for the first time in sixty years, the scope of the interstate commerce clause of the U.S. Constitution. A broad interpretation of that clause had formed the basis for all federal regulation of business since 1937, when the court shifted course and first began to uphold New Deal regulatory laws (Greenhouse, 1995).

A second episode was the partially successful drive to weaken the Internal Revenue Service (IRS) that culminated in a new law in June, 1998. One area in which the U.S. has long been a world leader is in the collection of taxes. The U.S. government has historically collected a relatively high proportion of taxes owed by law. Congressional hearings in 1998 presented the IRS as a kind of Gestapo that was terrorizing citizens (Cropper, 1998). Had the bill introduced by the Republicans passed unaltered, payment of taxes would have become more voluntary than mandatory. Even the amended bill that became law significantly weakened the ability of the IRS to collect the taxes necessary for a functioning state.

Thus, in the current era the effectiveness of the U.S. state as regulator of the capitalist economy has been significantly reduced. Efforts to weaken the Internal Revenue Service have threatened the ability of the state to function effectively at all. The most ambitious of the anti-government advocates have admitted that their ultimate aim is to make the federal government as weak as possible, based on their belief that the state is essentially an enemy of individual freedom. Grover Norquist, an influential tax policy advisor to the Administration of U.S. President George W. Bush, stated that his ultimate goal in promoting the large tax cuts enacted by the Bush

Administration was "to reduce it [government] to the size where I can drag it into the bathroom and drown it in the bathtub" (interview with Grover Norquist by Mara Liasson on Morning Edition, National Public Radio, May 25, 2001). The increasingly competitive character of capitalism in the neoliberal era lies behind the resistance of capital to paying the taxes needed to maintain an effective state (Kotz, 2002).

While the substantial dismantling of the regulatory state and the reduction in its ability to collect tax revenues in the U.S. have greatly reduced the state's effectiveness at promoting rapid capital accumulation, this process has not so far undermined the state's ability to perform its core responsibilities under capitalism. That is, the US state is still effective at protecting capitalist property, enforcing contracts, and issuing and regulating money. However, the trends which have so far only reduced the state's ability to promote capital accumulation, as well cutting back state programs that benefit working people, may, if they continue, eventually threaten these core functions as well.

State corruption plays an important role here. While corruption of state officials has always been a part of political life in the U.S., it appears that its scope has increased significantly in recent times. State corruption represents the penetration of capitalist principles into the state, since it involves the purchase of state actions and policies by wealthy interests. Currently Washington is awash in corruption scandals, which so far have primarily involved Republican members of Congress. However, many political analysts suggest that corruption has come to reach deep into both major political parties. The rising cost of running political campaigns has been one factor driving this development. Candidates for high office find they must solicit funds from various capitalist groups, and such funds are not free gifts. It has become common to read that "K Street," where many corporate lobbying firms in Washington, D.C., have their offices, has become the real power behind the government (Birnbaum, 2005; Drew, 2005).

Another example of the penetration of capitalist principles into the state is the widespread privatization of state functions and responsibilities in the neoliberal era. State functions that have been privatized include not just such peripheral functions as provision of meals to state employees but also the operation of prisons and recently even military functions. In Iraq private U.S. security firms provide armed agents to perform many functions previously handled by the US armed forces, including guarding officials and running supply convoys (Priest and Flaherty, 2004). Recently the Bush Administration proposed farming out part of the job of collecting unpaid federal taxes to private companies, which would get to keep a share of the collections. Critics pointed out that the government would not derive any financial benefit from such a plan and would in fact lose financially. This proposal is a throwback to the pre-capitalist practice of tax farming, which played an important role in some pre-capitalist modes of production.

At this time one can only identify tendencies in capitalist development that put pressure on the state or that inject capitalist principles into the state which might eventually threaten the ability of the state perform the core state functions required by capitalism. Even today one can get an idea of where this could lead by looking at the example of post-Soviet Russia.

One can actually observe today, in post-Soviet Russia, what happens when a state in a capitalist system is organized on more-or-less capitalist principles. The neoliberal model, which has been applied only partially so far in the USA, was fully applied in Russia starting in 1992 (Kotz and Weir, 1997, ch. 9). A result has been that the post-Soviet Russian state, under both the Yeltsin and Putin regimes, has been organized primarily to enrich the top officials of the state and their relatives and associates.¹⁷ The Russian state preys upon individual capitalists, as well operating some of its own wealth-generating enterprises for the benefit of state officials. Capitalist property is not safe in Russia, from the state or from non-state criminal organizations that operate with the purchased connivance of state officials.¹⁸

The Russian state neither effectively protects capitalist property nor enforces contracts impartially. As a result, smaller capitalists must pay large bribes to organized criminal groups to protect their property and enforce their contracts, while the wealthier Russian capitalists maintain their own expensive armed bodies ("security departments") for these purposes. The presence of a state that operates on more-or-less capitalist principles in Russia is the major reason why capitalism has not developed very fully in that country (Kotz, 2001). The capitalist means of accumulating wealth is not a very profitable one in Russia, compared to other means of accumulating wealth such as appropriating raw material rents, collecting land rent, pursuing speculative gains, and various forms of extortion and theft.

The neoliberal understanding of the nature of the state is essentially a version of the kind of state that exists in Russia today. That is, neoliberalism sees the state as an agency that steals from the wealth creators (the capitalists). The reason they hold this view is that their simplistic assumption of "economic man" leads them to assume that state officials will naturally act according to capitalist principles. They cannot believe that a major institution in society can be organized on quite different principles. The neoliberals' success in turning Russia into their experiment ironically ended up creating a state that corresponds rather closely to their conception of how a state should be expected to function -- although of course they have decried the result that flowed from their experiment.

However, neoliberal theory has made an exception to its usual assumptions in the case of money. In this case the neoliberals forget their deep belief that every agent pursues material self-interest. Instead they assume an "impartial" central bank that will, or should, regulate the supply of money so as to optimize the functioning of the capitalist economy. Contrary to the neoliberal view, unlike in the case of state protection of capitalist property and enforcement of contracts, the central bank's role is normally a somewhat contested one in capitalist society. The central bank's regulatory actions affect different segments of the capitalist class differently. These segments, particularly

financial capital and industrial capital, struggle to affect central bank policy. Even working class organizations sometimes participate in this political struggle.

4. Families

The single wage-earner family predominated among working people in the post World War II decades in the U.S. Although it was based on a patriarchal relation in which the husbands dominated wives, it was an effective institution for reproducing the working class. This form was well suited to the requirement for an increasingly mobile labor force, since having only one wage earner facilitated relocation when it was needed. In 1950 the labor force participation rate for married women with children under age 6 was only 11.9% and for those with children age 6-17 only 28.3%.¹⁹ Mothers devoted their labor time primarily to raising children and other domestic labor.²⁰ A majority, although not all, of the married male part of the working class had achieved a "family wage," sufficient to support a working class family at the accepted living standard.

In the 1950s the labor force participation rate of married women with children in the U.S. began to rise, and by 1980 it had reached 45.1% for those with children under age 6 and 61.7% for those with children age 6-17.²¹ After World War II the previous main source of new wage laborers, simple commodity producers in agriculture, had been largely exhausted in the developed capitalist countries. Adult female domestic laborers in the traditional family represented the last large potential pool of new wage laborers. It was capitalism's never-ending hunger for new supplies of wage labor to exploit that has been the primary force drawing female domestic laborers into wage labor (Kotz, 1994).

The spread of capitalist relations to a new sector of the economy, the restaurant industry, also played a role in the transformation of the family. Capitalist penetration of the restaurant industry, long a stronghold of petty commodity production, created the fast food industry, which contributed to the entrance of women into the paid labor force by providing a cheap source of prepared food.

As married women with children entered the paid labor force, the ability of the working class family to effectively raise children came under great pressure. The availability of high-quality daycare in the U.S. is far short of what the new family configuration requires. The new family configuration also conflicts with capital's need for labor to be mobile, since husband and wife are likely to often have different locational requirements connected with their jobs. The new family creates serious strains both for capitalist employers and for the family itself.

The previous version of the family was relatively stable, with a low divorce rate, due to the economic dependence of wives on their husband's paycheck, as well as the cultural expectations that accompanied that system. As women increasingly gained access to income through their own paid work, and as cultural expectations changed along with this, the divorce rate rose rapidly. While women have benefitted from the independence of earning an income and from the ability to escape from oppressive marriages, the effect on the reproduction of the working class has not been beneficial, both because children receive less parental attention under the new system and they grow up under less stable family conditions.²²

Furthermore, the pressure this system places upon parents has contributed to a drop in fertility rates that poses a very direct threat to the reproduction of the working class. Another factor contributing to the rapid drop in fertility has derived from the increasing influence of individualist ideology in the neoliberal era. Potential parents may be deciding whether to bear and raise children based on an individualistic cost-benefit analysis, which will never justify having children. Today no country in the European Union has a fertility rate above 2.1, the level required to reproduce the population (*The New York Times*, 9-4-06, p. A3).

5. Educational Institutions

The working class is not reproduced by families alone. In the post-World War II decades the school system in the USA underwent a great expansion at the primary and secondary levels and also

at the post-secondary level. New schools were built throughout the country, the number of teachers grew rapidly, and public higher education was transformed from a system primarily for a small elite into a mass system that served a significant part of the working class.²³ The public schools experienced large infusions of funds into their budgets, enabling them to significantly improve education in this period. The educational level of the working population rose rapidly, which is believed to be a major contributing factor for the rapid labor productivity growth of that period in the U.S.²⁴ Output per hour in the nonfarm business sector grew at 2.8 per cent per year during 1948-73, compared to only 1.2 per cent per year in the crisis ridden period 1973-79 and 1.7 per cent per year in the neoliberal era during 1979-2000 (U.S. Bureau of Labor Statistics, 2006).²⁵

During the past several decades there has been a campaign to persuade the public that the U.S. school system is in crisis. Critics complain that American schools have been turning out a growing proportion of graduates who lack even a minimal level of competence in reading, writing, and mathematics. The problem is not seen as one that concerns the upper part of the academic performance distribution -- it is believed that America's top students continue to receive an excellent education and perform well academically. The problem is presented as one involving those in the middle and bottom of the academic distribution.

There is some uncertainty whether this story of educational decline is fact or fiction. Similar warnings of a decline in public education, compared to some presumed past golden age, have recurred in U.S. history since the late nineteenth century.²⁶ However, it does appear that influential capitalists regard the US school system as failing to produce graduates with the skills it requires for its workers. This has been demonstrated by the calls for educational "reform" that have issued from a series of high-profile "educational summit meetings" hosted by the last three U.S. presidents starting with the first Bush Administration. Forty-eight corporate CEO's attended the second meeting in 1996, with a prominent role played by former IBM CEO Louis Gerstner (Doyle, 1996).²⁷

One can cite several factors that have put stress on the educational system in the US and may be undermining its effectiveness at reproducing the working class. One factor stems from changes in the family discussed above. Today most school children live in families with either two working parents or a single working parent.²⁸ In either case, the availability of a parent to aid in the children's education, which is an important determinant of school success, appears to have decreased over time.

Secondly, the erosion of barriers to women pursuing any career they desire, including such previously all-male professions as law and medicine, has affected the public schools. Before these barriers were demolished, the public schools could draw upon a pool of highly qualified female teachers willing to work for low pay because they had few other career options. This supply is no longer available today, which has caused the school system to face a choice between improving the pay and working conditions of teachers or suffering a decline in the number of highly talented teachers.

A third factor, shrinking budgets for education in recent decades, has probably been the greatest threat to the quality of the schools. In the neoliberal era a tax cutting drive hit the funding sources for public schools particularly hard, as voter initiatives in many states set ceilings on the local property taxes that have traditionally been the main source of public school financing. This started in California, where the famous Proposition 13, passed in June 1978, drastically reduced school funding. California used to have one of America's best, and most generously funded, public school systems, but in recent decades its system has been decimated by funding cuts. In November 1980 the voters of Massachusetts, the birthplace of free public education in the U.S., passed a similar tax cutting ballot proposition, known as "proposition two and a half," which undercut the tax base for public education in the state. Rising costs of incarceration in the U.S. have also squeezed state and local budgets, reducing the funds available for education. From 1980-2000, education's

share of state and local spending dropped by 21 per cent while the share of prison spending doubled (Western, Schiraldi, and Ziedenberg, 2003, p. 4).

More recently further damage has been done to the schools' ability to reproduce the working class as a result of the "reforms" sponsored by corporate interests that have been decrying the decline in skills of American high school graduates. These reforms, designed by neoliberal educational analysts, diagnose the problem as one of declining standards, unsound "liberal" pedagogical methods, and the diversion of school revenues into the salaries of "greedy" unionized teachers. Their solutions have involved introducing capitalist principles and relations into the educational system. These have included the privatization of education through voucher programs that would put public funds into private schools; the injection of competition into the school system through merit pay for teachers and the creation of semi-private charter schools with non-unionized teachers that compete with regular public schools for funds; and centering the educational process around standardized tests produced and graded by private for-profit testing companies. These standardized tests are used to both determine students' "competency" and their right to receive a diploma and also to determine "teacher competency." There has also been an expansion of federal funds going to for-profit trade schools and "colleges" under legislation passed by the US Congress. Finally, public schools have been pressured to spend a growing share of their budgets on computer technology that, while enormously profitable for the computer industry, is of doubtful efficacy as an educational tool.

One more capitalist development has had a negative influence on education in the USA. In recent decades capitalist marketers uncovered a previously fallow market among teenagers, who in earlier times had been a relatively commodity-free part of the population. In short order advertisers were able to turn teenagers into a major segment of consumer demand, for products ranging from brand name clothing to electronic gear. At the same time, the beckoning fast food establishments

provided teenagers with a means to earn the cash to buy the new youth-oriented commodities. This drove one more spike into the educational system, as high school students regularly fall asleep in class after working at McDonald's the previous evening to enable them to buy expensive commodities that the previous generation of teenagers never knew were needed.²⁹ While this helps to keep the wheels of capitalist production and commerce humming, it contributes to undermining the reproduction of the working class, upon which capitalism's long-term survival depends.

Thus, in a wide variety of ways, capitalist development in the USA appears to have been eroding the ability of educational institutions to effectively reproduce the working class. The sources of this development include both the penetration of capitalist principles into the schools and the indirect effects of capitalist development on the schools.

6. Concluding Comments

This paper has identified recent tendencies for capitalist development, at least in the U.S., to erode the ability of three key non-capitalist institutions -- the state, families, and educational institutions -- to contribute effectively to the reproduction of capitalism. The very feature of capitalism which underlay its rapid spread around the world -- capitalism's tendency to destroy non-capitalist institutions -- now seems to have turned against the underpinnings of capitalism itself. This represents one more contradiction of contemporary capitalism which potentially undermines its ability to continue to form a viable basis for human society. However, social systems do not simply pass away as a result of their internal contradictions. Class struggle and political action are necessary to bring about the replacement of one mode of production by another. An understanding of the particular contradiction of contemporary capitalism discussed in this paper may be helpful to popular movements in the struggle to supersede capitalism.

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Notes

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1. By the term reproduction of the working class in this paper is meant its inter-generational reproduction through conceiving and raising the next generation of wage workers. The term reproduction of the working class is sometimes intended to include the daily reproduction of the current generation of workers.
 2. Alternatively, one might imagine capitalist-like enterprises that produced and then rented out new workers. In that case, the producers in the system would remain the property of the worker-producing enterprises and hence would still be slaves rather than free wage laborers. In the slave system of the pre-Civil War U.S. South, some planters rented out slaves who were skilled laborers.
 3. Religious and social organization also have played a role in reproducing the working class.
 4. The family plays a different role in the capitalist class, serving as a means of reproducing that class and passing property on to the next generation.
 5. Such operating principles are not always followed, but they nevertheless serve as a widely accepted norm for the family.
 6. Fraad, Resnick, and Wolff (1994) view the husband-wife relation as entailing a feudal mode of surplus appropriation.
 7. Schools serve other functions as well under capitalism, including aiding in the reproduction of the capitalist class and various professional and managerial groups.
 8. Schools do not always hold to their non-capitalist principles. Local financing of public schools creates a significant departure from the principle of equal access to education, while financial pressures on private non-profit schools lead to privileged access to such schools by the children of wealthy families.
 9. One does not find wage-workers in capitalist enterprises donating their own money and time to make sure that the product turns out well in the face of financial shortages, yet this is common-place in schools.
 10. Of course the capitalist class can influence state policies and the selection of state officials through a variety of means beyond the votes of individual capitalists. Nevertheless, such means of special influence must work around the disjuncture between the principles of operation of states on the one hand and the capitalist process on the other. A wealthy capitalist can legally purchase shares of stock in a capitalist firm, entitling the capitalist to select its directors, but capitalists cannot legally purchase to right to select government officials. The principle of popular sovereignty is critical to the legitimation function of the state under capitalism. Without it, capitalist society could not be represented as “democratic society.”
 11. Marx pointed out that capitalist property is the negation of individual private property. Capitalist property is normally accumulated through appropriating the labor of wage workers. Capitalist property also arises from the confiscation, through various means, of the individual

property of independent producers, as is recounted in detail in *Capital* volume 1 on primitive accumulation (Marx, 1887, part VIII). In the corporate stage of capitalism, the corporate form of capitalist property requires legal recognition as a form of private property with all the rights of individual property owners accorded to corporate property owners, although without all of the former's obligations.

12. As in the case of selection of state officials, justice is not legally for sale. Large corporations can purchase talented lawyers, giving them an advantage in defending their legal interests. However, they often still find themselves in the position of having an expensive lawsuit against them decided by a jury of ordinary working people.

13. Capitalists dominate and exploit workers, yet this takes place by means of economic pressure rather than direct coercion, at least in principle.

14. The GDP growth data for the neoliberal era is carried only through 2000, so that every beginning and ending year of the three periods is a business cycle peak year, which is the best way to compare long run growth rates of different periods. The GDP growth rate for 1979-2005 is 3.0 per cent per year.

15. A large public spending program to lower unemployment was part of Clinton's 1992 campaign. It was the first campaign pledge upon which he reneged. A jobs-creation bill was introduced into Congress, but the new Administration did not make even a pretense of seeking to get it passed.

16. Investment in structures by all levels of government, which is an approximation of public investment in infrastructure, fell from 3.25 percent of GDP in the 1960s to 2.62 percent in the 1970s, 2.04 per cent in the 1980s, and 1.92 percent in the 1990s, before rising slightly to 2.00 percent in 2000-2005 (U. S. Bureau of Economic Analysis, 2006, tables 3.9.5 and 1.1.5).

17. A survey found that state corruption has actually increased in Russia in recent years, as the total value of bribes paid by businesses rose tenfold from 2001 to 2005. By the latter year, this figure exceeded the official budget revenue of the state (*New York Times*, 13 August 2005, p. A3, reporting the results of a study conducted by the Indem Foundation, a Moscow research group).

18. See Kotz and Weir (2007), ch. 12 and 14.

19. U.S. Bureau of the Census, 1970, Table 331, p. 223.

20. Mothers also bore the primary responsibility for caring for their own and their husband's retired parents, which, given the socially accepted standard that retired workers must be supported, represents part of the cost of the reproduction of the working class over the entire life-cycle.

21. U.S. Bureau of the Census, 1993, Table 633, p. 400. By 1992 the two figures were 59.9% and 67.8% respectively.

22. These observations do not justify a call to return to the single wage-earner patriarchal family.

The entrance of women into wage labor was a progressive development, leading to the weakening of patriarchy and a move in the direction of equality between the sexes. However, under capitalist conditions this development has created serious social problems. The solution is not to drive women back into the home, but to transform the economy and society to fit in with an egalitarian family structure.

23. Over the course of the 1960s, the number of teachers in primary and secondary education in the U.S. increased by 43 per cent while educational spending at those levels doubled in real terms. The number of students enrolled in institutions of higher education more than doubled in that decade (National Center for Education Statistics, Tables 26, 63, 170).

24. Labor productivity growth reflects not only accumulation and technological innovation by individual capitalists. State funded improvements in educational levels produce productivity increases from which capitalists reap higher profits. The working class was sufficiently well organized in this period to share these productivity gains.

25. The slower growth rate of labor productivity in the neoliberal era is also probably a result of the slower rate of capital accumulation in that period, which was noted above.

26. In the late nineteenth century some warned that large numbers of non-English speaking immigrants' children were threatening America's schools. This charge has echoes today.

27. Also attending were CEOs from AT&T, BellSouth Corporation, Kodak, Proctor & Gamble, and Boeing.

28. In 2002 42.9 per cent of children in the U.S. lived in families with two working parents and another 21.6 per cent in a family with one parent only and that parent working. The two types of families encompassed almost two-thirds of all children (Fields, 2002).

29. A *New York Times* article recounted the experience of high school students who worked 30 hours a week, impinging on their ability to study for school (*The New York Times*, January 29, 2001, pp. A1, A22).