THE PATHOLOGY OF THE U.S. ECONOMY

Also by Michael Perelman

CLASSICAL POLITICAL ECONOMY, PRIMITIVE
ACCUMULATION AND THE SOCIAL DIVISION OF LABOR

FARMING FOR PROFIT IN A HUNGRY WORLD: CAPITAL
AND CRISIS IN AGRICULTURE

INFORMATION, SOCIAL RELATIONS AND THE ECONOMICS
OF HIGH TECHNOLOGY

KARL MARX'S CRISIS THEORY: LABOUR, SCARCITY AND
FICTITIOUS CAPITAL

KEYNES, INVESTMENT THEORY AND THE ECONOMIC
SLOWDOWN

The Pathology of the U.S. Economy

The Costs of a Low-Wage System

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To my mother
whose strength and courage has been an inspiration to me

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Introduction to the 1996 Reprint

This book insists that systematic problems plague the United States economy. Piecemeal reforms, rather than offering relief, end up doing little, if anything, to correct the underlying malaise.

Almost every administration since the mid-1960s has satisfied itself with minor reforms. In fact, much that has been passing for reform is nothing more than a cruel attempt to shift the burden of adjustment onto the backs of the weakest and least powerful elements in our society.

The Reagan administration stands as the single exception, with its single-minded, almost fanatical insistence that we should take revolutionary action and abandon all government intervention in the economy. Keep in mind that the Reagan administration only selectively adhered to its rhetoric. When the time came to pare back government subsidies to big business, the budget cutters were notable by their absence.

While Reagan was personally popular, his policies were not. Nor, for that matter, were they effective in restoring economic health.

The Bush administration only half-heartedly continued the Reagan legacy. Tired of this market-oriented approach, even the watered-down Bush version, the electorate responded positively to Bill Clinton's call for change, despite considerable qualms about Clinton himself.

The Clinton administration attempted two major reforms. First, it set out to lower the cost of labour and government expenditures by reforming the health care system. What began as a bold proposal, soon became a complicated scheme that could accomplish little other than handing control of health care over to a small core of giant insurance companies. Not surprisingly, it came to naught.

The second thrust of the Clinton administration was to expand demand by integrating the United States economy more deeply into the international economy through the North American Free Trade Agreement and the General Agreement on Tariffs and Trade. These treaties may well exacerbate the crisis. Certainly, they will accelerate the transfer of jobs to countries where wages are lower. Perhaps more ominously, these treaties threaten to eliminate considerable economic discretion that might potentially be used to help reverse the decline.

Neither the failed health care program nor the treaties matched the promise of candidate Clinton's eloquent call for change. As a result, the majority of the minority of the voting public swept the Democrats out of power in both houses of Congress.

Angry with the same symptoms, which I describe in this book, they opted, once again, to vote for a platform of radical change. In fact, many of these new representatives are hell bent on going even further than the original Reagan program.

The majority of the population is bound to be disappointed. Certainly, a madcap speed-up of the ongoing episode of neo-liberalism, or what I describe in this book, the Haitian road to development, will prove disastrous especially for the most vulnerable sections of the population. Working-class people will do little better. Although the current rhetoric resonates about serving the middle class, the poor have so little left to sacrifice that this next stage will certainly intensify the pressure on the middle class.

Most sadly of all, countries around the world are seeking to strengthen their own economies by emulating the policies of the United States. As a result, we may expect to see economies competing more and more on the basis of wage reductions until either the political climate shifts enough to put an end to these destructive policies or we fall into a depression.

No good can come from following the Haitian road in the short-run. Only one question remains: what reaction will follow the inevitable disappointment?