

THE USA: A FADING EMPIRE OR A FAILING STATE.

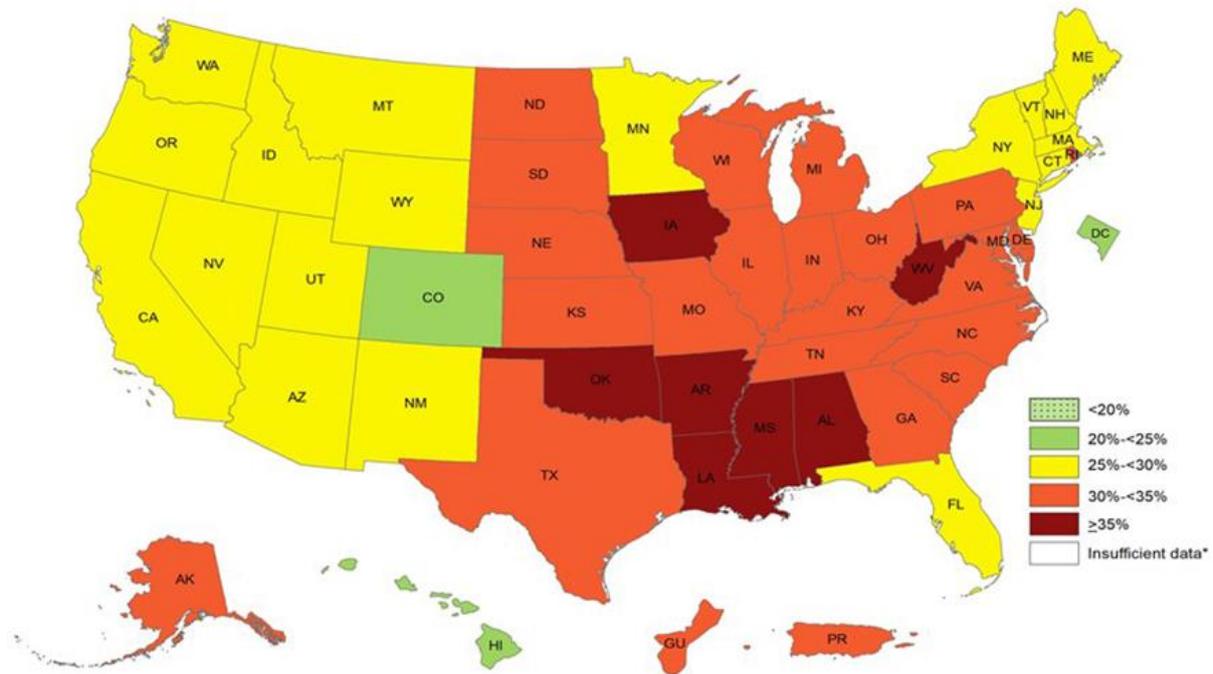
This posting has been written in response to the “Opportunity Cost of Socialism” prepared by the Council of Economic Advisers to the President, released October 2018. This document is based not so much on trickle down economics as trickle down stupidity intended for a president who personifies his country’s irreversible decline. It is superficial, dishonest, one-sided and instead of analysing categories it shreds them. Its only merit is to remind us that as the ideological heat intensifies, our opponents will dredge up the USSR and Maoist China to vilify socialism.

This strange document really does not grasp what socialism is all about. It defines a socialist state by the degree of state intervention in the economy together with the intensity of taxation. Further, the only difference drawn between social democracy and communism appears to be the presence of state repression.

This report is not the product of a confident capitalist class and its president. Rather it is a defensive document. One born of failure but with the need to disguise the extent of the failure. It misjudges who it is addressed to. Life is so bad in the USA for the majority, that saying it will get worse under socialism, will fall on deaf ears. The majority of the under 50s are sick and tired of the existing state of affairs, even before the next crash, which is brewing. Little wonder the US police look more like an invading army in their armoured kit, than a police force.

Existing conditions.

Here we examine the physical state of the nation. Over 40% of US citizens are obese amounting to 93 million people. Obesity is highest in the most deprived states like West Colorado. In the map below prepared by the Centre for Disease Control and Prevention, the pattern is clearly evident. The map covers 2017.



<https://www.cdc.gov/obesity/data/prevalence-maps.html>

59% of adults have at least one chronic illness. According to the US American Diabetes Association, in 2017 30.3 million US citizens had diabetes and another 84 million with pre-diabetes, or one in three adults. On average 2 pupils in every class has an allergy. 43.8 million, or 18.5% of the population suffer at least one episode of clinically diagnosable mental ill-health each year. *"70% of youth in juvenile justice systems have at least one mental health condition"*. One factor is the prevalence of actual and precarious homelessness. National Public Radio declared that *"San Francisco's streets are so filthy that at least one infectious disease expert has compared the city to some of the dirtiest slums in the world."* Typhus has reached epidemic levels in Los Angeles home to Hollywood. From being paved in gold, pavements in many large US cities are now paved in human and rat shit because of the number of homeless people and the lack of facilities.

Since 1973 the median wage fell by nearly 15% though this has been marginally reversed in the last two years. In 2017 51% of workers earned less than \$30,000 a year in an economy where median transportation and housing costs per household alone add up to \$27,000 p.a. (Bank of America data). If to this we add the average family plan contribution for health care of \$5,547 (Keiser Foundation survey) the total is \$32,547. Hence the majority of households with a single earner cannot even cover these essential and unavoidable fixed costs, which are a better marker for poverty than the dubious government measurement of poverty levels. Given this level of poverty is it any wonder that 63% of the population does not even have \$500 set aside for emergencies.

Predictably, the impact of poverty, stress, disempowerment and malnourishment (refined toxic food) has resulted in a contracting life span. In the 1970s a sixty-year old man in the lower half of earnings could expect to live 1.2 years less than his counterpart in the top half. Now that has increased nearly 500% to 5.8 years. When comparing the top 10% to the bottom 10% the gap has grown from 6 years to 14 years for men, and, from 4.7 years to 13 years for women. Life expectancy for men in the bottom 10% born in 1920 versus 1950 has risen by 8 months compared to 97 months for the top 10%.

Over the last two years the combined lifespan for men and women has contract by 0.3% relative to average longevity. Given that the population of the USA was 325 million in 2017 with an average life expectancy of 78.5 years this totals 25.5 billion years. A 0.3% loss adds up to 765,000 lost years equivalent to just under 1 million lives lost. (<https://edition.cnn.com/2017/12/21/health/us-life-expectancy-study/index.html>) Trump should be careful when he points the finger at the USSR and Maoist China accusing them of slaughtering their own people.

The 0.3% decline covered 2015 and 2016. If it continues into 2017 this three-year drop will not have occurred for a century. *"Preliminary data suggests that U.S. life expectancy may drop even further in 2017 — a three-year decline not seen since World War I and the global influenza pandemic a century ago."* (Washington Post 11th January 2018.) The fall for 2017 is now fairly conclusive.

But it is not only happening to the USA. As a recent BMJ article pointed out, it is occurring in 12 of the 18 high income economies. *"This study found that during 2014-15 widespread declines in life expectancy occurred across high income countries. Of 18 countries, 12 experienced declines in life expectancy for women and 11 for men. This is the first time in recent decades that these many high-income countries simultaneously experienced such large declines in life expectancy for both men and women. The magnitude of these declines are fairly large compared with previous declines."* (<https://www.bmj.com/content/bmj/362/bmj.k2562.full.pdf>) It seems that workers are paying with their lives around the world for the banking crisis of 2008.

Back to the whiter than White House.

The report focuses on two areas in the economy; healthcare and farming. These sectors have been self-selected most probably because they appeal to supporters of the Republican Party. Or it may be

that most North Americans are tired of their existing financialised health system. The White House engages in a conjuring trick immediately. On page 2 the Council declares that if free medical health: *“were financed through higher taxes, GDP would fall by 9 percent, or about \$7,000 per person in 2022, due to high tax rates that would reduce incentives to supply the factors of production. Evidence on the productivity and effectiveness of single-payer systems suggests that “Medicare for All” would reduce both short- and long-run longevity and health despite increasing somewhat the population with health insurance.”* Imagine that.

In the USA the average Federal Tax Take per family was \$9.655 yielding a rate of 14.3%. However, on top of that families paid an average of \$5,547 for health costs. That was another 8.2% bringing up the rate to 22.5%. On top of that, their employers also contributed proportionately higher amount towards health costs, (really deducted from their wages), bringing the effective tax rate up to 39%. Finally, national insurance of 7.65% is levied bringing the grand total to 46.5%. But because about 25% of that ends up in the pockets of health insurers and not the state, the effective tax rate appears to be 24% or lower than comparable countries. In fact, all these direct deductions make the US worker the most heavily taxed on earth.

The reason health contributions are so high is that the US spends over 17.9% (2017) of its GDP on health care (CDC figures). That is between 60% and 100% more than other leading countries. The Council states in their report that standards of living are 14% higher in the USA than high tax Norway. Are they? Half of that 14% simply disappears when we factor in the higher payments for health care in the USA.

The Commonwealth Fund, a thinktank based in Washington itself, has until recently rated the UK’s national health service the best health service globally based on quality and efficiency and the US health service the worst. Let us examine this more closely. The expenditure on the UK’s health service, which is being cut, stands around 7% of GDP (this excludes private medicine here). In the USA total health spending stands at 18% of GDP but only 12% is spent on hospital care, clinical services, medicines, nursing and physicians care, (source: <https://www.cdc.gov/nchs/fastats/health-expenditures.htm>) The balance of 6% goes to the insurance companies. If to this we add the profits made by private hospitals etc, then it can be said that a sum, equal to the entire expenditure of the NHS in Britain, is not spent on patients by this for-profit, fragmented and leveraged US health service. Hence, if the US adopted a replica of the NHS, the per capita benefit would be over \$5,000 and the household benefit would be over \$13,000. Not only that, but North Americans would have universal coverage removing the ever-present fear of falling into debt should they fall over unexpectedly.

This is exactly the opposite of what the Council projects. It says a national health service in the USA will cost \$7,000 per person additionally. But these lies are commonplace by those who seek to profit from illness. It is always the height of stupidity to believe capitalists when they insist what they are acting in the interest of ordinary people. That lesson should have been learnt three hundred years ago and never forgotten, passed on generation to generation.

And here lies the greatest indictment of the neo’s in Britain, ranging from Blair to Hunt. The same lies are being used in order to dismantle the most efficient health service ever developed. The British public are told that privatisation will make the health service better and provide services quicker. Exactly the opposite is the case. The internal market, which has allowed the capitalists to get their snout into the medical trough, is raising costs and reducing efficiencies. Before the market and PFI, 95p in every £1 spent on the NHS was spent on patients, now less than 79p. This wastage amounts to £20 billion in England alone where total spending was £125 billion in 2017. This is more than Britain pays the EU each year, though the Tories made damn sure no bus carried this slogan during the referendum.

The same one-sided arguments are levied at University Education where the Council conveniently ignores the \$1.4 trillion in student debt that has been racked up and which has to be repaid. The

current average debt is \$39,400 and average repayments are \$4,200 p.a. Given the 11.2% delinquency rate, this debt, equal to dollar denominated emerging market debt ex-China, will add to the next financial crisis. <https://studentloanhero.com/student-loan-debt-statistics/>

Which brings us to the final incrimination of neo liberalism. They are asset strippers who use financial leverage to achieve short-term profits. This makes them unfit to run a modern and complex society. In their search to bleed as much profit from medicine, the US has created a monstrosity that has helped make the US less competitive internationally because of its cost. From the viewpoint of the capitalist class as a whole, their health system makes no sense, just as from the viewpoint of humanity, Trump makes no sense. What has been gained by investors in medicine has more than been lost by the rest of the capitalist class.

Additionally, neo-liberalism has created an uneducated and sick working class. It has rendered the reserve army of labour unfit for exploitation. At a time when employers are chasing around trying to find workers in short supply, the participation rate (those in work or looking for work as a percentage of the population) is abnormally low.



Instead of acting in the general interest of the capitalist class, except when it comes to repressing workers, the capitalist state centred in Washington, is continuously waylaid and fragmented by special interest groups and lobbying. The most active lobbying being done tends to be financed by those sectors who harm the interests of society the most, or alternatively, cost society the most. Here we think of the food companies in defence of practises that damage health, the defence industry, the pharmaceutical/inoculation industry, or the IT addict industry, or the fossil fuel industry and so on and so forth.

The study produced by the Council fits into this mould. It is thoroughly dishonest and will actually hurt the capitalist class more in the long run than it will hurt the communist cause. To hurt the communist cause, it needs to be much more sophisticated. If this is the best they can muster, then to be quite frank, they are going to have to rely more on batons than on arguments.

The document's fundamental thesis.

One area and one area alone needs addressing. It is the fable that a socialist society cannot create an efficient pricing system. It is almost forgotten that before the USSR it was communists who berated capitalism for being a chaotic and wasteful system. Capitalism may be wasteful, but nothing in comparison to the USSR, which has allowed the capitalists to deflect our arguments and turn them against us. The document is quite right to conclude: *"the development and the break-up and decline of the socialist system amount to the most important political and economic phenomena of the twentieth century."* However, from a capitalist point of view it was the decline and break-up that was the most important, because it increased the legitimacy of the capitalist system.

The document is full of quotes from Thatcher, Hayek and Friedman, though none from the first puppet president, the revered Reagan, nor from the discarded Ann Ryan. Thus, we have the famous quote from Thatcher from 1976: *"Socialist governments . . . always run out of other people's money," and thus the way to prosperity is for the state to give "the people more choice to spend their own money in their own way."* Actually, what really happened was that the bureaucracy in the USSR spent their workers' money by taking away any choice and engaging in false accounting. That exploitative behaviour is as far away from an actual socialist society as capitalism is.

"Another problem with the socialist system is that "other people's money" starts to disappear when the "other people" realize that they have little incentive to earn and innovate because what they receive has little to do with how much they make." Again, in the context of the USSR this is accurate, as the bond between effort and reward was broken in the USSR by the bureaucracy. However, in the case of the USA it is cheeky, because low pay deprives the majority of workers of being able to choose anything other than the bare essentials.

Finally, (a) *the means of production, distribution, and exchange are owned or regulated by the state; and (b) the state uses its control to distribute the economic output without regard for final consumers' willingness to pay or exchange (i.e., giving resources away "for free").* And again, *"Because market prices reveal economically important information about costs and consumer wants, regulations and spending programs that distribute goods or services at below-market prices, such as for "free," have a number of unintended consequences"* (Hayek 1945). This is a warning to those Marxists who indulge in the super-abundance concept of socialism when things will be free. In the early phase of socialism, while workers may be free, their products certainly will not be.

The study has but one purpose, to demonstrate the superiority of low taxes, a small state and freed up corporation driven solely by profits. If we are to crush this primitive view of society, then we need to demonstrate the superiority of a socialist society based on consumer led planning and an objective pricing system (reflecting actual costs of production = weighted average labour times). We need to disassociate it from the USSR by showing that this pricing and planning system shares not even one quark or gluon with this aberrant mode of production.

Only then can we discuss the limitation of market prices. It is a common failing to suggest that market prices reconcile demand and supply, or the converse, that they are the product of freely interacting demand and supply. This is to ignore the role of profits. Capitalists do not simply produce to meet demand, they only produce to meet demand if it is profitable to do so. And if it is not, they stop producing, or reduce supply forcing up prices to reinvigorate profits. This means that often, much needed products are not produced because insufficient profit is made. The example that always comes to mind, is any medicine with a small market because it actually cures patients, such as anti-biotics.

Market price does make capitalism dynamic, it does allocate resources, but in a manner that is disruptive and often destructive. This interference by profit seeking no longer occurs in a socialist society based on an objective pricing. Here the purpose is the minimisation of prices not the maximisation of profits. Falling prices are the collective reward for the collective efforts of workers.

In this way effort and reward are indissolubly connected, not shattered as Stalin did during the first Five Year Plan. Remove it and a socialist society will fail.

We need to be more ruthless than the capitalists themselves, in our criticism of the USSR and its fake pricing system. That is why this website has so many postings explaining what an objective pricing system means and how to achieve it, and why it was not possible to have such a system in the then USSR.

Brian Green, October 2018.