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Contributions

Articles submitted for publication should be typed double line spaced and be not more than 5000 words long. Photos, poems, drawings and cartoons are very welcome. The deadline for Emergency 3 is July 15th.

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The Birth of the Work Underground

Starting about a decade ago, many activists of the new left in North America and Europe responded to a situation of political crisis by going underground. Not long after, as it turns out, much larger numbers of workers and small business operators responded to the economic crisis by doing something analogous. The clandestine behaviour in the latter case involved work and exchange rather than disruption and subversion; an underground economy had been born.

What is known variously as the black, hidden, informal or underground economy represents a major transformation of productive activities in the ‘advanced’ capitalist countries. Growing numbers of people have taken to working, producing and selling in situations that exist out of view and outside the control of government. The transactions themselves are usually not illegal in themselves. The violation of law is primarily the failure to pay the tax due on the exchange or the lack of adherence to state regulations such as minimum wage levels.

In recent years academics and government officials have recognised that ‘off the books’ work by moonlighting holders of regular jobs, recipients of unemployment compensation and undocumented foreign workers was no longer a marginal phenomenon of interest only to the tax collector. The International Labour Organisation estimates that the number of people doing ‘underground work’ may equate ten per cent of the official labour force in some countries. In Britain and the US the attempt to estimate the volume of the underground economy has become a popular pastime among economists and tax authorities. The chairman of Inland Revenue set off a furore in 1979 when he told parliament ‘it was not implausible’ that the underground economy was equal to 7½ per cent of economic activity. American analyses (highly speculative) based on the level of currency in circulation have put the size of the underground sector as high as 30 per cent of national output.

Whatever the exact extent of unreported activities is—and given the nature of what is involved, reliable measurement may never be possible—there is no question that this new form of economic behaviour is playing an important role in the current stage of the crisis of capital.

Conventional analyses of the expansion of the underground economy tend to rely on tax evasion motivations, depicting the phenomenon, in effect, as a covert form of the tax revolt. While the desire to cheat the fiscal authorities is clearly present in these activities, this can hardly serve as an adequate explanation of so dramatic a change in economic behaviour. Even in strict statistical terms, there is no great correlation between tax rates—either in individual countries over time or among different countries—and the growth of the hidden sector.

Yet to the extent that tax evasion and violations of labour standards and other government regulations involve breaking the law, the underground economy is indicative of a changed relationship of a significant part of the population to the state. Whereas it was once reasonable to distinguish between a working class that was exploited yet remained generally law-abiding and a ‘criminal class’ or lumpenproletariat that flouted the penal code entirely, more and more people are now entering a realm of ambiguous legitimacy.

The main reason for this change in the ‘legal class structure’ has been the breakdown of the state’s ability to manage the economy and ensure a certain level of social stability. The growth of the underground sector emerged out of the failure of the Keynesian system of social control. This system was built on a social contract between labour and capital, in which a rising standard of living for workers was guaranteed in exchange for a steady increase in productivity and unquestioned managerial control over the workplace. The state played the role of overseeing and guiding growth through fiscal and monetary policy. To pay for this and other functions, especially ‘national security’, the state was granted a larger and larger share of national income.

By the middle of the 1970s this system was in disarray, a result of the struggles of the unwaged parts of the population who had been excluded from the social pact, agitation among younger workers in both the public and the private sectors, the onset of international economic stagnation. Fiscal policies of governments around the world were put under enormous strain, prompting state planners to make severe cutbacks in social spending, including programs that people had fought for and won only a short time ago. At the same time, the number of jobless grew and rising inflation rates shrank the value of the wages of those who were not laid off.

We all know this story only too well. Yet what most analysts of the crisis overlooked was the full complexity of the ways in which people were affected by and responded to those hard times. Official employment rates, wage levels and indices of the cost of living did not reflect the whole situation. There developed within capital—which always seems capable of new tricks—patterns of work and enterprise that were able to prosper even when the larger system remained crippled. Turning from the concentrated and centralised institutions mired in crisis, back to forms of small-sale commodity production and provision of personal and household services, underground workers pieced together a living from a patchwork of part-time, temporary and marginal activities.

In this sense the underground economy is but a part of the complicated new patterns of income-earning that people, especially the young, have adopted in order to survive the crisis. For a significant part of the population the conventional terms ‘employed’, ‘unemployed’, or ‘not in the labour force’ are no longer adequate to explain what they do to make money. Jobs less and less mean
The combined effect of these changes in social relationships may be part of the under- ground economy or the relatively limited and ineffective resistance that people have put up to the repression of economic policies of recent years. It could be that the subversive im- pacts were so evident on a mass scale a decade and a half ago somewhat glossed over, but it may also be that there is a germ of autonomy within the restructured work structures that the underground economy. Perhapsagmentation and underground precarity can be turned to our ad- vantage; maybe capital has done us a favour by eliminating steady, full-time jobs and all the oppressive features that go with them. A number of Austrian theorists, taking a somewhat sanguine view of things, seem to be suggesting this in their talk of self-valor- isation. Maybe so. But it is probably naive to think that many people have truly escaped the clutches of capital and embrace of the state.

Yet the underground economy is not exclusively a phenomenon of victimisation. For one can in a sense choose to enter the underground sector as an employed entrepreneur or even petty capitalists, the absence of taxation provides attractive levels of capital. This process is so filled with tales of carpenters, electricians and plumbers who have grown fat working on the side for payment (either in cash or in kind) that never appears on a tax return. Craftspeople produce and sell their wares in operations that never appear in government records. And shady small manufacturers make products—bootleg versions of brand-name goods, for instance—an assembled by work done off the books and sold on street corners and other informal markets. Although there is always the danger of exaggerating how pervasive it really is, the lucrative version of the underground economy has serious implications for the status of class relations. First of all, underground work can be seen as a conspiracy by capital and labour to cheat the state. Collective action on the part of the workers in opposition to exploitation is put aside in favour of joining the boss in thwarting the tax collector and the government inspector. Is the identity of interests between employer and employee in this instance an illusion or the reality of class cooperation? Taking an absolute political position here, one way or the other, is a risky proposition.

To make things more difficult, the com- ponent of the underground economy in- volving workers who have taken to selling their services on their own represents a further blurring of class distinctions. These independent contractors are in effect small-scale entrepreneurs, giving them a status somewhere in the grey area between work- ers and small business owners.

- Philip Mattera
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