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A SHORT HISTORY OF AMERICAN CAPITALISM

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Dedication

To our grandchildren:
Anna, Leo, Eli, Kevin, Max and Eric

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I wish to thank the University of Chicago Libraries for the opportunity to use their resources over a number of years.

When I die,
Don't bury me
Shelve me instead
In Harper Library.

Countless miles of walking between library stacks were saved by two dependable assistants, Mrs. Elisa Watson and Ms. Rebecca Steinberg. Victoria Haas typed each chapter as it was completed. Various others helped out, including Ben Solomon, Dan Weinberg and Shirlee Taraki.

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M.W.
Chicago, 2001

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Chapter 1

INTRODUCTION

"America is the Canaan of capitalism, its promised land," wrote German economist Werner Sombart in 1906.[1] Here, as American economic historian William N. Parker added, "the tendencies of Western capitalism could find fullest and most uncontrolled expression."[2] And so they did. American capitalists had almost a free hand in gaining control of a country unimaginably rich in natural resources. In straight-out contests of strength with both organized and unorganized workers American capitalists usually triumphed. State violence, judge-made law, compliant legislatures, and administrative procedures were arrayed effectively against challenges from below.

In this book, capitalism is regarded as an economic system distinguished by certain characteristics whose development is conditioned by still other elements. The basic characteristics are: (1) private ownership of the means of production, (2) a social class structure of private owners and free wage-earners, which is organized to facilitate expanding accumulation of profit by private owners; and (3) the production of commodities for sale. Conditioning elements are: (a) a certain division of labor; (b) institutional arrangements to insure a dependable supply of wage labor; (c) a degree of social productivity sufficient to permit sustained investment; (d) commercial organization of the market—including banks—whose scope is adequate to the productivity of the community; (e) a political process whereby economic power can become translated into governmental policy; (f) a legal structure that is protective of private property; and (g) a certain toleration—at the least—of new ways of making a living.

In this sense, the American economy became predominantly capitalist only by 1900. The earlier years fall into three periods. The first, from 1600 to 1790, is characterized by handicraft-subsistence production alongside elements of a semi-capitalist economy stemming from commercial production of tobacco. The most commercialized sectors of the economy were predominantly staffed by enslaved and semi-enslaved workers. During the second period, 1790-1865, several industries became organized along capitalist lines and some sectors of agriculture lost their subsistence character until by the period's end agriculture as a whole was producing for the market. A working class of free and unfree elements is then growing rapidly. In the third period, 1865-1920, economic development attains an extraordinary pace as industry and, increasingly, agriculture becomes subject to capitalist forces. All capitalist economies are commercialized but not all commercialized economies are capitalist.

Karl Marx, the first historian of capitalism, wrote primarily about English capitalism as the model of its kind. Try as you may, it is not possible to extract from his three-volume *Capital* a picture of the development of American capitalism. Marx did not deal centrally with the United States. While Marx identified free labor with capitalism, in the U.S. free, semi-free, and unfree labor was important; capitalism in England evolved out of feudalism but only some of the latter's remnants could be glimpsed in the U.S.; in England, the agricultural economy first became capitalist while in the U.S. it lagged behind manufacture. The U.S. was the first modern capitalist country to develop from a colonial status, from a slave base, and with an enormous natural-resource endowment. Above all, American capitalists utilized more violence in the class struggle than their confrères in any other capitalist country.

American society from the colonial period onwards was the very opposite of equalitarianism and self-denial in economic affairs. The greatest economic swindle in American history was not the Lincoln Savings & Loan affair, although this is what we have been told repeatedly. Rather, it was the stealing of the Indians' land, which constituted the basis of America's claim to unparalleled economic sufficiency and generosity. Without Indian land, the developments in nearly two centuries of colonial history would have been unthinkable. During the 17th and 18th centuries, land was the principal means of production in America. Instead of acquiring wealth by retail means such as piracy on the high seas, European Americans stole other people's wealth wholesale.

The booty was not distributed equally by any means. Instead, every level of government set up by European colonists was given a voice in the distribution of land. Politics revolved around how best to channel the choicest parcels of land to those closest to the seats of political power. Two years before the Declaration of Independence, wealth and income were concentrated in extreme fashion. This pattern continued in every seaboard town. As settlement moved westward, frontier communities repeated the pattern, whether in Paducah, Kentucky or Milwaukee, Wisconsin.

To be sure, the European immigrants who were not semi-slaves in the form of indentured servants stood a better chance of becoming landowners than if they had remained in England or Europe. At the same time, distributing other people's land was a perverse form of generosity. Few outside of a tiny circle of insiders received free land. Even during a time of presumed success in spreading ownership, fully half the adult white males owned no land. This, for example, was the case during the decades around the Civil War (1850-1870). The proportion grew in the next generation or two.

By the end of the 19th century, land had receded as the central means of production. Manufacturing and railroads took the forefront, along with new financial industries. Until around 1900 or so, the distribution of wealth and income in the U.S. had been less concentrated than in Europe, reflecting mainly relatively easier access to land ownership here—but this ended around 1900. Thereafter, concentration of wealth in the U.S. exceeded or matched that of industrial capitalist countries elsewhere. Around the same time, the United States became the most favored home for great wealth throughout the world. Nowhere else was the spread between the rich and the poor so great.

In a novel concerning Italy during the 1920s and 1930s, Ignazio Silone's *Bread and Wine*, a character says: "The government has two arms of varying length. The long one is for taking—it reaches everywhere. The short one is for giving—it reaches only to those nearest." This pretty well sums up the role of the capitalist government which has ruled for many years in the United States. It was most generous to those nearest when it came to distributing land and other valuable properties. And it has not hesitated to reach out to collect from the poorest person sufficient funds to extend capitalist rule.

By the 17th century, Thomas Hobbes and John Locke had posited an individual whose essence consisted of proprietorship over his own person. Owning himself, he owed nothing to society. He was free insofar as he existed independently of others' wills. Persons who were economically dependent on others were therefore not free. An unceasing struggle for hegemony raged between men, and the market was the battlefield. Social relations were seen as market relations among proprietors of various selves, some their own. The struggle of owners for dominance was said to be the natural condition of man. To safeguard that natural striving, and especially to ensure the security of its outcome, government was instituted. Protection of individually-accumulated capital was the most fundamental function of government, a function said to be required not by common decision but by the very nature of man. Macpherson calls this conception "possessive individualism"[3]

"I own, therefore I am" is the paradigm of possessive individualism. Possession and possessing make the man; they also make him free. Such a person cannot conceive of existence apart from possession or the striving after it. Because ownership is the core of self, the person is not himself but what he owns. He is, in a sense, alienated from, without ever having been joined with, himself. He has senses; his self is problematical. As Tönnies wrote: " … So far as possible he conducts himself toward others as a merchant and toward himself as a hedonist, but dislikes to go about unmasked."[4]

During most of America's colonial history, possessive individualism labored under conditions that set it far apart from its English model. Pioneering, for example, often forced a communal purpose upon economic life. Widespread barter attested to an underdeveloped market and thus lessened the base for possessive individualism. In the tobacco South, where commercialism was a dominant principle of economic life, unfree forms of labor predominated. Ownership extended not merely to the labor power or its products but to the laborer himself.

The law of conquest, accepted universally by all civilized countries, constituted the legal basis of human slavery. As the British Privy Council explained in 1722:

> …Where the King of England conquers a country… the conqueror, by saving the lives of the people conquered, gains a right and property in such people, in consequence of which he may impose upon them what laws he pleases.[5]

While the Privy Council was not directly discussing slavery, its assertion of a right to own persons had the same effect.

American history is the apotheosis of private property. It should not be surprising—nor were the historic Americans surprised—that the principle of property extended to the ownership of human beings. In a thoroughly bourgeois society, based on property rights, the pecuniary logic knows no self-limitation. One sells his labor, another buys it; why not, then, permit private appropriation of the laborer himself?

Colonial American society welcomed the development of slavery. Profits of the slave trade; returns from a growing tobacco output; the general utility of slave labor—all or even any single one sufficed as a justification of slavery. English law had long been congenial to the practice of debt slavery in the coal regions of Scotland. During the 17th and 18th centuries propertied interests, including the Crown, hastened to monopolize the bounties of bound labor forthcoming from Africa.

The very philosophy of individualism facilitated the adoption of slavery. To Locke, as we said earlier, the central tenet of individualism was man's domain over his own labor, even to the point of selling it. That right carried no social—or moral—obligation other than the expectation of buying cheap and selling dear. Enslavement was thus regarded as another expression of an individual's unceasing drive to accumulate property. And because this drive was alleged to belong to the inborn nature of man—it has arisen in the state of nature, Locke tells us—its every expression in civil society seemed only "natural."

The modern business corporation is an original creation of the American imagination. It was first fashioned to extend local markets; then, it became an indispensable means to create a national market. Both American industrialization and capitalism were crucially dependent upon the corporate form of organization. The corporation was not, however, a disembodied "first cause"; it spread in response to concrete economic challenges. But the corporation had first to become a legal instrument before it could be anything else. While the law dealt amply with the internal affairs of corporations, no internal logic dictated the further development of the corporate form. Corporate law, after all, is not a branch of higher mathematics whose cogency requires a series of more elementary operations. External, primarily economic pressures helped generate the corporation. The combined force of those pressures and the nature of American legal thought determined the eventual shape of the modern business corporation.

In colonial America, the business corporation was almost unknown. During all the years before 1789, only thirty such firms were formed and virtually all of them failed.[6] With the opening of the nineteenth century, however, the real history of the modern business corporation began. For the next half-century, the industrializing countries of the world turned America into a vast storehouse of cotton, wool, meat, and grain; in time, also lumber and coal. To produce these raw materials and get them to market, transportation improvements were crucial. But transportation is nothing if not expensive. Whether the task was to develop turnpikes, or steamboat lines, or canals, or railroads—a means had to be found of gathering together extensive capital investments. Foreign investors found it convenient to buy shares in American transportation corporations. By doing so, they helped feed and clothe their own industrial population and meanwhile laid the foundation for the modern business corporation in America. And they made a handsome profit. The corporation proved an excellent net, too, to catch scattered, though appreciable, domestic investment funds.

But what is a corporation? In ancient Rome *collegia* or *corpora* performed essentially public duties and later became part of municipal administration. In no meaningful sense could they be regarded as voluntary associations of private businessmen.[7] A corporation, according to Roman law, had a distinct personality apart from that of its "owners" or members and existed beyond their lifetime. Also, the head of a Roman corporation who brought an action in law represented the corporation rather than its individual members.[8]

In 17th century England, numerous corporations were chartered by the Crown as monopolies over definite lines of business. It was reasoned that such organizations were carrying out work in the public interest and thus deserved government privilege. Lord Coke, in the 17th Century, rendered a definition that was for long considered classic:

> A corporation aggregate of many is invisible, immortal, and rests only in intendment and consideration of the law. They cannot commit treason, nor be outlawed, nor excommunicated, for they have no souls, neither can they appear in person, but by attorney. A corporation aggregate of many can't do fealty for an invisible body can neither be in person nor swear; it is not subject to imbecilities or death or the natural body and divers other cases.

Coke's definition of a corporation was much like the Roman one. A century later, Adam Smith barely discussed the corporation, pausing several times only to denounce it for conspiring to charge more than the "natural price" for goods.[9]

When, at the beginning of the 19th century, Americans undertook to develop the corporate form, they found equally slim bodies of business practice and judicial doctrine. They had to fashion the doctrine out of the crucible of practice.

Both jurists and non-jurists puzzled over the exact nature of a corporation. Lord Coke, for example, had asserted that the corporation was a creature of the law. Did it have all the legal rights of natural creatures?

In 1809, the U.S. Supreme Court decided *Bank of the United States v. Devaux*.[10] Georgia had collected a state tax levied upon the Savannah branch of the Bank of the U.S., a federally-chartered corporation. The Bank sued in federal court to recover payment. Georgia denied the existence of a federal issue; Section 2, Article III of the Federal Constitution extended the jurisdiction of federal courts to cases "between citizens of different states." Corporations, insisted Georgia, were not citizens and thus could not have access to federal courts. The court agreed.

"That invisible, intangible, and artificial being, that mere legal entity, a corporation aggregate," declared Chief Justice John Marshall, "is certainly not a citizen."[11] He held that only real persons could be citizens. The officers of the corporation, being real persons, could sue and be sued. But the corporation itself could not enter into federal legal procedures. The *Devaux* ruling included a proposition that the firm's owners could sue or be sued provided they lived in a state other than that of the contending side. The corporation's legal rights did not extend to citizenship.

The *Devaux* doctrine was a compromise between traditional law and changing business practice. The law could not conceive yet—although single jurists did—of a totally abstract person possessing full legal rights. The society that had given birth to Lord Coke's corporation was a handicraft society in which most economic activities were conducted by individual proprietors or associations of proprietors and investors. A legal order of individual property and profit had little room for enterprise by abstraction.

By 1850, America was a commercialized society. It had become normal for men to conceive of themselves as producers and sellers for impersonal ends. About a third of the total labor force worked for wages or salary and thus were sellers of their labor power. In agriculture, world markets claimed major portions of the cotton and other crude materials output of the country. Factory production in the textile industry and transportation advances were hurtling America toward economic predominance. By mid-century, American per capita output lagged behind that of England, but exceeded that of France.

No institution was more significant in that growth than the business corporation. The modern business corporation was the country's second great contribution to the world economy. (How to fight a war with paper money was the first.)[12]

With commercialization and industrialization growing apace, legal thought turned to practical business problems. The expansion of corporations forced the courts to review older doctrines and face up to altogether new problems as well. In 1844, the U.S. Supreme Court declared the corporation a citizen. The federal courts, it was revealed, had never been satisfied with the old *Devaux* ruling. John Marshall, who had written the Court's opinion, had himself become disenchanted with the ruling.[13]

"Economic power," wrote John Commons, "is simply power to withhold from others what they need."[14] It may include food, shelter, jobs, or income. Economic power is the central component of the capitalist system. During America's history before the arrival of Europeans, economic power did not exist since life at that time was characterized by an equality of condition. Even Native American chiefs who presided over crop surpluses were obliged by custom to share with those in need. Economic power implies a choice not to share; the fact of inequality of possession is secondary.

Since the economically powerful in a society are almost by definition a minority, self-concern requires that their advantages be made secure from attack. Power and political rule are thus joined. As Lawrence Friedman writes: "A plan of government is a plan for distribution of the power and wealth of a society."[15] The powerful are not in the habit of relinquishing power, least of all during the process of constitution-making. Rather, that is the time for consolidating and structuring advantage.

Rule on behalf of the economically powerful proceeds most readily when the ruled accept the legitimacy of that rule. The ruled may come to regard their deprivation as a mere coercion of circumstance. ("That's the way the world goes.") If so, the more powerful have triumphed. Economic power always establishes itself in practice and only later in law. That is why it is so readily presented as "practical." (In the United States, slavery was first widely used in agriculture and only later incorporated into law.) Power creates practicality.

Economic power dominates. It precludes anything resembling an equality of bargaining. Its possessors dominate in order to create dependence. Thorstein Veblen, writing in 1919, observed:

> The population ... now falls into two main classes: those who own wealth invested in large holdings and who thereby control the

> conditions of life for the rest; and those who do not own wealth in sufficiently large holdings, and whose conditions of life are therefore controlled by these others.[16]

Research into the history of wealth in the United States has become a major field of investigation during the past generation; the principal works thus far are barely a decade old, and some even less than that. Except for a broader ownership of land than in most of Europe, the findings of American authors do not sustain at all the traditional portrait of substantial equality. American society after the Native American period was always characterized by sizable differentials in wealth and power. Only by ignoring masses of recent research can the contrary be claimed.

During more than 150 years before the American Revolution, an economic and political elite held sway in just about all the colonies. Bureaucratic capital accumulated as offices in government became a main avenue for acquisition of land. Prodigious land grants were assigned by top officeholders to themselves or handed over to family, friends, and business associates. The elites treasured such golden connections and closely superintended access to official positions in county- and province-wide government. Almost invariably, large-scale merchants, landowners and slaveholders, and occasionally professionals occupied the top rungs of colonial society. Even where politics was more democratic, as in colonial Boston, concentration of economic power did not fade away.

Wealth and power were further consolidated during the Revolution and the drafting of the Constitution (1775-1783 and 1787-1788). After three decades of independence, conservative concern that popularly elected law-making bodies might confiscate accumulated wealth was found groundless. In 1813, Thomas Jefferson wrote John Adams that "from 15 to 20 legislatures of our own, in action for 30 years past, have proved that no fears of an equalization of property are to be apprehended from them."[17] By that time, a new framework for wealth and power began to take definite shape. Capitalism after a time absorbed older forms of enterprise and simultaneously raised the stakes of business to unexpected heights.

One difficulty for Americans in understanding the rise of capitalism in the United States is the very fact that capitalism is a system. Adam Smith once explained that "a system is an imaginary machine invented to connect together in the fancy those different movements and effects which are already in reality performed."[18]

Thus, economic systems are not fixed representations like constellations of stars, each essential part of which is visible to the viewer. Instead, they are combinations of real actions and mental interconnections. Since the whole machine "works," one would consider its existence to be beyond dispute. The opposite is true.

History is all but absent from the pages of the Left and the Right in the United States. Left journals rarely deal with the history of American capitalism. Nor do references to the subject appear in articles devoted to analysis of the contemporary scene. In other words, economic history seems to be irrelevant. Capitalism in Left discussion becomes only contemporary American capitalism. And it is an unchanging capitalism. How it originated is a mystery. More is written about the history of English capitalism, although the particularities of English and American history are extremely different.

On the Right, capitalism is conceived as eternal and unchanging, as part of human nature. Clearly, then, capitalism has no history. In this view, capitalism did not develop, it was created whole. Since it is eternal, it neither ages nor decays. Criticism of capitalism is blasphemy, and heretics are banished. Gifted devotees are venerated and awarded great wealth. The business press of the United States is largely devoted to celebrations of capitalism, certainly not to a critical history of its origin and development.

When a specific criticism of capitalism is occasionally voiced in public, it is countered with a charge of faultfinding or, curiously, is characterized as "past history." Americans, who seem peculiarly attracted to celebrating centenaries, bicentenaries, and such have never celebrated one of these for the origin of the capitalist system.

NOTES

1. Werner Sombart, *Warum gibt es in den Vereinigten Staaten keinen Sozialismus?* (Tübingen: J.C.B. Mohr, 1906), p. 7. Unaccountably, the English translation omits reference to "Canaan". See Sombart, *Why Is There No Socialism in the United States?* Translated by Patricia M. Hocking and C.T. Husbands (M.E. Sharpe, 1976), p. 3.

2. William N. Parker, "Historiography of American Economic History," p. 6 in Glenn Porter, ed., *Encyclopedia of American Economic History. Studies of the Principal Movements and Ideas*, I, (Scribner's, 1980).

3. See C.B. Macpherson, *The Political Theory of Possessive Individualism* (Oxford: Clarendon Press, 1964); *The Real World of Democracy* (Oxford: Clarendon Press, 1966); "Revolution and Ideology in the Late Twentieth Century," in Carl J. Friedrich (ed.), *Revolution* (N.Y.: Atherton Press, 1966); and "Democratic Theory: Ontology and Technology," paper read at the 1966 Annual Meeting of the American Political Science Association, September 6-10, 1966.

4. Ferdinand Tönnies, *Community and Society*, tr. Charles P. Loomis (East Lansing: Michigan State University Press, 1957), p. 168 [Orig. published in 1887.]

5. Quoted in Elizabeth G. Brown, *British Statutes in American Law, 1776-1836* (Ann Arbor: University of Michigan Law School, 1964), p. 11.

6. See Joseph S. Davis, *Essays in the Earlier History of American Corporations* (Cambridge; Harvard University Press, 1917), I, 48; II, 8 and 255.

7. See Joseph Salvioli, *Der Kapitalismus in Altertum* (Stuttgart: Dietz, 1922) chapter 5 and esp. p. 135.

8. Charles P. Sherman, *Roman Law in the Modern World,* II (N.Y.: Baker, Voorhis, 1937), pp. 117, 132.

9. See Adam Smith, *The Wealth of Nations*, pp. 61, 119, 123, and 127 (Mod. Lib. Ed.).

10. Cranch 61 (1809).

11. Cranch 61 (1809).

12. See Benjamin Franklin to Samuel Cooper, April 22, 1779, *The Papers of Benjamin Franklin*, Library of Congress: "This currency as we manage it is a wonderful machine. It performs its office when we issue it; it pays and clothes troops, and provides victuals and Ammunition; and when we are obliged to issue a quantity excessive, it pays itself off by Depreciation."

13. See Joseph Story to Chancellor Kent, August 31, 1844, in W.W. Story (ed.), *Life and Letters of Joseph Story*, II, p. 469; and Justice Wayne, in *Louisville, Cincinnati, and Charleston Railroad Co. V. Letson*, 2 How. 496, at 555-556.

14. John R. Commons, *Legal Foundations of Capitalism* (Madison: University of Wisconsin Press, 1924), p. 52.

15. Lawrence M. Friedman, *A History of American Law*, 2nd edition

(NY: Simon and Schuster, 1985), p. 107.

16. Thorstein Veblen, *The Vested Interests and the State of the Industrial Arts* (NY: B.W. Huebsch, 1919), p. 160.

17. Thomas Jefferson to John Adams, October 28, 1813, Lester J. Cappon (ed.), *The Adams-Jefferson Letters*, II (Chapel Hill: University of North Carolina Press, 1959), p. 389.

18. Adam Smith, *Theory of Moral Sentiments*, p. 352.

Chapter 2

INDIAN AMERICA

Native Americans civilized the western hemisphere thousands of years ago. With no predecessors to show the way, these pioneers depended wholly on their own resourcefulness. Unaided, they fashioned societies and cultures, technologies and means of production, roads and dwellings. None of their successors faced comparable obstacles.

A profound communalism marked the societies they constructed. Rights of ownership or use of items of everyday living such as food and fuel lay in the groups rather than in individuals. All able members contributed their labor to common tasks. And all had a valid claim on the group's supply of daily necessities. A principle of sharing rather than individual accumulation of wealth permeated their economic life. Virtually everywhere in Native America prosperity for some and poverty for others was unthinkable. Kinship apportioned life's goods and burdens.

Economic power was almost unknown in Native society. Everyday economic life did not produce differential holdings of individual wealth which could then lead to widespread subordination of many to a few. On the other hand, before 1492 some Native societies were quite familiar with social inequality, rank, and in some cases, slavery.

America's initial non-Native economy was based on conquest over the Indians. It was a plunder economy. By severely excluding Native Americans from its enjoyment, Americans made the land into a central means of production for the continent's first bourgeois society. The rule of unequal private property replaced communal purpose and the standard of social inequality entered into American life. It never departed.

Deprived of their historic land holdings, Indians also lost control of their traditional livelihood. Agriculture, hunting, and gathering all required land, the principal means of production. They could continue to fashion various productive implements such as spades for digging but these could not be employed without access to land. The same held true for animal traps and other technology. Thus, if they were to remain in their traditional areas of the country, their only alternative was to work for the new owners of the land. In other words, they would become proletarians.

Charles Tilly explains that "proletarianization is the set of processes that increases the number of people who lack control over the means of production and who survive by selling their labor power."[1] The new owners of the land could earn profit simply from holding onto the land and speculating on future rises in its value. They could, however, gain far more by employing workers on the land. Native Americans helped fill that need along with Africans. For many years, both constituted an enslaved working class, much unlike the case in England itself where slavery was a rare occurrence. Both groups along with poor whites became semi-slaves in the form of indentured servants. During the colonial period, comparatively few worked for wages although a number of Indians came to do so as indicated below.

English settlers enslaved Indians from earliest times. In the Pequot War of 1637, Indian men were massacred while Indian women and children were peddled on the slave markets.[2] Later in the century, as part of King Phillip's War of 1675-1676, Indian slavery was widely practiced. Both in Massachusetts and Plymouth colonies, Indians were sold into slavery.[3] In Rhode Island, soldiers who had aided in capturing such prisoners were awarded shares of the proceeds.[4] Throughout the 18th century, Rhode Island acknowledged the legality of "perpetual bondage", the first mention of Indian slavery occurring in 1704. The colony's newspapers ran advertisements for runaway Indian enslaved workers just as did their southern neighbors for black slaves.[5] Both in the South and in Rhode Island, prices of enslaved black workers ran about twice those of enslaved Indian workers.[6] The differential may have measured the relative difficulty of black slaves escaping rather than any difference in productivity. During the American Revolutionary War, Rhode Island offered freedom to enslaved Indian or African workers who volunteered for the revolutionary forces.[7]

Indians were also enslaved across the continent, to the west, sometimes by other Indians. Apaches, who were on both the receiving and giving ends of slavery, were not unique in this respect. On the slave markets in the Southwest:

> Apache children were estimated to be worth 30-40 pesos, or the value of a good mule. An adult Apache slave was worth four oxen.[8]

In their slaving activities, Apaches might capture Indian children or Spanish offspring either for sale or their own use. The Spanish rulers of the Southwest, meanwhile, constructed a web of exploitative relationships—including slavery—over a number of Pueblos. In 1680, the Pueblos revolted against the Spanish—an event all but unknown in the English colonies to the east—and killed 400 Spaniards; another 1,900 fled. Howard Lamar specifies that "this revolt was not an Indian-white frontier war or a race war in the usual sense of such terms, but a revolt of slave or bonded labor."[9] Many of the Southwestern enslaved workers were bound for a decade, after which they were freed. Cut off from all tribal connections, however, they occupied the lowest rung in Southwestern Spanish society.[10]

Wars against Indians were thus a principal means of acquiring land and helping solve the labor shortage confronting southern planters.[11] In the South, the spread of black and Indian slavery created special problems as well as opportunities for profit. As Charles Hudson writes:

> The whites lived in mortal fear of black insurrections, and they were even more afraid that the blacks and Indians would combine forces. ... To heighten enmity between the races they used black troops in military actions against the Indians and likewise used Indians against blacks as slave-catchers and also to suppress slave insurrections.[12]

Cherokees in South Carolina agreed in 1730 "to seize and return runaway [black] slaves, upon the promise of a gun and match coat for each slave delivered."[13] Nevertheless, just nine years later, a large-scale African slave revolt—the Stono Rebellion—broke out in South Carolina.

The numbers of enslaved Indian workers are impossible to calculate. On the Northwest Coast, Harold Driver estimates they constituted from ten to thirty percent of the total Indian population.[14] In South Carolina during the early 18th century they numbered about fifteen percent of the population.[15] In Rhode Island, where Indians and Africans intermarried on a large scale, they generally were raised as Indians. (In 19th century Massachusetts they were sometimes counted as blacks.) During colonial times Massachusetts required Christianized Indians to live in separate villages but they were not typically enslaved.

Extremely few Indians seem to have been indentured servants. A number, however, were consigned to such a status when they were unable to pay fines; some of these ended up in overseas English colonies.[16] From early on, authorities in the Massachusetts Bay Colony were alarmed at the large number of Indian servants, and in 1631 required prior approval of such arrangements by the Court of Assistants.[17] After the end of King Phillip's War in 1676, some Indian servants could still be found but rarely afterwards is there further mention of them.[18] In distant California, under Spanish and Mexican rule, thousands of Indians were compelled to work on religious missions. Their status was somewhere between slavery and indentured servitude and their numbers fell from 130,000 to 83,000 between 1769 and 1832.[19] They performed highly skilled work as well as simple labor.

Before the Euroamerican conquest, wage labor did not exist among the Indians.[20] Economic relations were guided primarily by kinship and group solidarity. The fur trade rested on a vast expenditure of Indian labor power but the European traders did not pay much for it. Indian women performed most of the preliminary processing of the skins which were then transported for sale by Indian men. Traders avoided paying for anything by precise wages. The labor force of the fur industry numbered some 160,000 persons but only 2,000 or 1.25 percent were wage or salary workers.[21] Nearly all the rest were Indian people legally regarded as independent contractors. In this way, the company traders could minimize their outlay on labor services. Occasionally, Indians would be hired to serve as porters.

In Alaska, at the end of the 18th century, the Russian - American Company was authorized by its royal charter to compel males to work as wage-earning hunters. Neal Salisbury notes that "in keeping with the Russian practice at home [in Alaska], the Orthodox Church was subordinated to secular authority, effectively stifling missionary criticisms of company employees' exploitation of native workers and sexual abuse of native women."[22]

Few Indian workers received any cash wages from their employers. When goods were used as payment, workers were charged some 600 percent over cost.[23] This led to large debt burdens which often eventuated in debt peonage. The relationship, observes Rhoda Gilman," became far more like employment at piece work than independent barter."[24] Food, guns, and ammunition were doled out in minimal amounts—on the one hand to minimize further financial risk and on the other, to reduce an ever-growing indebtedness. Prices assigned to the goods were known to have been marked up by as much as 2,000 percent.

During the colonial period, European thinkers and philosophers chattered on endlessly about the reputed inability of Native Americans to think rationally. Sometimes they meant the refusal of Natives to join in enriching themselves at the expense of their fellows. At other times they referred to the Native tendency to trap only as many fur animals as they needed instead of building up vast reserves for future trading purposes. Still another meaning was the Natives' willingness to exchange valuable furs for goods that were relatively cheap on European markets.

All three conceptions were overcome by European invaders through one simple mechanism — whiskey. To be sure, whatever the occasional comforts of drink, heightened rationality was not one of them. British and French traders - as well as Americans later - used whiskey as a disorienting factor in Native society. Thus did Native American trappers become practitioners of "rational" economic behavior after the Western model.

"The Tuscarora," writes one anthropologist, "saw their land taken without proper compensation and their people captured for slaves, cheated by traders, and plied with liquor."[25] An historian asserts that "furs, women, and liquor were common ingredients of the French frontier in North America." [26]

Hiram Chittenden sums up the matter in several striking assertions: "Liquor was the most powerful weapon which the traders could employ in their struggles with one another . . . . The duplicity and crime for which this unhallowed traffic is responsible in our relations with the Indians have been equaled but seldom in even the most corrupt nations. ... It is indeed impossible to exaggerate its importance."[27] Rhoda Gilman, describing Indian life on the upper Mississippi, writes: "One widespread characteristic of Indian culture which persisted despite the new variety of goods available was indifference to acquiring wealth beyond the immediate need . ... It was a major factor leading ... [the trader] to introduce liquor."[28] Sachems among the Iroquois of New York state around 1700 fought against the sale of rum by traders. In colonial New York, according to Thomas Norton, "so many people violated the liquor laws that the authorities had little chance of effectively handling the situation."[29] By the 1770s, alcoholism was growing among the Indians. Some historians, swept away by the romance of the fur trade, view the operation of the liquor-fed traffic with equanimity: "Sensible fur men traded reasonable amounts of liquor for furs; foolish fur men depended heavily upon alcohol as a trade item."[30]

When Kenneth W. Porter set out to write his standard biography of John Jacob Astor, a fur trader *par excellence*, missing from all records were any traces of the large-scale purchases of whiskey by Astor's American Fur Company. Silence told all.

Aside from the fur trade, Indians could look forward only to occasional day-labor work. In 18th-century Rhode Island, Indians "provided cheap labor at a degraded status."[31] After the third quarter of the 17th century in New England, "the Indians continued their descent to the position of a sub-proletariat. ..."[32] During the 19th century, Indian labor continued its decline.

Key to that decline was the ongoing transfer of Indian land. By 1791 the Iroquois alone had lost 11 million acres to white interests.[33] Just four years earlier, Congress had adopted the Northwest Ordinance. This measure provided that the "lands and property [of Indians] shall never be taken from them without their consent . . . [and that] laws founded in justice and humanity shall from time to time be made, for preventing wrongs being done to them. ..." Adopted in a burst of sanctimony, the Ordinance had little relation to the means actually used to wrest the land from the Indian. Thus, one day in 1835, two Senators—King of Georgia and Porter of Louisiana—engaged in debate on land. Porter was asking for a bill to increase the availability of federal land in his state. "There are," he explained pointedly, "but three ways of acquiring public land, *viz*.: to buy it, to steal it, or to beg it. We of the west need it, but are unable to buy it, so we beg it, because having no Cherokee [Indian] lands in the western states, we cannot steal it."[34] Senator Porter was referring to the classic case of despoliation of Indian land in the United States that had occurred in the second and third decades of the century.

The American colonists developed elaborate justifications for separating the Indian from the land. In a now virtually forgotten 1823 Supreme Court case, however—*Johnson and Graham's Lessee v. McIntosh*—Chief Justice Marshall pragmatically announced that "conquest gives a title which the courts of the conqueror cannot deny, whatever the private and speculative opinions of individuals may be, respecting the original justice of the claim which has been successfully asserted."[35]

Justice Marshall thus paid hardly any heed to the pseudo-anthropological arguments that the Indian was a savage, knew nothing of property rights, was ignorant of tenure rules, was a "rude hunter," and the like:[36]

> However extravagant the pretension of converting the discovery of an inhabited country into conquest may appear [he concluded], if the principle [of conquest] has been asserted in the first instance and afterward sustained; if a country has been acquired and held under it; if property of the great mass of the community originates in it, it becomes the law of the land, and cannot be questioned.

Nor did any branch of government question it. Between the passage of the Northwest Ordinance and the *McIntosh* ruling, the federal government moved from "laws founded in justice and humanity" to "conquest . . . as the law of the land." In the year of *McIntosh* the U.S. Army levied war against the American Indians; this was the first such army campaign west of the Mississippi.[37] The conquest continued.

In 1833, while still under Mexican rule, the religious missions in California were dissolved. Both the land and the Indian forced laborers were redistributed. Elite Mexican ranchers—the *Californios*—quickly laid hold of much of the former mission lands. Salisbury writes that "the land and most of its improvements actually went to [Mexican] colonial officials and their relatives."[38] Indians, who were supposed to receive land as well, got none. The laborers became employees who, after a time, were hopelessly indebted to the ranchers and were simple peons. Under American rule beginning in 1848, Indians lost the citizenship they had enjoyed under the Mexicans.

Indians in California were subjected to legal repression and death squads:

> Outright extermination became deliberate policy as private military expeditions, funded by the state and federal governments, hunted down Indians in northern and mountainous areas. By 1860, more than 4,000 natives, representing 12 percent of the population, had died in these wars.[39]

Richard White adds:

> In the 1850s and 1860s white gangs raided villages, kidnapped the occupants, and sold them to farmers and ranchers. ... Indian women and children were particular targets. The kidnappers often killed the

> parents of the children they seized. When children tried to escape, whites often hunted them down and killed them.[40]

In sum: "The fighting was not warfare; it was Indian hunting—the stalking and killing of human beings as if they were animals."[41] Historian William Robbins described the killing program as "extermination and cultural genocide".[42]

According to a California law passed in 1850, any white person could request that a "loitering" Indian be declared a vagrant and fined. If unable to pay the fine, the Indian could be auctioned off to serve as much as four months' labor. White observes: "If the Indians then attempted to leave, they were unemployed under the law and were once more liable to arrest."[43] It was not until 1863 that this system ended.

The Choctaw lived in the South for many years where they developed a cattle economy before the late 1820s. "Sons and daughters received from their families, if possible, a cow and calf, a sow and piglet, and a mare and colt. As the child grew older, his or her herd multiplied and provided the owner with a sound source of income and subsistence in adulthood."[44] However, just as this system was consolidated with a Choctaw cattle herd of more than 43,000 head in the late 1820's, disaster struck. The federal government compelled thousands of Southern Indians to move to Indian Territory (primarily present-day Oklahoma).

During 1831-1833 the Choctaw reservation was established. It extended over 6.8-million acres, including nearly two million acres of virgin timberland in Southeast Oklahoma.[45] Choctaw watched over this valuable resource with great care, to prevent its commercialization.

Lumbering for the purpose of building homes and fences was legal, but the harvesting and exporting of lumber were prohibited. The tribal governments rigorously prosecuted smugglers when they had the opportunity, but they were unable to slow the timber-smuggling business.[46]

Over the years virtually all the Choctaw timberlands ended up as the private property of local lumber producers. In 1969, the largest of these sold its holdings of some 1.8-million acres of land to the giant firm, Weyerhaeuser Company, in "the largest private timberland transaction recorded in the history of the United States timber industry."[47]

By this time, Choctaws constituted an impoverished labor force, only one-sixth of whom had full-time jobs. Union organization was weak in the area. The two counties housing the largest number of Choctaw had poverty rates of 37.1 and 45.4 percent. A saving feature was the possibility of subsistence activities such as hunting and fishing besides a bit of gardening. Meanwhile, "Weyerhaeuser paid a property tax rate of only $6.50 per acre in 1981 while agricultural producers in McCurtain County paid $17 to $25 per acre."[48] Alternative employment was not easily available in the area. The Choctaw reservation shrank from nearly seven million to 65,000 acres.

Largely eliminated from east of the Mississippi by the time of the Civil War (1861-1865), Indian laborers found work in some capitalistic industries that arose in the West. Railroad building and maintenance was one such source. In 1880, the Laguna Pueblo signed an agreement with the Atchison, Topeka and Santa Fe Railroad which assured the Pueblo continued employment on railroad lines. Apparently, the agreement was in force for some years. When the road's shop personnel the country over went out on strike in 1922, Laguna workers were shipped to company yards in Richmond, California where they served as strikebreakers while living in boxcars.[49] The building of transcontinental railroads in 1869 and afterwards opened up new mining areas in the West. In southern Arizona, Papagos Indians worked in newly-opened copper mines. Apaches in the same general area worked on farm and mining infrastructure.[50]

Indians in San Diego County were a significant part of the hired labor force: "For the urban San Diego workforce, coastal Native people, especially the southern Kumeyaays, were the dominant source of unskilled labor in the 1850-1920 period and also filled a large segment of the skilled labor market."[51] Among the jobs they held were construction, wood-cutting, whaling, shipping, longshore and dock-working. In the rural areas of the county, Indians were busy protecting their hold on land. In the summer when some Indian villagers left for rounds of ranches and farms, "local whites entered the village, set fire to the homes, and took possession of the water supply and fields."[52] In retaliation, Choctaw employed attorneys and pressed the Bureau of Indian Affairs successfully to grant new land.

The federal government adopted policies and practices that compelled Indians to enter wage employment. At times, federal Indian agents forced such movement by threatening to cut off rations.[53] In 1889, U.S. Commissioner of Indian Affairs Thomas D. Morgan ordered that an "Indian who 'habitually spends his time in idleness and loafing' should be deemed a vagrant and guilty of a misdemeanor."[54] During the 1930s, federal authorities created conditions on the Navajo reservation that greatly expanded Indian movement into wage labor. A sheep-reduction program affected small herders while large herders—both Navajo and non-Navajo lessees—remained basically unchanged.[55] Distribution of New Deal relief jobs was in the hands of wealthier Navajos who staffed the decision-making apparatus on the reservation. This, too, added to the pressure on poor Navajos to seek wage jobs. By 1940, the federal government itself was providing over four-fifths of the wage income on the reservation. In general, such federal wage programs were instituted for building infrastructure or to facilitate the investment of off-reservation private capital to exploit nearby natural resources. Educational policies in schools of the federal Bureau of Indian Affairs were designed to create a barely-skilled work force or unskilled labor.

Federal land policies declared to facilitate proprietary Indian farming frequently ended up only creating a low-paid farm-labor force. Such was the case for the Dawes Act of 1887 which was essentially a new way to transfer Indian lands out of Indian hands. This was accomplished by allotting Indian households from 40 to 100 acres of their collectively-owned land and then declaring the residual land as "surplus" available to be leased or purchased by non-Indians. Within the next 50 years Indians lost nearly two-thirds of the land they had held before the Dawes Act. In many instances, they became wage workers, at times on land they had recently owned.[56] By 1930, 64.5 percent of Indian men were still employed in agriculture, but nearly half of these were farm laborers rather than farm operators.[57] Twenty years earlier, in Michigan, 627 Indians were farm laborers while only 253 owned farms.[58] A study of the effects of Dawes on the Santee Sioux during the twenty years preceding 1930 found that, "along with the decline in Indian farming came a decrease in school attendance, in increase in drunkenness, and an overall decline in group cooperation."[59] Even though the Act was justified by federal authorities as designed to stimulate farming by Indians, between 1910 and 1930 Indian farm acreage fell from 2,903,276 to 2,423,421; at the same time, the average size of these farms declined from 146 to 90 acres.[60]

Overhanging the lives of American Indians during the 17th, 18th, and 19th centuries was the "biological havoc"[61] of radical population decline. Early in the 17th century, whites in New England constituted a very small minority. Three-quarters way through the century the number of Indians fell from some 70,000 to less than 12,000,[62] from a combination of wars waged by the English and other Indian nations, epidemics ignited by the English, and other causes. By the end of the century, Indians of southern New England held less than half the land they had owned earlier.[63] In some Indian areas as many as 90 percent of the population died.[64]

In the colonial South, a similar trend set in with the arrival of the Spanish and English:

1670	250,000 - 300,000
1700	100,000
1750	50,000[65]

At the time of the American Revolution, Indians made up about four percent of the South's population. While spread throughout the region, they had occupied good cotton-growing lands in Georgia, Alabama, and elsewhere, while also finding themselves atop gold lands in the late 1820s. White political pressure to eject them from these valuable places increased, with fatal results:

> Between 1820 and 1840, three-fourths of the 125,000 Indians living east of the Mississippi came under government removal programs; during the same period, between one-fourth and one-third of all Southern Indians lost their lives. By 1844 less than 30,000 Indians remained in the eastern United States, most of them located around Lake Superior.[66]

West of the Mississippi, matters were no more favorable. A thinning Native population facilitated the theft of Indian land. Throughout the country, Indians lost land at an increasing rate. Here is the record of Indian holdings for the late 19th century:

1881	155,632,312 acres
1890	104,314,349 acres
1900	77,865,373 acres[67]

While Indians possessed the land, it was not with a firm grasp because in this case the federal government controlled what it did not own.

Indians never owned land in the abstract, i.e., as real estate. They owned land in order to use it—for planting, hunting, gathering, or for residential purposes. Accumulating land in order to convert it later into other forms of wealth had no role in native thought.

Indian possession of land was perhaps the single greatest barrier to the formation of a wage-earning working class among Indians. By the 19th century, as we have seen, most of that land had been alienated by whites. One principal protection for the Indians still remained: the treaty system. Ever since earliest colonial times, such documents had been negotiated between Indians and whites. With few exceptions, colonists regarded such negotiations as, at best, necessary evils. Greatly outnumbered by Indians and properly fearful of the natives' individual fighting prowess, colonists trod with care in this area. As, however, population decline set in and colonists' military power developed, Indian tribal life became less vigorous and more subject to white pressures, economic and military. Under such circumstances, treaties were of little help.

In 1831, the U.S. Supreme Court ruled that while Indian tribes were not nations like others, they could be dealt with as "domestic dependent nations," and so the treaty system continued. It lasted, however, for only another forty years. In the meantime, open warfare was waged by the U.S. Army against the "domestic dependent nations". Contrary to the letter and spirit of the Northwest Ordinance of 1787, the federal government expropriated Indian land prodigally. In 1871, Congress resolved "that hereafter no Indian nation or tribe within the territory of the United States shall be acknowledged or recognized as an independent nation, tribe, or power with whom the United States may contract by treaty."[68] The measure was not retroactive and so existing treaties remained in force.

But even before 1871, federal laws and court decisions severely weakened the treaties. In 1862, Congress legitimated the unilateral voiding of Indian treaties if hostile acts were engaged in against the United States. Eight years later, a conflict between the 1866 treaty with Cherokees and the federal Internal Revenue Act was litigated in federal courts. The decision was favorable to the federal government which was given the right to collect taxes on the sale of tobacco raised on the

Cherokee reservation even though such production was approved by the treaty. In 1902, in the *Cherokee Nation v. Hitchcock* case, the Supreme Court refused to enjoin the Secretary of the Interior from negotiating leases on minerals or oil located on the Cherokee reservation. The following year, in *Lone Wolf v. Hitchcock*, the Supreme Court declared flatly that "the power exists to abrogate the provisions of an Indian treaty."[69] Of course, a treaty that can be abrogated by one side only is a caricature of a solemn undertaking between nations.

Federal authorities were increasingly hostile to Indians exercising independent economic action that would counter external pressures brought by the federal government. In the absence of tax revenues, federal land acquisition, and bureaucratic control of natural resources, Indians would be all the more pressed to seek livelihoods as wage workers. As the mirage of Indian sovereignty faded, the reality of proletarianization took more definite shape. At the same time, however, Indians fought to retain the remnants of the treaty system and the special consideration of Indian interests contained within it.[70] Their sole refuge from proletarianization—i.e., the reservation system—afforded them less protection than ever.

SUMMARY

Indian America was a communal society based on sharing and kinship which non-Natives converted into a plunder society. Warfare against the Indians aimed at transferring their land and utilizing their labor in the form of enslavement and semi-dependence. European fur traders used whiskey to deaden the Indians' judgment in trading matters. Legislation forbidding purchase of Indian lands was ignored and the Supreme Court provided justification for the "law" of conquest. Legal repression and death squads were utilized against the Indians who resisted these policies.

After the Civil War, federal troops continued to wage war against Native Americans. In addition, Indians contracted to provide common labor to railroads in the West as well as in mining and farming occupations. Meanwhile, Indian lands continued to be stolen with the blessing of federal authorities. The treaty system afforded Indians some protection but after 1871 no new treaties were signed. The treaty system and reservations constituted dwindling protection against proletarianization.

NOTES

1. *Charles Tilly,* As Sociology Meets History *(Academic Press, 1981), p. 179. See "Proletarianization: Theory and Research," pp. 179-210 in the same source.*

2. *Francis Jennings,* The Invasion of America. Indians, Colonialism, and the Cant of Conquest *(Norton, 1976), p. 257. See also below, note number 42.*

3. *John A. Sainsbury, "Indian Labor in Early Rhode Island,"* New England Quarterly*, 48 (1975) 382.*

4. *Ibid*., p. 383.

5. *Ibid*., p. 386.

6. See Charles Hudson, *The Southeastern Indians* (University of Tennessee Press, 1976), p. 438 and Sainsbury, "Indian Labor in Early Rhode Island," p. 391.

7. Sainsbury, "Indian Labor in Early Rhode Island," p. 390.

[8]. Howard Lamar, "From Bondage to Contract. Ethnic Labor in the American West, 1600-1890," p. 297 in Steven Hahn and Jonathan Prude, eds., *The Countryside in the Age of Capitalist Transformation. Essays in the Social History of Rural America* (University of North Carolina Press, 1985).

9. *Ibid*., p. 298. For a somewhat different interpretation of the revolt, see Juan Goméz-Quiñones, *Roots of Chicano Politics, 1600-1940* (University of New Mexico Press, 1994), pp. 25-26 and 31-33. See also the same author's *Mexican American Labor, 1790-1990* (University of New Mexico Press, 1994), pp. 23-24 and 45-46. I have not yet seen Andrew L. Knaut, *The Pueblo Revolt of 1680: Conquest and Resistance in Seventeenth-Century New Mexico* (University of Oklahoma Press, 1997).

10. Richard White, *"It's Your Misfortune and None of My Own." A History of the American West* (University of Oklahoma Press, 1991), p. 13.

11.Theda Perdue in Frederick E. Hoxie, ed., *Indians in American History* (Harlan Davidson, 1988), p. 139.

12. Hudson, *The Southeastern Indians*, p. 448.

13. Eric R. Wolf, *Europe and the People Without History* (University

of California Press, 1997), p. 203. (With a new preface.)

14. Harold E. Driver, *Indians of North America* (University of Chicago Press, 1961), p. 404.

15. Russell R. Menard, "Economic and Social Development of the South," p. 187 in Stanley L. Engerman and Robert E. Gallman, eds., *The Cambridge Economic History of the United States, Volume I: The Colonial Era* (Cambridge University Press, 1996).

16. Sainsbury, "Indian Labor in Early Rhode Island," pp. 381-382.

17. Neal Salisbury, *Manitou and Providence. Indians, Europeans, and the Making of New England, 1500-1643* (Oxford University Press, 1982), p. 185.

18. Bruce G. Trigger, ed., *Northeast*, Volume 15 of *Handbook of the North American Indians* (Smithsonian Institution, 1978), p. 177.

19. Goméz-Quiñones, *Mexican-American Labor, 1790-1990*, p. 25. Salisbury writes that "the native population in the missionized area of California was reduced from approximately 72,000 Indians in 1770 to about 18,000 in 1830": Salisbury, *Manitou and Providence*, p. 44.

20. Martha C. Knack and Alice Littlefield, "Native American Labor. Retrieving History, Rethinking Theory," pp. 4-5 in Littlefield and Knack, eds., *Native Americans and Wage Labor, Ethnohistorical Perspectives* (University of Oklahoma Press, 1996): "The treatment of labor as a commodity within a cash economy, to be bought and sold on the open market, surely existed nowhere in North America before the arrival of Europeans."

21. Russell G. Rothney, *Mercantile Capital and the Livelihood of Residents of the Hudson Bay Basin: A Marxist Interpretation* (Master's thesis, University of Manitoba, 1975), p. 123.

22. Neal Salisbury, "The History of Native Americans From Before the Arrival of the Europeans and Africans Until the American Civil War," p. 42 in Engerman and Gallman, *The Colonial Era*.

23. Hiram M. Chittenden, *The American Fur Trade of the Far West*, 2 vols., revised edition (Barnes and Noble, 1937), I, 7.

24. Rhoda R. Gilman, "The Fur Trade in the Upper Mississippi Valley, 1630-1850," *Wisconsin Magazine of History*, 58 (Autumn, 1974), p. 18.

25. Bruce G. Trigger (ed.), *Northeast*, vol. 15 of *Handbook of North*

American Indians (Wash., D.C.: Smithsonian Institution, 1978), p. 287.

26. *Ibid*., p. 604.

27. Hiram M. Chittenden, *The American Fur Trade of the Far West*, revised edition, 2 vols (NY: Barnes and Noble, 1935), pp. 23, 25, and 355.

28.Rhoda R. Gilman, "The Fur Trade in the Upper Mississippi Valley 1630-1850," *Wisconsin Magazine of History*, 58 (Autumn 1974), p. 14.

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30. John E. Sunder, *The Fur Trade on the Upper Missouri, 1840-1865* (Norman: University of Oklahoma Press, 1965), p. 9.

31. Sainsbury, "Indian Labor in Early Rhode Island," p. 392.

[32]. Salisbury, *Manitou and Providence*, p. 238.

33. Edward Countryman, "Indians, the Colonial Order, and the Social Significance of the American Revolution," *William and Mary Quarterly*, 53 (April 1996), p. 357.

34.*Niles Weekly Register*, May 2, 1835, p. 147.

35.*Johnson and Graham's Lessee v. McIntosh* [reference to be filled in yet]

36. See Anthony F.C. Wallace, "Political Organization and Land Tenure Among the Northeastern Indians, 1600-1830," *Southwestern Journal of Anthropology*, 13 (Winter 1957) pp. 301-321, especially footnote 7, pp. 311-312 and Harold E. Driver and William C. Massey, *Comparative Studies of North American Indians* (American Philosophical Society, 1957), especially pp. 383-394.

37. Chittenden, *The American Fur Trade of the Far West*, II, 584.

[38]. Salisbury, "The History of Native Americans From Before the Arrival of the Europeans and Africans Until the American Civil War," p. 47 in Engerman and Gallman, eds., *The Colonial Era*.

39. *Ibid*.

40. White, *"It's Your Misfortune and None of My Own"*, p. 339.

41. *Ibid*., p. 337.

42. William G. Robbins, "The Indian Question in Western Oregon:

The Making of a Colonial People" p. 64 in Thomas Edwards and Carlos S. Schwantes, eds., *Experiences in a Promised Land* (University of Washington Press, 1986). Other users of the word "genocide" to describe actions against Indians are Lawrence M. Friedman, *A History of American Law*, 2nd edition (Simon & Schuster, 1985), p. 508, William T. Hagan in Frederick E. Hoxie, ed., *Indians in American History* (Davidson, 1988), p. 193, and Ward Churchill, *Indians Are Us? Culture and Genocide in Native North America* (Common Courage Press, 1994), *passim*. See also two articles by Steven T. Katz in *New England Quarterly*, 64 (1991) 206-224 and 68 (1995) 641-649 and one by Michael Freeman, *ibid.*, 68 (1995) 278-293. A recent article refers to Lt. Col. Eli Higgins as having had a "distinguished career fighting Indians," Warwick Anderson, "The Trespass Speaks: White Masculinity and Colonial Breakdown," *American Historical Review*, 102 (December 1997), p. 1354).

43. White, *"It's Your Misfortune and None of My Own"*, p. 339.

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45. Sandra Faiman-Silva, "Multinational Corporate Development in the American Hinterland. The Case of the Oklahoma Choctaws," p. 214 in John H. Moore, ed., *The Political Economy of North American Indians* (University of Oklahoma Press, 1993), p. 214.

46. John Thompson, *Closing the Frontier, Radical Response in Oklahoma, 1889-1923* (University of Oklahoma Press, 1986), p. 33.

47. Faiman-Silva, "Multinational Corporate Development," p. 220.

48. *Ibid.*, p. 231.

49. Kurt M. Peters, "Watering the Flower: Laguna Pueblo and the Santa Fe Railroad, 1880-1943," p. 178 in Alice Littlefield and Martha C. Knack, eds., *Native Americans and Wage Labor. Ethnohistorical Perspectives* (University of Oklahoma Press, 1996). See also Lawrence D. Weiss, *The Development of Capitalism in the Navajo Nation: A Political-Economic History* (MEP Publications, 1984), p. 91.

50. Knack and Littlefield, p. 13.

51. Richard L. Carrico and Florence C. Shipek, "Indian Labor in San Diego County, California, 1850-1900," p. 216 in *ibid.*

52. *Ibid.*, p. 202.

53. Knack and Littlefield, p. 16.

54. Alice Littlefield, "Learning to Labor. Native American Education in the United States, 1880-1930," p. 50 in John H. Moore, ed., *The Political Economy of North American Indians* (University of Oklahoma Press, 1993).

55. Weiss, *The Development of Capitalism in the Navajo Nation*, p. 24.

56. Littlefield and Knack, p. 32.

57. *Ibid*., p. 16.

58. Littlefield, "Learning to Labor," p. 53.

59. Leonard A. Carlson, "Land Allotment and the Decline of American Indian Farming," *Explorations in Economic History*, 18 (1981), p. 144.

60. *Ibid*., pp. 148-149.

61. William Cronon, *Changes in the Land. Indians, Colonists, and the Ecology of New England* (Hill and Wang, 1983), p. 91.

62. *Ibid*., p. 89.

63. *Ibid*., p. 103.

64. Salisbury, *Manitou and Providence*, p. 8.

65. Menard, "Economic and Social Development of the South," pp. 260-261.

66. Wolf, *Europe and the People Without History*, p. 285.

67. White, *"It's Your Misfortune and None of My Own,"* p. 115.

68. John R. Wunder, "No More Treaties: The Resolution of 1871 and the Alteration of Indian Rights to their Homesteads," p. 39 in Wunder, ed., *Working the Range. Essays on the History of Western Land Management and the Environment* (Greenwood, 1985).

69. *Ibid*., p. 43.

70. See Thomas Biolsi, "The Political Economy of Lakota Consciousness," pp. 25-26 and 38 in Moore, ed., *The Political Economy of North American Indians*.

Chapter 3

COLONIAL ECONOMY

During the 17th century, land served as capital in the American colonies.[1] As a knowledgeable politician recalled two centuries later: land "became property, to be bought and sold for money; whereas in the hands of government, it called for no expenditure, formed the basis of no transactions, and created no demand for currency."[2] Once wrenched from Indian hands, the land became a basis of commercial society and thus of great economic value. Who was to gain control of the land and under what conditions were political questions. Domination of government land policy thus became a prime arena of colonial politics. No section or region of the country was exempt from this struggle. From the outset, colonial elites succeeded in the privatization of the once commonly-owned land. Control of government lay near the top of the list of political objectives serving this goal.

In Providence, Rhode Island during the years 1646-1686, "the wealthiest half of the taxpayers filled over 90 percent of the major offices, and the share of these offices going to the wealthiest tenth ... had risen dramatically."[3] Clearly, "power went to the prosperous in Providence."[4]

Six interrelated families dominated Hampshire County, Massachusetts from 1692 to 1760. Members of these families not only held two-thirds of all county offices during 1730-1760. They also were active on the county's committee to organize new towns: "The committeemen's involvement brought them rewards in land in the new town, opportunity for investment in mills, and the chance to lend the settlers money for developing the place."[5] Daniels found a similar situation in 30 towns of nearby central Connecticut: "The five leading families in each town served an average of 46 percent of all the terms in the thirty towns."[6] Speaker of the colonial house was Charles Read, "ironmaster, lawyer, merchant, and land speculator."[7]

Ekrich, studying North Carolina between 1729 and 1776, wrote of "the mammoth 'blank patent' frauds of the late 1720s, when over four hundred thousand acres of prime land fell into the hands of a few government officials."[8] In South Carolina, merchants—the richest group—were the controlling factor in the colonial assembly.[9]

Between the 1680s and 1775, 275 Speakers presided over colonial assemblies. Wendel found that "the overwhelming majority enjoyed prominent social status by the time they took the chair" and that a significant number of Speakers were clearly entrepreneurial types, men who generally sought out the ways to wealth available to them."[10] Occupants of the governor's council in a number of colonies were in a position to enrich themselves. Over the years 1665-1775, Kross found, "at least fifty-nine members of the council [in New York], or 63 percent, tried to obtain land grants of some sort."

> It was accompanied by fraud, scandal, and blatant disregard for instructions from England. ... With Governor Dongan's connivance, Robert Livingston turned a small grant into 160,000 acres ... William "Tangier" Smith [received] 50 square miles in Suffolk County.[11]

In 1753 a New York governor proclaimed that land grants could not exceed 1,000 acres. "These measures failed, as dummy partnerships and outright bribery of governors caused lands to be given away. ..."[12]

New Jersey provided similar examples. Of all members of that colony's governor's council during 1702-1776, "sixty percent were landed proprietors or their relatives, the individuals who had dominated the colony's history since the 1670s and who still controlled access to all unpatented land in the province."[13] Large landholders, professionals, and large planters provided the bulk of members of the assembly. New Jersey's royal government from 1703 to 1776 had 256 assemblymen, two-thirds of whom were among the top seven percent of wealthiest in the colony.[14] Purvis writes that "virtually no one reached the assembly who was not born into a wealthy family or who lacked ties of kinship with influential families."[15] Landed proprietors in West Jersey numbering only 16 nevertheless served 38 assembly terms.[16]

In 17th-century New England, according to John Martin, the profits made in the creation of 63 towns largely hinged on land rights monopolized by a small group of entrepreneurs:

> They were not frontiersmen, but wealthy, educated, mostly urban individuals; not fur traders and surveyors, but often governors,

> deputy governors ... and military commanders . ... A network of business and family relations bound most of these men together in an intercolonial commerce in land.[17]

A man who owned 20 percent of all the land in Springfield, Massachusetts also functioned as the town meeting moderator, selectman, magistrate and member of the land committee for the town.[18] John Fitch, a son of a minister, "was by turns land surveyor, land registrar, county treasurer of New London County, deputy councillor, [and] military captain." Martin characterizes Fitch's entrepreneurial activity: "His business strategy centered upon suborning Indian sachems to obtain their deeds and gaining political office to register the deeds and confirm his titles."[19] Fitch was also one of the "Indian Fighters", persons whose assignment was to seize land from the Indians even at the cost of men and arms. Such land, of course, did not require payment to the Indians.

It did not take long under such circumstances for the supply of land to be spoken for. By 1774 "land in the colonies was virtually all privately owned."[20] Over half the value of colonial physical wealth was accounted for by land.[21] Land prices rose steeply, making it ever more difficult for new farmers. By 1750, Connecticut's land was all settled and the same was largely true throughout the colonies.[22]

On the eve of the Revolution, institutionalized inequality was the keynote of colonial economic life. As Table 1 indicates, sixty percent of the American people possessed no wealth at all. The top twenty percent controlled 95 percent of the wealth. Even the second fifth held only five percent of the wealth. Those without any assets were enslaved workers, indentured servants, or free women, in addition to poverty-stricken free workers located primarily in port towns. In one place after another, north or south, a similar distribution of wealth could be found. With reference to southeastern Pennsylvania, Lemon wrote "from the outset wealth was distributed unevenly and became more so not after several decades but immediately."[23]

In 1774, wealthholders constituted only 23.9 percent of the adult population. Of 498,693 blacks in 1774, only 17,761 owned any wealth (3.6%); of 1,802,258 free whites, 430,872 owned some wealth (23.2%).[24] Thus, whites made up 96 percent of all wealthholders. At the same time enslaved workers numbered 480,932 — all more or less without property.

Seemingly without exception, every town or country area during the 17th and 18th centuries experienced an increase in wealth inequality. Between 1700 and 1776, the top 30 percent of wealthholders increased in Suffolk County, Massachusetts from 62.52 to 68.05 percent.[25] To the west, in Hampshire County, a corresponding group increased between 1661-1681 and 1740-1760 from 30 percent to 41 percent.[26] In Chester County, Pennsylvania the top half of wealthholders increased their representation from 69.3 percent to 86.1 percent over the years 1693-1782.[27] In Dedham, Massachusetts, a different measure revealed a similar outcome:

> In 1660 the better-off percent of the sample had an average wealth 7.6 times as great as the average wealth of the lowest 20 percent. By 1765 the bulk of society had estates which averaged 13.75 times the size of the estates of the poorest one-fifth.[28]

During 80 years after the early 18th century, the upper 10 percent of landholders in the Chesapeake increased their ownership of acreage from one-half to two-thirds.[29] A collection of data from numerous places in the colonies documents the ubiquity of inequality.[30]

These levels of unequal economic power were reflected in varying levels of living. One historian lists in descending order 11 such levels:[31]

1. Southern wealthy planters and farmers. ...
2. Philadelphia, Boston, Salem, and other northern city merchants, esquires, and captains
3. High-wealth Middle Colony and New England farmers and artisans
4. High-wealth widows
5. Middle- to high-wealth lawyers, doctors, ministers. ...
6. Middle- to low-wealth farmers in the Middle Colonies, South, New England
7. Middle- to low-wealth artisans and shopkeepers
8. Laborers and mariners
9. Low-wealth widows
10. Indentured servants
11. Slaves

How did persons on these levels fit into the wealthholding classes? Levels 1-4 were populated by Americans who owned 95 percent of the colonies' wealth in 1774; levels 5 and partly of 6 by those possessing the remaining five percent of wealth; and levels 8 - 11 were well-peopled by those without any wealth or even minus positions (net indebtedness).

How reliable statistics of historical wealth are depends on the trustworthiness of historical documents constituting such materials and upon the methods used by historians to process material in these documents. Problems of completeness and accuracy are critical. As for the former, few if any documents concerning the wealth of the poor are available or have ever existed. Their relative absence is aggravated by the dominant tendency of historians to present figures only relating to wealthholders. The result is a sweeping lack of economic knowledge about propertyless people who frequently constitute as much as half of the American adult population. Another problem regards the understatement of asset-ownership by upper-income persons in matters concerning tax-liability.

The working class of colonial times consisted of three groups of Americans: indentured servants, enslaved workers, and free wage laborers.

Indentured Servants

Indentured servants were immigrant workers who contracted orally or in writing to work for a limited period — usually four years — after which they were entitled to "freedom dues". Otherwise, they received no pay except housing and upkeep. Most came from England, Ireland, Germany, and Scotland. In colonial America they constituted a significant part of the labor force. Between the 1650s and 1770s, some 300,000 to 400,000 servants arrived.[32]

During 1630-1680, a half-century when tobacco-growing became the main occupation in the Chesapeake area, about 75,000 English immigrants arrived of whom up to 56,000 were indentured servants.[33] In New England, about one-third of the labor force in the early years of settlement were indentured servants.[34] Over the whole of the 17th century, however, servants made up only five percent of the New England colonies.[35] In Philadelphia, the demand for servants was great. By the 1740s, "indentured servants constituted more than one-fifth of Philadelphia's total white male work force and an even larger percentage of the people who worked with their hands."[36] During the same years, "along the wharves and in the artisans' shops more than two of every five laboring roles were filled by unfree toilers" including servants and enslaved workers.[37] On the eve of the Revolution, while indentured servitude was declining nearly everywhere else, in Philadelphia servants still represented over ten percent of the city's labor supply.[38]

Indentured servants were semi-slaves.[39] They could be bought or sold during their period of contracted service. In fact, "servants were generally conveyed by a bill of sale, similar to that used in the conveyance of livestock."[40] Their owners were obligated to pay taxes upon them, as on any other property. While a servant could be attached to cover a debt owed by a decedent master, in Pennsylvania this was prohibited while the master was alive.[41] Servants were not allowed to marry during the period of service. They could not serve on juries nor vote. "Most rights regarded as basic to the English heritage were held in abeyance until their terms of service were up."[42] Servants could be, and were, beaten, whipped, or otherwise "corrected". When fugitive servants were apprehended, their term of service was lengthened by one to five days for each day absent. Owners advertised personal descriptions of runaways to aid in recapture. Runaways to other colonies were frequently recovered via extradition agreements among the colonies.[43] In Virginia, Governor Wyatt ruled that "incorrigible servants were to be burnt in the tongue with a red-hot iron."[44] Historians disagree as to the personal relations between servants and masters. One writes that "discontent was rife between master and servant from the very beginning of New England settlement" and another that "the relationship between servant and master was usually close."[45]

Freedom dues were a frequent subject of litigation initiated by servants. Masters, eager to avoid such payments, frequently encouraged servants to leave before the contracted date so that freedom dues would not need to be paid. Frequently, the dues were not paid at all and this occasioned many lawsuits. During the 1640s, 1650s, and 1660s, Virginia's governors regularly refused to comply with the contracted term of indenture for their own servants until directed by court suits filed by the servants.[46] Of course, the longer-off the end date, the later would payment of freedom dues have to be made. In Chester County (Pa.) Quarter Sessions Court between 1745 and 1751, "nearly half of the servant complaints against masters ... involved freedom dues."[47]

Servants who hoped to acquire land through indentured work were disappointed. As Richard Morris explains:

> In at least 90 percent of the cases which arose in the colonial courts involving freedom dues, clothes and tools were awarded, but a grant of land was neither regarded as an obligation under the contract nor required by custom. ... The weight of the evidence proves conclusively that freedom dues did not as a general rule include land.[48]

Abbot Emerson Smith held that one in ten servants became a "decently prosperous" landowner while another one became an artisan living "a useful and comfortable life without owning any land." But the others "either died during their servitude, returned to England after it was over, or became 'poor whites,' and occupied no substantial position in the colonies either as workers or as proprietors."[49] Brophy, however, notes that while "one-third of the early servants [in Pennsylvania] collected any land, "nearly half of those went on to add more land. However he concedes that as a group "servants had substantially less property than the average person."[50]

Tobacco masters worked their indentured servants to the limit. During most of the 17th century in the Chesapeake region, masters extended the term of service whenever they could get away with it. Through the use of violence or the threat of using it, the output of servants continued to rise to the profit of the masters. "One study found that tobacco output per worker in Maryland and Virginia more than doubled between 1620 and 1650, and doubled again between 1650 and the end of the seventeenth century, with the net effect that the amount of the crop harvested per worker rose from 400 pounds in the early decades of tobacco cultivation to 1,900 pounds per worker by 1700."[51] Capital invested in the purchase of indentured servants to work in tobacco growing yielded high profits.[52] During these years of intensification of labor, the great majority of workers were white indentured servants. Such workers could be bought for a price that was earned back by the planter in one year's production; in the remaining three or four years much of the output accrued to the benefit of the planters.[53] On iron plantations, servants worked a standard 12 hours per day, rain or shine.[54]

Felons convicted of minor crimes in England could be indentured in America for seven years; for major crimes, 14 years: "Convicts were relatively cheap; they fetched less than one-third of the price of African slaves, and female felons were special bargains, selling for only two-thirds of the price of males."[55] In the course of the 18th century some 50,000 convicts were indentured in the colonies. Convicts and non-convicts alike were treated harshly and cruelly.[56] In the areas of harshest treatment, workers protested; some were arrested and tried in court for the protests: "The chief instances of prosecutions for concerted action by workers occurred in the tobacco provinces and were directed against uprisings by white servants motivated not infrequently by a desire for better working conditions on the plantations."[57]

Smith writes:

> Colonial society ... was dominated by men who had money enough to make others work for them. Few of these men were descended from indentured servants, and practically none had themselves been of that class.[58]

Yet, he also writes that in Virginia one-third of landowners were ex-servants — a not inconsiderable representation.[59] Very likely often they were predominantly small planters, lacking credit and other resources required for large-scale operations.

Owners of servants were not eager to permit them to serve in militias during wartime. Indeed, in Virginia during 1673 an armed force was raised from freemen—persons who had never been bound labor—while indentured servants were denied the opportunity to join the force. Masters feared placing guns in the hands of their servants.[60] When servant-enlistments nevertheless occurred, masters filed requests for government indemnification.[61] Among established artisans in New York and Philadelphia, "The bloody work of bearing arms against the French [in the Seven Years War] was best left to fleeing indentured servants and unskilled immigrants who had disembarked in their cities in recent years."[62]

During the Revolution, servants and other poor people became cannon fodder. As Koistinen points out:

> After 1776 the Continental army's nucleus was hired, purchased, and directly or indirectly forced into service of three years or more. Those expedients worked because the new regulars, unlike the typical middle-class, propertied militia members, came largely from the lower classes and had few choices. These men included the unemployed, indebted, drifters, criminals, indentured servants, black slaves, captured British soldiers, and accused Loyalists. Without them, the Continental army and thereupon the Revolution stood little chance of success.[63]

When, in 1775, the royal governor of Virginia offered freedom to slaves who joined with British forces, he did the same for indentured servants.[64] It is not known in what numbers the latter volunteered.

The Chesapeake masters exercised their dominant power relentlessly over the indentured servants. Little in English law or practice deterred them from doing so. In the old country, indentured servants customarily signed up for one year's service and could count on three months' notice of renewal. In the American colonies, however, a four-year term was imposed, and, not seldom, even longer. But in England servants were not considered merchandise, bought and sold for terms of service as they were in the colonies. The transatlantic voyage thus facilitated a deterioration of the conditions of work for some 300,000 servants. Servants and non-servants were victimized by extremely high death rates "comparable only to that of severe epidemic years in England."[65]

Servants who arrived in the tobacco colonies of Maryland and Virginia early on had a greater chance to become landowners. On Maryland's Western Shore, during the 1640s and 1650s, wealth "became more equitably distributed." It was during these two decades that Maryland became "a good poor man's country."[66] From the 1660s:

> Servants who completed their terms ... found it increasingly difficult to obtain credit, land, and plantations of their own. Those who succeeded in becoming small planters found that tight money, a growing scarcity of labor, and rising costs blocked their further progress.[67]

Propertylessness spread after the 1680s, in part because of the growth of slavery. Similarly, in Virginia, among servants who immigrated before 1640 some, occasionally, were elected to the House of Burgesses after completing their terms. After 1640, however, none did so.[68] After 1660, the best land was taken and ex-servants had to move to the Virginia frontier — and Indian territory — in search of land. Discontent spread in these circles. By 1673, when a war broke out between Virginia and the Dutch, the colony's elite made certain no servants were permitted to join the armed forces.[69] Servants — and increasingly, ex-servants — had become a disaffected group.

Slavery

Until the mid-17th century, enslaved workers in the colonies constituted less than ten percent of the total population, even in the South. During the next century and a quarter, however, their numbers rose far higher. When the Revolution broke out in 1775, nearly half a million enslaved workers labored in the American colonies and they made up over one-fifth of the total population. One basic reason for the growth was the rise in the life expectancy of the colonial people. Before this, the comparatively short life of a worker made lifelong slavery a speculation; employers preferred short-term indentured servants instead. As workers lived longer, it became profitable to consider lifetime slavery. But demography was only one factor in the development of slavery in the colonies.

Historically, slavery was not unknown in England. It is first mentioned in accounts of the Roman conquest of that land which is said to have occurred around the 5th Century A.D. While some Roman slaves were Africans, in general they were not subjected to racist treatment by the Romans.[70] Nearly a thousand years later the Domesday Book of 1086 reported that some nine percent of the English people were enslaved.[71] During the 16th, 17th, and 18th centuries the English people, the Scots, and the Irish were subjected to slavery by various enactments and government policies. A law of 1547 permitted the enslavement of certain criminals in England but the measure was repealed after two years.[72] In Scotland, employers were permitted to place thieves, vagrants, coal-miners, salt-pan workers, and iron-ore miners into slavery for life; their children also became enslaved workers. The English government sold thousands of defeated Irish soldiers to Spain, Sweden, and other countries.[73] When, in 1772, an English court struck down African slavery within the country — the *Somerset* case — from 14,000 to 15,000 black slaves in England were set free.[74] Enslaved workers in Scotland and Ireland, however, were not affected by the decision. For whatever reasons, European imperialist powers such as England preferred to practice all-out slavery in distant places; nearer home they engaged in enslavement in limited fashion, as in Ireland. As Davies states of 16th century England: "To admit to slavery was bad for national prestige."[75]

Apparently, *Somerset* was not interpreted to apply to British colonies. In any event, the outbreak of the Revolution made this question moot. Slavery in the American colonies had existed with the blessing of the Crown and government. Under the Navigation Acts of the 17th century, the colonies were forbidden to export or import numerous commodities directly to or from countries other than England. Colonies, however, were permitted openly to import enslaved workers directly from Africa and indentured servants from the German states without any English protest. In the 1670s, it was calculated that over £7 per year went to the royal treasury for every person who worked in the tobacco fields of Virginia.[76] Indeed, the economic viability of British North America depended on the export of agricultural products:

> To a large extent, southern prosperity rested on the performance of

> the export sector, especially of the major plantation crops—tobacco, rice, and indigo. Together, those three crops accounted for about three-quarters of the value of all exports from the South on the eve of the Revolution and roughly 40 percent of the value of exports from all of Britain's continental colonies.[77]

Especially in the 18th century, enslaved workers produced by far most of these three crops. Blackburn estimates that from 20.9 percent to 35.0 percent of Britain's gross fixed capital formation in 1770 came from slave-produced products including trade in enslaved workers.[78] On the import side, the colonies constituted an important market for British manufactured goods.[79]

Slavery led to great wealth not only in England but in the Chesapeake as well: "In the middle of the seventeenth century ... the richest 10 percent of the families owned roughly 40 percent of the wealth, a figure that was to approach 70 percent by the eve of independence."[80] Studying inventories of planters' estates, Menard notes that "slaves accounted for only 20 percent of inventorial wealth in the seventeenth century ... but nearly 60 percent by the 1720s and 65 percent in the 1740s."[81] Slave labor was the central source of Chesapeake wealth and capital. The best-known Chesapeake entrepreneur, Thomas Jefferson, owned about 200 enslaved workers in the year of the Declaration of Independence; fifty years later, in the year of his death, he owned more than that.[82] Howsoever some leaders of the revolution might philosophize about the Rights of Man and liberty for all, they took care not to apply such doctrines to the enslaved workers they owned.

By the 1710s in the Chesapeake, according to Kulikoff, "planters had learned that slaves could be as productive as whites and sought them avidly every time a slave ship arrived."[83] From the beginning of slavery in the western hemisphere until around 1800, the British established slave plantations in which some half-million enslaved workers labored on sugar and tobacco. Britain also acquired the products of another half-million enslaved workers through trade. Blackburn estimates that the million enslaved workers worked between 2,500 and 3,000 hours a year.[84] Thus, over a century and a half ending in 1800, they expended around two and a half *billion* hours of uncompensated labor. Enslaved workers on the American mainland may have accounted for a fifth of this total while those in the British Caribbean, about a third. Blackburn also estimates the value of one worker's annual output at £18, or £18,000,000 per year for the total product of New World enslaved workers. All English plantations over a 150-year period might have produced half that amount per year; and the mainland's share of that sum would have amounted to one-fifth of the half, or, over 150 years, £288,000,000.

Slaveowners pursued their share of such sums with the utmost dedication. Morgan observes that "there was no limit to the work or time that a master could command from his slaves."[85] No wonder that English capital invested in Virginia tobacco produced a higher return than that put into English agriculture.[86] By the 1660s or so, slavery became more profitable than indentured servitude and remained that way. This extended also to comparative food rations and clothing:

> Slaves, having no say about their diets, were held to an iron ration and expected to supplement their fare by fishing, trapping, and raising kitchen gardens. ... The combined annual cost of food and clothing for slaves (£3.46) is about 40% of the servant allowance (£9) . ...[87]

Slave masters set enslaved children to work at an earlier age than in the case of servants.[88] They generally began working at tobacco between the ages of seven and ten years.[89] In the Chesapeake, in the last years of colonial existence, it was not unknown for some slaves to be called upon to work at night, presumably after a full day's work.

The colonial law of slavery was no more than what one would expect of legislatures filled with slaveholders. Theodore Allen refers to the Virginia Company and "the counter-revolution in labor relations it brought." The first African slaves were imported into Virginia in 1619. Twenty-one years later, a second avenue to slavery arose when a Virginia court subjected three fugitive indentured servants to disparate sentences; one—a black man—was sentenced to enslavement for life while the two white servants received lesser sentences.[90] In 1662, the colony's legislature dropped the English rule of descent via the father and established the principle of *partus sequitur ventrem*: whether a child was considered free or slave depended upon the mother's status. Since many of the children at issue were the children of free (white) fathers and enslaved mothers, the new rule assured slaveowners of the labor of the children for a lifetime. In neighboring Maryland between 1664 and 1692, a freeborn (white) woman who married an African-American became a slave for the duration of her husband's life. Allen comments: "Presented with such an opportunity, many Maryland owners deliberately fostered marriages of European-American women and African-American men bond-laborers in order to get the benefit of the added unpaid labor time of their descendants."[91]

Yet, free African-Americans "made contracts for work or for credit, and engaged in commercial as well as land transactions, with European-Americans, and in related court proceedings they stood on the same footing as European-Americans."[92] These distinctions in treatment under the law were based more on class than race, at least until 1676. Before then, especially in Virginia, enslaved workers and indentured servants interacted socially as near equals. As Morgan pointed out, they ran away together, stole hogs together, got drunk together, and made love together.[93] "Wealthy planters feared alliance of poor whites and slaves and discouraged them from trading goods or planning crimes together."[94] The planter elite feared such an alliance above all.

That the danger was palpable emerged in 1676 when, as part of the shifting currents of Bacon's Rebellion, enslaved workers, servants, and ex-servants entered, momentarily, a united alliance against the elite. As soon as the Rebellion was put down, the planter elite took measures to prevent any recurrence of this aspect of the uprising: "The answer to the problem, obvious if unspoken and only gradually recognized, was racism, to separate dangerous free whites from dangerous slave blacks by a screen of racial contempt."[95] Two avenues were chosen: the lot of the enslaved workers was worsened and that of the free—i.e., white worker was improved. There could be no movement across the growing gap. Morgan reports that the legislature of Virginia deliberately did what it could to foster the contempt of whites for blacks and Indians."[96] (In 1682, Indians and Africans were declared to be the only persons subject to enslavement.) Thus, racism came to America as a blend of institutional and personal hates. It did double duty politically by isolating blacks and Indians as pariahs and consolidating the white community behind the leadership of the planter elite. This became the American way of racism.

Under the reign of a racist elite oppression flourished. Slavery expanded greatly during the 18th century (see Table 2). The wealth of the already wealthy grew by leaps and bounds while the actual standard of living of enslaved workers "grew little if at all. ..."[97] Most likely, the standard of living of small white planters rose because of reductions in taxes, increased land ownership, and other privileges that were distributed by race.

Free Labor

Some full-time free wage-earners were among the earliest immigrants to Jamestown but their status was unusual and remained so for many years to come. After a half-century or so, only about one-eighth of the Euro-American labor force in Tidewater, Virginia consisted of free laborers.[98] Between the late 17th and most of the 18th centuries, free laborers grew more important even as slavery became dominant in tobacco production.[99] One reason for this trend was the growth of industries in the Chesapeake that processed agricultural products in lumbering, milling, and tanning. These pursuits "were unsuited to slave labor ... [since] they did not require constant, predictable labor."[100] Laborers could be employed only as they were needed. A number of free women also filled roles in preparing food, clothing, and other services to the enslaved workers on plantations. As ex-indentured servants found it increasingly difficult to acquire good land, they necessarily turned to wage labor. At the same time, the plantation South had few cities and thus a small number of artisans.

Northward, a different scene developed. In Pennsylvania, for example, an ample supply of landless cottagers or cotters were available. By the 1780s, "cotters and other landless workers accounted for half the population in many districts of southeastern Pennsylvania."[101] They worked on farms and were a cross between the modern sharecropper who supplied only labor and outright wage earners. The employing farmers supplied cottagers with housing, tools, and equipment. In Chester County, Pennsylvania, during the years 1750-1820, "wage laborers ... [were] the largest sector of the landless labor force. ..."[102]

In many northern farming areas, fluid class lines led to much part-time labor. In New England, farmers commonly hired out to work for short terms.[103] Rothenberg, who studied the estates of probated decedents in Middlesex County, Massachusetts during the years 1730-1838, found:

> Just over 80 percent of decedents in the sample were farmers. ... More than 40 percent had by-employments ... in as many as 22 artisan crafts and 5 professions. [104]

Jones, writing of the Colonies as a whole, observed:

> Many "gentlemen" were also farmers, and occasionally successful artisans or professionals. Some "esquires" were merchants,

officials, attorneys or, especially in the South, planters.[105]

Most artisans in Connecticut late in the colonial period also farmed. A number of farmers worked as laborers in the processing of materials they had grown.[106]

Some free laborers were employed in manufacturing where they frequently worked alongside enslaved workers or indentured servants. Until the mid-18th century, shipbuilding was Connecticut's only industry selling its product in distant markets. Late in the colonial period, shipyards employed 5 to 10 workers on the average; the New London yard employed some 25 workers.[107] Throughout rural Pennsylvania there were "processing firms and manufacturing units where "inhabitants could avail themselves of numerous non-farm employments, most of which were tied, more or less directly, to the export sector."[108]

The greatest concentration of full-time wage laborers was found in the three largest port cities: Boston, New York, and Philadelphia. Comparatively thickly settled areas were able to support many artisan shops. Most important, however, was the import and export of commodities, including enslaved laborers. While great fortunes accumulated in these cities, free laborers lived precariously. As McCusker and Menard report: "In the decades just prior to independence, the working poor in all the large cities apparently suffered a sharp deterioration in living standards, a deterioration evident in falling real wages, growing unemployment, and swelling poor taxes and relief rolls."[109] In Philadelphia, on the eve of the Revolution:

> Receiving wages insufficient to the cost of living, a large segment of ... [the] population, especially families headed by less skilled males, had little or no opportunity to amass savings or property as they grew older. They had enough to do simply to survive, and that struggle continued throughout their lives.[110]

Both in Philadelphia and Boston, according to Nash, the years after 1760 saw a serious deterioration of the lower classes' absolute standard of living.[111] Connecticut, which had no great cities, nevertheless suffered similarly. Free black laborers, once they left the status of slavery, "seldom progressed beyond the standard of living of slaves."[112]

When President George Washington visited Boston in 1789, the first year of his presidency, a great line of march greeted him. Laborers, however, were not permitted in the line of march.[113] This was characteristic of the colonies as a whole. Lemon refers to "the contempt towards ... laborers."[114] "For mechanics and other manual laborers," writes Wood, "holding high office was virtually impossible while they remained in their inferior status. ..."[115]

In both Boston and Philadelphia, many prominent men, including merchants, had risen from artisan status. This did not deny, however, the persistence of poverty among the poorest. In Chester County, adjacent to Philadelphia, there was said to be no growing class of paupers nor even such a class at all. In the decades before the Revolution, in the Chesapeake, "all who entered the poorhouse had to wear a badge with 'a large Roman P' to mark them as poor ... anyone refusing to wear such a letter could be whipped or given hard labor."[116] Indeed, an historian of American social welfare observes that "the American Revolution ... encouraged a harsh and suspicious view of the poor."[117] According to Lockridge, it was more likely in 1770 than in 1720 that an American male would receive poor relief.[118] Notes Billy Smith, "the great majority of poorer Philadelphians—many of whom were European immigrants—did not come from families who could provide them with land or other wealth when they reached maturity."[119]

Just months before the Revolution, the lower 60 percent of Americans owned nothing. (See Table 1.) The bottom third of that grouping consisted almost wholly of enslaved workers. The remaining two-thirds were made up largely of free laborers, tenants, women, and paupers. At the top of the wealth scale, one-fifth of Americans owned fully 95 percent of the colonies' wealth. Crowding into that small peak were, among others, wealthy merchants, royal officials, great landowners, and especially successful farmers and artisans. Few, if any, of the top fifth could be found among the common soldiers of the imminent Revolution. The prosperity of the chosen few impressed historians far more than did the mass poverty of the many. Most modern economists have followed this lead. In describing the distribution of wealth, they have simply omitted the landless or those without any net worth (i.e., those whose debts exceed their assets). Without exception, of course, wealthholders are wealthier than non-wealthholders. An average of the former will be far higher than an average including both categories. This is illustrated in both columns of Table 1.

Colonial free laborers had virtually no bargaining power with their employers who deployed a vast array of anti-labor stratagems. In

Georgia, which was organized in 1732, slavery was initially prohibited. (One reason for this policy was the nearness of Spanish Florida and the consequent ease of slave escape.) The absence of enslaved laborers placed a premium on free labor. As Oakes indicates:

> The ban on slavery ... raised artisan wages ... to one of the highest levels in North America. ... Indeed, the high cost of labor in Georgia was a common complaint among those who sought to introduce slavery into the colony.[120]

By 1750, slavery became legal in Georgia and the cost of labor dropped sharply. Thereafter, free labor was given rewards and privileges superior to those gained by enslaved laborers but they never regained the advantageous conditions of pre-1750 Georgia. In fact, wherever slavery took hold—North or South—the same process occurred.

Another avenue for employer domination of labor lay in English law which was, of course, in effect during some two hundred years of early American history, including the entire colonial period. As Orren writes of the English background: "Wage workers had been regulated by common law and by the customs of manors and guilds that provided rules for place and conditions of hiring, period of service and working hours, and acceptable conduct on the job, and prohibited against enticing employees to other labor."[121] Justices of the peace, both in feudal England and in the colonies, sought to enjoin disobedience of legal inferiors rather than seek to attain a just workplace.

The borders of freedom in colonial society were highly permeable. Many free laborers unable to pay their debts or court fines became debt laborers. They auctioned off their labor power to the highest bidder.

> Debt laborers had been in some localities, predominantly non-white by the late 17th century. But the "twilight area" of bondage, the "shadowland" between freedom and slavery, became predominantly the province of people of color immediately after the American Revolution.[122]

In the case of free laborers imprisoned for some law violation but too poor to pay a fine, the court conducted the bidding. Debt servants, compelled to sign an indenture for an average term of 18 months, far outnumbered debt laborers.

Some landless free laborers hoped to attain economic independence via farm tenancy but few seem to have succeeded. In western Massachusetts:

> Tenancy in seventeenth-century Springfield was often a swift route to economic hardship. ... Tenancy tended to impoverish those who were already economically vulnerable. Many become chronic debtors, and a large number lost sizable amounts of land, housing, or livestock to [their landlord John] Pynchon for their debts, thus further stratifying the society.[123]

With regard to Maryland, Shammas reports that "most tenants died in debt."[124] In Chester County, Pennsylvania, adjacent to Philadelphia, by mid-18th century, "few persons who climbed the tenurial ladder from laborer to farm tenant were able to acquire capital or credit early enough in life to buy improved land in the county and then retire their debts without help from their families or by income from a trade."[125]

By the close of the colonial period, the land of the 13 colonies was spoken for by the politically dominant aristocracy. Much of the labor was performed by unfree persons who had little to say in the realm of work, politics, community life, and, in many cases, even the family. Conquest had brought down the native peoples and enslaved workers constituted a new dependent class. The commercial elite, professionals, large landholders, and royal officials combined to garner vast accretions of wealth but little of these were shared by the vast majority of the people.

Strict class lines were the more visible for their exceptionality. Farmers did artisan work and artisans farmed, as less frequently, did merchants. Great landowners in the Hudson Valley sometimes operated manufacturing enterprises but even collectively they did not form an industrial capitalist class. The most proletarian of all working people were the enslaved workers who numbered just under half a million by the time of the Revolution.

Nature was the sole equalitarian feature of colonial life. Its bounties lay in the form of a giant commons. Timber, game animals, various minerals, fish, clean air, and water resources were available to all. The most valuable of the bounties—the land—promptly became private property. By the time of the Revolution, the top fifth of the American people owned 95 percent of the new nation's wealth.

Table 1. *Distribution of Wealth in the 13 Colonies, 1774: Two Alternative Calculations*

Share of Net Worth Held by:	*(Method 1)*	*(Method 2)*
Top 1%	28%	18%
Top 5%	63%	41%
Top 10%	80%	N.A.
Quintiles		
First	95%	74%
Second	5%	17%
Third	0	7%
Fourth	0	2%
Fifth	0	0

N.A. = not available.

Source: Carole Shammas, "A New Look at Long-Term Trends in Wealth Inequality in the United States," *American Historical Review*, 98 (April 1993), pp. 420 and 424. Method (1) is based on total adult population including unfree adults and free adult females. Method (2) is based on free adult men and unmarried women. Net worth is assets minus liabilities.

Table 2. BLACKS AS PERCENT OF TOTAL POPULATION BY REGION 1630-1780

New England		Middle Colonies		Upper South		Lower South		British Caribbean	
Year	%	*Year*	%	*Year*	%	*Year*	%	*Year*	%
1640	1.5	1640	10.5	1630	4.0	1670	5.3	1650	25.4
1660	1.8	1660	10.9	1650	2.4	1690	18.6	1670	54.2
1680	0.7	1680	10.1	1670	6.1	1710	35.1	1690	72.6
1700	1.8	1700	6.9	1690	9.7	1730	76.5	1710	83.1
1720	2.3	1720	10.5	1710	18.1	1750	72.6	1730	85.7
1740	2.9	1740	7.5	1730	23.7	1770	82.0	1750	89.4
1760	2.8	1760	6.8	1750	39.9	1780	70.2	1770	90.6
1780	2.0	1780	5.9	1770	38.7			1780	91.1
				1780	38.6				

New England: Massachusetts, Connecticut, Rhode Island, New Hampshire. *Middle Colonies*: New York, New Jersey, Pennsylvania, and Delaware. *Upper South*: Maryland and Virginia. *Lower South*: North Carolina, South Carolina, and Georgia. *British Caribbean*: Barbados, Jamaica, and others. Source: John J. McCusker and Russell R. Menard, *The Economy of British America, 1607-1789* (University of North Carolina Press, 1985), pp. 103-136, 154, 172, and 203. On the whole, some 96 percent of all blacks were slaves by the eve of the Revolution.

SUMMARY

The formerly Indian-owned land served as capital in colonial America. Land-ownership was highly concentrated and became the basis for wealthy domination of political office. Two years before the Declaration of Independence there was almost no more privately-owned land available for purchase. Wealth inequality grew throughout the colonies.

Indentured servants were semi-slaves, subject to sale, had few civil rights, and were the largest exploited class in colonial America during the 17th Century. Perhaps one-fifth ultimately became landowners. Between 1650 and 1750 enslaved workers replaced servants in much of the South where they produced tobacco, rice, and indigo. Slavery was far more profitable than indentured servitude. Virginia planters feared possible alliances between enslaved workers and indentured servants and encouraged the contempt of whites for blacks and Indians. The rule of racism favored the further wealth of planters.

Free laborers were most numerous in Boston, New York, and Philadelphia where they lived precariously. Many were part-time artisans and part-time farmers and thus not completely proletarianized. Their standard of living suffered during the years after 1760. Free poor persons met with the contempt of the larger society. The lower 60 percent of American adults possessed no wealth of commercial value on the eve of the Revolution. Many of the poorest laborers were frequently forced into debt servitude.

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Chapter 4

TWO WORKING CLASSES, 1790-1865

At the outbreak of the Revolution in 1775, America was already a slave society. On the eve of the Civil War, eighty-six years later, the United States had become one of the leading slave powers in world history.

In 1860, the market value of all enslaved workers in the United States was slightly over three billion dollars.[1] The return on investment was greater than that of any alternative field.[2] Apart from direct exploitation of enslaved workers, "slave trading was one of the planters' most profitable and widely practiced enterprises."[3] Between 1802 and 1860, the value of crops produced by a slave rose from $14.68 to $101.09.[4] To raise the productivity of enslaved workers, especially on larger plantations, the gang system was used "to speed up the pace of labor, to increase its intensity per hour."[5] Violence against the enslaved workers was another means of promoting productivity or discipline. Slavery became "a relationship that ultimately rested on the whip."[6] As Oakes writes: "In theory, whipping was a last resort; in practice, it was the disciplinary centerpiece of plantation slavery."[7]

Cotton brought great prosperity to the slaveowners of the South. In fact, writes Fogel, "the South was more prosperous than France, Germany, Denmark, or any of the countries of Europe except England."[8] It is no wonder, since the enslaved workers' share was pressed to an irreducible minimum. During the last decade before the Civil War, a largely prosperous period, "if anything, slavery became more oppressive. ..."[9] Robert Margo declares that "there is no evidence that slaves shared in pre-Civil War southern economic growth."[10]

During the 70 years after 1790, cotton planters drove some 835,000 enslaved workers into new cotton areas of the then-Southwest (Alabama to Texas).[11] This great boon to cotton profits was a disaster for the enslaved workers. According to Charles Sellers, some 600,000 slave families were destroyed by this movement during 1820-1860.[12] Younger men, especially, were shifted westward with the customary disregard for the family unit. At the same time, many Indian people were compelled to move westward into present-day Oklahoma and elsewhere. This pattern of wealthy profit and worker deprivation permeated the society, including, for example, education. Planters' sons attended Yale College in the U.S. or universities in England while their fathers passed laws in southern state legislatures making it illegal to teach enslaved workers to read or write.[13]

Cotton exports were of critical national importance during the years 1815-1843. Foreign exchange poured into the United States and financed the import of machinery and other manufactured goods. In the years after 1843, American exports of manufactured goods and grains lessened the relative importance of cotton exports. Meanwhile, however, cotton production continued to stimulate various industries in the United States. Referring to the northern center of shoe manufacture in Lynn, Massachusetts, Paul Faler observes that "many a fortune was made in the Southern trade during the years before the Civil War."[14] The flow of cotton northwards and then overseas stimulated the development of financial and shipping services that could not be provided by southern firms.[15]

Those who gained most from the cotton boom were the more than 45,000 planters who in 1860 owned 20 or more slaves and thus were regarded as "very rich."[16] Persons in this ranking were in the top five percent of white families in the South.[17] During the 1850s, "the real wealth of the typical gang-system planter increased by 70 percent."[18] The right to extract such enormous profits from the labor of enslaved workers lay at the core of what planters regarded as a sacred property right. Less than a year before the Civil War, President James Buchanan, Abraham Lincoln's predecessor, referred to the ownership of human beings as deserving to be protected "precisely in the same manner with any other property."[19]

Enslaved workers labored in mining, manufacturing, crafts, and on canals and railroads. Around 1820, in the present West Virginia, rented enslaved workers worked along with Englishmen and Welshmen.[20] In the eastern part of Virginia, most ironworkers were enslaved laborers. At the Tredegar Iron Works in Richmond about half the work force was made up of enslaved workers. Seventeen pig-iron establishments in Tennessee were staffed with about 1,000 enslaved workers.[21] Bradford notes that "at the furnaces and forges slaves... did everything but manage the establishments. ..."[22] "The elite among them," he continues, "were the refiners, molders, and blacksmiths, and because a skilled slave was as valuable as two ordinary hands, many ironmasters owned a few skilled [enslaved] workers."[23]

Early on, when railroads were first built, planters frequently invested in the enterprises by contributing the labor of enslaved workers who worked on the roadbed.[24] As time went on, they became more important. As Licht points out:

> In the antebellum period, hired slaves formed the backbone of the South's railway labor force of track repairmen, station helpers, brakemen, firemen, and sometimes even enginemen. The southern railroads ... faced strong competition for slave labor from the agricultural sector. As a result, southern rail companies were forced in many cases to purchase slaves directly and provide for their upkeep.[25]

By 1860, the Nashville, Chattanooga, and St. Louis railroad had spent $128,773.29 for enslaved workers.[26] (After the Civil War, when racial segregation of the work force was brought about by the railway unions, free blacks were denied access to some of the same jobs they had worked while enslaved.) Throughout Southern Appalachia "trained slaves ... operated boats to inland regional markets, like Richmond, Lynchburg, Augusta, Savannah, or Columbia."[27]

In one degree or another, all slave law was commercial law since the enslaved worker was highly valued property who frequently entered into commercial transactions. Principles derived from the sale, purchase, and other exchanges of farm animals were applied to transactions involving enslaved workers. Even when an enslaved worker was tried for murder and found guilty, his or her punishment did not end the matter. In Virginia, between 1705 and 1865 for example, a master was compensated by the state when his or her enslaved worker was executed.[28] The master's property right was recognized even after the "property" no longer existed. The solicitous Virginia state legislature chartered an insurance company in 1835 to insure masters against loss due to an escaped enslaved worker.[29]

Southern courts and legislatures regularly afforded slave masters consumer protection in their purchases of enslaved workers. As Schafer observes: "Slaves ... legally were considered defective merchandise in a sale if they were diseased."[30] An enslaved worker who was an habitual runaway was found to have a "vice of character" and the sale was void.[31] In 1853, Jacob, an enslaved worker , was found by a court to have escaped "without provocation."[32]

(Apparently, simply being enslaved was not provocation enough.) In South Carolina half the state's sales of enslaved workers were conducted by courts; most frequently, such sales arose from credit transactions masters had entered into with enslaved workers serving as collateral.[33] In Georgia, a purchaser complained to a court that an enslaved worker's children were unsound because their mother had been found to be tubercular; the court, however, held that since they were born before their mother contracted tuberculosis they had been born of sound condition.[34]

Wahl, who reviewed 10,989 cases regarding slavery, concluded that "all the appellate court cases involving slave sales show ... that judges typically came to verdicts that facilitated the smooth operation of the domestic slave trade and, thus, the institution of slavery itself."[35] Not only were all southern judges defenders of slavery; many were themselves slave masters.[36] Magistrates of Kentucky county courts were far more frequently slaveowners than were the general population.[37] Fogel sums up the matter with concision: "The power of the masters arose from the fact that the state invested them with virtually unconstrained authority to deal with slaves and provided the judicial backing and physical force required by that authority."[38] Slave criminal law also reflected the same relationship.[39]

During the Civil War, the production of cotton fell sharply, from 4,500,000 bales in 1861 to 300,000 bales in 1864; prices rose significantly during 1860-1861 to 1864-1865, from 13 cents a pound to over 83 cents.[40] Well-to-do planters were easily able to purchase a substitute to serve in their place in the Confederate army and overseers on plantations with twenty or more enslaved workers were exempt altogether from military service. Enslaved workers were not subject to the draft. While some of the wartime cotton output was sold, much of it was secreted away, held for sale after the war. Both governments looked the other way when cotton was traded over the lines since it was a necessary element in much war production. These planters as well as many of the larger-scale merchants in the South at war's end "could command the cash and credit needed for economic reconstruction."[41] Meanwhile, the southern ruling class successfully pursued its economic interests, despite presiding over a losing war. When the Confederate government pressed planters to switch to food production, the planters refused. They did likewise when urged to lend or hire out their enslaved workers to relieve labor shortages.[42] Koistinen characterizes the southern ruling class as follows:

> Its cotton, its slaves, and its privileges appeared more important than the survival of the society to which it was dedicated. ... The failure of leadership ... was that of an entire ruling class, not just of the president leading the region during its most critical ordeal.[43]

Enslaved workers viewed this scene with hope.

To enslaved workers, the armed conflict was not truly a *civil* war since blacks were found on only one of the two sides. Wholesale flight from plantations was their first opening to freedom, especially in parts of the South where Union army troops could be found. Enslaved workers generally fought for the Union side, and did not encounter relatives who fought for the Confederates. They were not concerned with maintaining the Union, however, since they had never been part of it. Liberation was their only concern, and warfare against the slave masters was the opportunity of a lifetime.

"By the fall of 1862" — barely a year after war's outbreak — "the Union war effort rested in large measure upon the labor of former slaves."[44] They worked as soldiers, laborers, and workers on Union-government-occupied plantations. On the latter they rejected any practices that smacked of slavery. "When black men and women accepted employment on plantations, they demanded not only wages but also control over the pace of work, access to land and other resources for independent production, and recognition of their right to keep poultry and hogs."[45] As a result they were able to lessen their dependence on wages by selling eggs and other products. Unlike many northern abolitionists who seemed to adore the transition from slavery to wages, most newly-freed blacks preferred economic independence in the form of land ownership. They were, after all, well-acquainted with the meager opportunities offered free blacks before the war. Most important, they experienced serious discrimination during the war years while in the employ of federal and private employers. At the same time, free workers proved able to use the physical presence of Union troops to strengthen their bargaining power vis-à-vis their old masters. Many were attracted to armed service: "Eventually, 57 percent of Kentucky's black men of military age served in the army, as did 39 percent of those in Missouri and in Tennessee and 28 percent of those in Maryland."[46]

Here and there, new workers obtained land and entered peacetime on favorable terms. Many more, however, were compelled to take their chances. A year before war's end, abolitionist leader Wendell Phillips told the American Anti-Slavery Society: "If I was a negro and a slave, I should pray God that this war might last twenty years. ..."[47] Five months later, he told a similar audience in Boston: "War, war, forever, oh God! Until this nation acknowledges the manhood of the Negro!"[48] Five months of peacetime, however, proved that Phillips's fears were well-founded. All too many federal policies demonstrated the unreadiness of government to use its full powers on behalf of economic justice for the freedman. In September 1865, abolitionist leader Gerrit Smith wrote to Phillips and William Lloyd Garrison. Referring to slavery, Smith declared:

> Some of its technicalities may disappear; but its substance will all remain. A peonage, or serfdom, or some other form of bondage ... is to be the condition of that people. ...[49]

Garrison's publication of this somber letter in the early days of Reconstruction was an effort to underscore the urgency of a solution to the economic plight of the freed people.

Free Labor

Between 1790 and 1860, the United States developed its first capitalist industry — textile manufacture. At the same time, a full-scale working class was formed. Neither development was seriously slowed by the existence of enslavement. On the eve of the Civil War, neither among the bourgeoisie nor the free working class could there be heard urgent calls for an end to slavery. Enslaved workers were the only sizable social group in the country that favored the immediate and complete abolition of slavery.

Aside from farming and artisan work, little in early America was produced for sale. As Degler reminds us: "The census of 1810 reported that the value of cloth manufactured in the home was ten times greater than that produced outside the home."[50] During the War of 1812, however, commercial production, both inside and outside the home, increased significantly. Household manufacture, the dominant form in 1815, thrived so long as transport difficulties precluded any wider market than the home or neighborhood. (In 1813, a magazine hailed the feat by a 3-horse "waggon", loaded with $3,000 worth of merchandise, of traveling from Boston to Philadelphia in only two weeks.)[51] Basically, the household system of production was in part simply an expression of the subsistence economy: family workers made goods for their own use or at times for general sale. But the form also lent itself to a kind of quasi-capitalist system. Under this system the worker still owned his own tools while a merchant provided raw materials and sold the finished product. By 1825, a growing class of "outworkers", as they came to be known, were in evidence in a number of towns.

For the most part, the earlier outworkers tended to be part-time workers, fitting sparse commercial production into slack times of farm work. In industries such as shoe manufacturing, however, outworkers seemed to become full-time fixtures. In 1845, there were shoe outworkers on the Penobscot Indian reservation in Maine.[52] Shoe manufacturers "used the cheaper labor of the outworker in the countryside to keep down the wages of the Lynn shoemakers."[53] The continuing availability of outworkers was another aspect of the fact that "in 1850 ... [part-time farmers] constituted at least one-fourth or perhaps half, of all farms in the older settled areas."[54]

Simultaneously with outworking, a first large step towards modern factories was the creation of "manufactories", that is, centralized work places operated by artisans who labored without any power source other than the human hand wielding manipulable tools. The buildings in which manufactories were located in early days tended to be "sheds and barns that had been recently converted from agricultural uses."[55] Probably most manufactories were situated in towns and cities since this was where artisans were concentrated. Despite the absence of machines in these relatively large shops, productivity rose over that achieved in the older-style individual-artisan shop.[56] The division of labor was extended in the manufactory and the pace of labor intensified. Very likely unskilled workers were needed to move about the comparatively heavy raw materials and goods in process.

The earliest factories emerged late in the 18th century when water power was made available for productive purposes. By the War of 1812, the countryside in New England was punctuated by many of these operating units. Location of the water source was a paramount consideration and so most of these new factories were necessarily to be found in rural areas. The factory quickly replaced many putting-out operations as it facilitated employer control of production. All the raw materials could be centralized in one place; close supervision of workers resulted in a more uniform quality of product; the availability of greatly heightened power made it all the easier to push the pace of work (speed-up) and increase the number of operations a single worker must perform (stretch-out).

It was not until the late 1840s and the 1850s, however, that the factory system began to be the norm in American industry. This development was crucially facilitated by the use of the steam engine which freed industry from its rural water-power moorings. The new power source was completely mobile and factories could now be located in cities and towns with a labor force and customers nearby. In conjunction with newly-built railroads, frozen waterways, an historic impediment to long-distance shipments, were no longer to be feared. Industrial production could be a year-round activity. The market for manufactured goods expanded as transportation improved.

Leaders in factory production by 1850 were the flour, cotton, textiles, and lumber industries.[57] By 1860, 41 percent of the national labor force worked outside agriculture.[58] Just 20 years earlier, most workers in manufacturing jobs had been employed "in shop and mill establishments, not 'factories'."[59] The proportion of the labor force employed in agriculture dropped sharply in the industrializing state of Massachusetts, as follows:[60]

1820	57.5	1855	13.7
1840	40.2	1860	13.8
1850	15.3	1865	13.3

The Census of 1860 showed a great stream of farm workers leaving the farms for industrial jobs in the cities of Massachusetts: "Net immigration from the five other New England states and New York was of the same order of magnitude as that from Ireland."[61]

Women were an indispensable part of the manufacturing labor force in antebellum times. In the early 1830s, two of every five workers in manufacturing of the Northeast were women.[62] In cotton textile mills of the Northeast around 1832, over four of five workers were women or children. Women workers in that region were paid only 40 percent of men's wages.[63] It is thus not difficult to understand why, "despite protective tariffs and transport cost differentials, American textile manufacturing was not price-competitive with British imports until women and children had entered American textile factories."[64] American adaptations of British textile machinery facilitated the employment of women and children.

Owners and managers in the textile industry did not hesitate to press their workers for increased output. As Dublin reports:

> Between 1840 and 1854 the workload of spinners and weavers at the Hamilton Company ... more than doubled. The average number of

> spindles per operative in the spinning department rose from 129 to 294, while the number of looms per weaver increased from 1.3 to 2.9. Over the same period, wages remained basically unchanged.[65]

Another study of four mills in Waltham-Lowell found that "output per worker rose by almost 49 percent between 1836 and 1850, while daily wages increased only 4 percent."[66] In 1850, General C.T. James, a prominent engineer and specialist in the construction of textile factories, reported that while since 1835 textile workers produced more, "they derive no advantage from it, and their wages, as a general thing, are not enhanced by it."[67] Freeman Hunt, statistician and editor, calculated that in the decade 1840-1850 output per worker in Lowell textile plants had increased 30 percent.[68] General James also noted that during 1835-1850 the cost of living for factory workers had not been materially reduced. An economist a century later found that daily wages of cotton textile workers during 1832-1850 had risen by one cent.[69] Shoe workers in Lynn, Massachusetts experienced deterioration of employment conditions between 1830 and 1860.[70] Their machine-led work routines left many of them with an ill-defined sense of prolonged fatigue.[71]

Immigration

During the late 1840s and the 1850s, immigrants came in large numbers from Ireland, Germany, and England. The Irish were poorest and fared least favorably in the job market, but "the dominant tendency among new arrivals was downward occupational mobility."[72] Within a decade or so, the Germans and English made greater vocational advances. Recruiting of immigrant workers by employers was centralized in New York where a state employment agency contacted employers seeking unskilled laborers. In time, branch offices of the agency were established in seven states. Immigrant remittances back home continued apace. During 1853-1854 alone, Irish immigrants sent $21.7 million, a goodly part of which paid for their families' later steamship tickets to America.[73] The average wealth possessed by the immigrants was quite modest. Among Germans who settled in Michigan, for example, the average holding was from $90 to $150.[74] This was the high group of all three. "The Irish who arrived as laborers," writes Ferrie, "had a one-in-three chance of moving up upon arrival, while those odds improved only to three-in-eight ten years after arrival."[75] On the other hand, "two-thirds of the British laborers and three-quarters of the German laborers

... had left the laboring class by 1860."[76] Fogel points out that by the late 1840s, "large factories began substituting the relatively cheap labor of foreign-born workers for that of native-born workers, which led to substantial reductions in unit labor costs and to increases in profits—developments that fueled the rapid expansion of manufacturing during 1844-1854."[77] In Lowell, Massachusetts, for example, the percent of the work force at the Hamilton Manufacturing Company represented by Irish immigrants rose as follows:

1836	3.7%
1850	38.6%
1860	61.8%[78]

Male Irish workers were so poor that they began accepting factory jobs even though the wage levels were established for lower-paid women.

The availability of so many poor immigrants gave employers a much enhanced bargaining position in relation to labor. As Wright has written about the Lyman textile mills in Massachusetts:

> During a labor shortage in 1852, a recruiter was dispatched to Glasgow, [Scotland] returning with 67 women for whom the company advanced the passage money; funds for shoes, dry goods, postage, board, and cash were also advanced. High turnover plagued the firm, but rather than raise wages the company's response repeatedly was to send more recruiters, who always filled their quotas. It is not difficult to see why wages did not rise during the 1850s since firms were actively using immigrants as a "reserve army" whenever vacancies occurred.[79]

Indeed, U.S. employers were among the prime beneficiaries of the knowledge and skills possessed by their immigrant employees which employers did not have to purchase or support. As Uselding puts it: "It is not too far off the mark to state that the single year estimates of human capital flows to the U.S. in current prices of the year of immigration are from one-half to three-fourths the order of magnitude of single year estimates of total gross physical capital formation over the period 1839-1859."[80]

By no means, however, did the poor of other countries have a standing invitation to come to the United States. During the economic depression that began in 1819, editor Hezekiah Niles addressed the issue of limiting further immigration of poor Irishmen:

> We much doubt whether the accession of such a population is at this time desirable, seeing that there is a real want of profitable employment for our own people - but we would not shut the door against the oppressed. Let them come and share with us.[81]

Niles's sense of generosity was not widely shared. In fact, American government officials feared that European countries were deliberately ridding themselves of the poorest of their people. Formal diplomatic protests were made. State governments entered the fray. In 1820, Massachusetts passed a law requiring masters of vessels to deposit a security payment to cover passengers who later became paupers.[82] This measure was not aimed solely at immigrants but at all paupers. The Articles of Confederation (1781-1788) had guaranteed all citizens the right to travel from one colony to another, but excepted paupers. Neuman observes that while the Constitution does not mention the right to travel between the states, "the courts continued to assume that paupers had no right to travel."[83]

Pauperdom

In 1850 fewer than one-half of all white males aged 20 years or over owned some land. In a country where land was the principal form of capital and the most widely owned means of production, being landless meant owning little of commercial value at all. Soltow emphasizes that in 1850 public land was selling for $1.25 an acre; yet, so many owned none.[84] He points to the role of urbanization: "Two-thirds of the poor lived in cities, three-sevenths of the poor were foreign-born, and half of the urban poor were foreign born."[85] The propertyless had almost no alternative but to seek work in the expanding industrial sectors of the economy. In a report to a Massachusetts official body in 1833, Joseph Tuckerman described the pauper situation in the sixty-eight towns of the state he had visited. Nearly five percent of the towns' 264,327 population were being supported by Overseers of the Poor. The total aided was 12,331 which were divided as follows: 6,063 were from the towns visited and 5,967 from other states or countries; many of the latter were located in Boston.[86] (It should be noted that Tuckerman's survey occurred in a period of upswing of the business cycle.)

The amount of relief for paupers was exceedingly slim. In 1830, for example, the amount in Philadelphia was under forty-seven cents a week.[87] Sellers writes that "many of the landless poor simply drifted from town to town, never finding a stable maintenance."[88] In New

York, "the period from the 1820s through the 1850s," according to Joan Hannon, "stands out as a period of perhaps unique stinginess in the public relief system."[89] Measured by the amount of relief in relation to the average common labor wage in New York City between 1800 and 1823, the percentages ranged from 20% to 27%.[90] In 1823, when the New York City figure was almost 16%, the percentages in the following places were:

South Salem	9.88%
New Windsor	25.82%
Troy	14.37%

During these years, of course, industrialization was growing rapidly in the Northeast.

At the same time, thousands of Americans and Europeans moved west to establish farms. Very few of these, however, were paupers. Whether the target area was forested or grassland, clearing it and completing it as a fully productive farm took typical settlers about five years.[91] Danhof estimates that during the 1850s about $1,000 in capital would be needed.[92] For many fully employed factory workers, let alone paupers, such a sum was completely out of reach. (Here and there, exceptions could be found.[93]) Farm-making required a family labor force of wife, husband, and working-age children. Indispensable also were experience and knowledge about farming that extended beyond garden-keeping. Especially during the years of more commercialized agriculture during the 1840s-1860s, capital requirements were high and rising. Credit was scarce on the commercial frontier, particularly for impecunious settlers without collateral. For shoe workers in Lynn, Massachusetts, whose real wages declined during 1830-1860, the ancient prospect of setting aside life savings as a "competency" for retirement "was becoming impossible."[94]

Labor Movement

Free workers were free to work for wages, with the accompanying expectation that they would be discharged when they were no longer needed. Their relations with employers were regulated by a body of statutes, court rulings, and traditional practices that originated in the economic interest of employers. Peculiarly, this body of law was known as "labor law" although it was clearly "employer law." Labor was the target of the restrictions and obligations imposed in law, with employers the beneficiaries. As industrialization proceeded, employer power became increasingly dominant in the society as a whole and was written into law. Early in the nineteenth century, American courts applied a British legal doctrine to the U.S. and held that workers combining for common economic purpose constituted an illegal conspiracy. During the same period, however, employers were free to combine in defense of their own economic interests. In the 1830s, leather dealers in Newark combined with their colleagues in New York City and Brooklyn, drew up a blacklist of striking workers, and advertised for strikebreakers from the country at large.[95] In 1854, the first blacklist of striking workers was circulated by the Erie Railroad; a year later a group of railroads contracted with a private detective agency to spy on the roads' workers.[96] (During the winter of 1850-1851 railroad managers and directors in New England met to regulate competition on passenger and freight rates; they published the proceedings, so they clearly did not have to worry about the act of combining for common economic purpose.[97])

Strikebreaking was widespread in antebellum times. In the large textile mills of New England, the decade before the Civil War saw several strikes. In 1852, in Amesbury and Salisbury, Massachusetts, employers brought in Irish strikebreakers against Yankee women. Seven years later, management used Yankee strikebreakers against a strike by Irish women.[98] As pointed out in Chapter 1, manipulation of racial and ethnic differences inured to the economic advantage of employers however it might injure the larger society. In the South, police were called upon to break strikes, often by Irish laborers.[99] The great shoemakers' strike of 1860, put down by the use of police from Boston and South Danvers, occurred in plants stretching from Lynn nearly to Worcester, Massachusetts. When, in 1843, a bitter armed struggle broke out between Irish weavers and their Irish employers, three militia companies were called in; a barely tolerable wage agreement followed "which left hundreds of families living on less than three dollars a week."[100] In all of these instances employers combined their policies without objection by legal authorities. Employer combination not only operated in strike situations but, more significantly, in normal, everyday business affairs. Writing of the giant textile plants in Lowell, Dublin states: "They made repeated efforts to ensure that various establishments did not compete with one another in wages or working conditions."[101]

In fourteenth-century England, Parliament passed Statutes of Labourers (1349 and 1351) which compelled laborers and servants to seek work whether they wished it or not and circumscribed their freedom in many significant respects. Almost three centuries later (1644), in the English jurist Sir Edward Coke's *Third Institute*, it was laid down that "an insurrection against the Statute of Labourers for the enhancing of salaries and wages, was a levying of war against the King."[102] Commenting on this principle, Thomas Morris writes:

> Class struggles and insurrection were linked in English legal thought. ... Insurrection by workers to raise wages against the king ... was high treason, insurrection was a form of high treason.[103]

During the first half of the nineteenth century, U.S. labor law still reflected the royal command for obedience and the penalty to be suffered by challenging it. Class struggles waged by workers were still regarded as improper challenges by inferiors to the social order. At the same time, American courts began to depart from the ancient terminology and adopted the language of contracts entered into by equals such as employers and employees. But a mere glance at the realities of the workplace of antebellum industry showed all too clearly that the balance of power by far weighed in favor of the employer class.[104] Nevertheless, the reality of unequal power relations was ignored while courts, especially, continued to rule against combinations of workers.

Bondage of the Free

The shadow of slavery was cast over both free blacks and whites in the South. Free blacks lived a precarious existence. Manumission—freeing of individual slaves by masters—was rare in the American South and did not bear out the bounty it first suggested: "Manumission did not involve citizenship or any rights of freedom—it just released him or her from master's dominion."[105] (The great German poet Heinrich Heine, who in the 1830s was casting about for a new homeland, momentarily considered going to America but was put off by the hypocrisy of a "freedom" for the free Negro which he regarded as little more than slavery.[106]) Although technically free, Negroes in Maryland who were not enslaved could nevertheless be sold for specific periods of time if they were unlucky enough to be convicts in overcrowded prisons.[107] Free black Marylanders who were not working for whites and thus were classed as "vagrants" could be bound out or sold for renewable terms.[108]

Poor whites in the South could also be subjected to legal bondage, although less severely so. White vagrants who were guilty of bastardy or were absconding seamen could be sentenced to compulsory labor.[109] In South Carolina, according to Richard Morris:

> The position of white labor ... steadily deteriorated in the antebellum period. As labor controls [over enslaved workers] tightened, many white workers suffered in fact a loss of their freedom of occupational choice and their mobility, and suffered at law a denial of their right to take concerted action. ...[110]

Compulsory road service was the lot of the poor; wealthy whites were exempted. In Delaware, a slave state, peonage was widespread. This system of compulsory labor service to discharge a debt had begun in the colonial years. Both black and white children in antebellum years were subjected to "disguised indentured servitude"[111] under color of an apprenticeship agreement. When the Civil War ended, compulsory servitude for free Negro convicts in Delaware was still in effect.

American Indians were also subjected to legal bondage just short of slavery. In Southern California, after the secularization of the Mexican religious missions in the 1830s, most of the Indian workers became employees of private owners of mission lands. When California became a state, the ranches continued to operate, increasingly under American ownership. Indians were compelled to be employed and when seeking a new job had to show a pass book filled out by their last employer. Indians were treated with the utmost contempt. During the 1850s in Los Angeles County, "bodies of dead, usually murdered and mutilated, Indians were a common sight in the streets."[112] Sufficient numbers of Indians remained alive, however, to produce large quantities of farm products: "In 1859 approximately 300,000 pounds of grapes and 150,000 gallons of wine, valued at $36,641 and $113,180 respectively, were exported."[113] During the 1850s, vintners could bid for Indian convict labor for terms of up to four months. Phillips, the historian of these events, comments sardonically: "Since forced labor was cheaper than free, it was in the best, albeit short-term, interests of the growers to see that there were always Indians available for auction."[114]

Racial-Ethnic Conflicts

In the South, the increasing use of rented (hired) enslaved workers constituted a major grievance of free white labor.[115] Regarding enslaved labor as direct competition, the white laborers opposed not only slavery but the slaves as well. A deep personal racial hatred developed among the white laborers even though it was clear to all that the enslaved workers had little or no control over their work assignments. Instead of focusing their opposition on the slave masters, white laborers blamed enslaved workers. The southern ruling class, eager to demonstrate to the white lower classes their superior status over enslaved workers without, however, actually ceding high-cost concessions, conserved the system of racism however they could manage. Indeed, at times this proved most difficult. For example, many of the white laborers in towns and cities were immigrants who did not respect the "niceties" of racial relations in the South.[116] During wartime, foreign iron workers at the Confederacy's large iron works in Selma, Alabama left their jobs thus substantiating a common impression that immigrant workers did not identify with the Southern cause.[117]

In the North, during the 1850s few free Negroes were found among the Abolitionist leadership. Nevertheless, reports Sellers, "everywhere mechanics were the most numerous signers of abolitionist petitions."[118] Most politically active northern workers identified with the Free Soil demand for exclusion of slavery from western territories thus reserving for themselves ultimately free land as well as indulging their racist sentiments toward African-Americans. In industrial cities like Lynn, not a single free black worked as a cordwainer (shoemaker). In the city as a whole anti-black racism was rife.

Blacks in the North faced severe discrimination in employment. To help remedy this, abolitionists put forward proposals for affirmative action. Thus, in 1838, at the annual meeting of the Middlesex County Anti-Slavery Society, a resolution was adopted: "Resolved, that it is the duty of abolitionists to give encouragement to colored youths in obtaining knowledge of trades and professions, in preference to the whites."[119] Yet, a quarter-century later, in the middle of the Civil War, Frederick Douglass declared:

> Our children are not admitted to be apprentices, clerks, journeymen, and they grow up without ambition or aspiration. There is much prejudice and injustice against us yet remaining.[120]

In 1842, a report from Philadelphia spoke of rising prospects among the city's blacks:

> Eight years ago, there were only two colored tailors . ... Now there are thirty or forty, and many of them are first-rate workmen. So of carpenters, blacksmiths, shoemakers, etc. the same might be said.[121]

By 1860, the picture had changed: A black man "is a hotel-waiter, a vendor of peanuts and cakes, or a mere beast of burden."[122] In 1848, Douglass announced: "In the Northern States, we are not slaves to individuals, not personal slaves, yet in many respects we are the slaves of the community."[123]

Neither the war nor war's end changed the economic expectations of blacks in the North. The repeated failure of the Union government to divide the plantations among former enslaved workers portended great failures to come. As the black author and abolitionist William Wells Brown stated several months after the close of the Civil War: "The prospect is, that the black man is to be ground to powder .... We have been fighting for almost nothing."[124] This was declared at a July 4 celebration in Framingham, Massachusetts.

By 1860, two working classes co-existed in the United States. One was overwhelmingly white, located primarily in the North and West, the other overwhelmingly black and enslaved, and concentrated in the South. Typically, workplaces were racially segregated. Where they were not segregated, whites generally occupied the skilled positions. Employers manipulated the racial composition of workplaces, especially when workers organized or engaged in strikes: if whites struck, employers threatened to employ blacks in their stead and if blacks struck, whites became the threatened replacements. Free blacks were viewed by most white workers as blacks rather than fellow-workers. Enslaved workers were seen as blacks and as mere appendages of slave-masters. No evidence has been discovered to suggest that organized white workers ever threatened employers with developing a bi-racial movement with enslaved workers for better working standards and conditions.

American racism was nearly two centuries old by the time of the Civil War. One of its foundation stones was the provision that the least white was socially ranked above the most successful black person. The Virginia planters who had installed this system in the 1680s and afterward did not intend to equalize the condition of all whites, including themselves. Instead, they succeeded in distracting the attention of poorer whites from the oppressive conditions under which they lived and worked. However slight the privileges they won, poorer whites learned to value them highly and congratulate themselves on their superior status over the blacks. Writ large, racism became a system whereby American workers could seek extremely limited economic and political objectives which their employers might grant.

It also denied white workers the added strength cooperation with blacks would have brought. Thus, racism immensely empowered the developing capitalist class by assuring it a weak and disunited labor force. No other capitalist class in the modern world had this great an advantage over its workers.

Industrialization proceeded rapidly once it set in motion. By 1830, the United States was the sixth largest industrial producer in the world; forty years later, one-third of the U.S. labor force worked in manufacturing. All this was accomplished with a minimum of worker participation and a virtual absence of union organization. As a result, workers, who bore the heaviest burdens of industrialization, saw significant sectors of their living standards fall as did the already-heavily burdened enslaved worker from indirect effects of industrialization. (See Chapter 6 for a further discussion of standards of living before the Civil War.)

SUMMARY

On the eve of the Civil War two working classes had developed: one African American and enslaved, the other white and free. In addition a smaller number of blacks were also free workers.

Enslaved workers labored in mining, manufacturing, crafts, and on canals and railroads besides agriculture. As consumers of slave labor, planters were protected from being defrauded by the purchase of "defective merchandise", such as enslaved workers who escaped. During the Civil War, planters resisted Confederate attempts to use enslaved workers in war duties. Escapes to nearby Union army ranks were common.

Textile manufacture was the country's first capitalist industry and its workers were drawn overwhelmingly from the free white working class. At first, many were part-time workers but over time they became full-time workers. By the 1840s and 1850s steam-engine-powered factories, located in population centers, were becoming the rule. During the 1840s, the proportion of the Massachusetts labor force employed in agriculture dropped sharply, from 40.2 percent to 15.3 percent. Women workers in the factories of the Northeast received only 40 percent of wages paid male workers. Women and men alike were subjected to speed-up and stretch-out with almost no benefit to their wages or working conditions. During these same years, the percentage of factory workers who were immigrants from Ireland rose very rapidly.

The rise of poverty during the years of industrial expansion enlarged the supply of factory workers. Very few paupers could afford to move to the West to become landowning farmers. Increasingly, among workers in skilled crafts as well as occasionally among factory workers, unions were formed. Employers resorted to strike-breaking, private detective agencies, and blacklisting to oppose worker efforts to organize. In the South, free laborers were subjected to severe limitations on their capacity to engage in unionization and labor protest. American Indians were treated as degraded labor. Free black labor in the North was not exempt from discrimination. To some extent, Abolitionists spoke out in favor of equal job opportunities for free blacks. Racism also was a vital force in the North

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Chapter 5

RISE OF THE CAPITALIST CLASS, 1790-1865

During the colonial economy, a capitalist class had yet to come into existence. Here and there, workers were employed by individuals not numerous enough to form even an interest group, let alone a class. During the three-quarters of a century covered by this chapter, scattered businesses began to associate into more basic social formations. By 1865, fully one-third of the national income flowed from capitalist enterprises, mostly manufacturing but also mining, transportation, banking, and other fields. Production by enslaved workers grew just as rapidly and the southern economy became ever more intertwined with that of the increasingly capitalist North.

Capitalism advanced by inducing institutional changes in the American society and economy. In the process, enormous costs were borne by large sectors of the American people. The changes ranged from new ways of financing industry to deep governmental involvement in economic affairs. Their sum total was well stated by Hughes: "In matters of rights of property of all sorts ... it would be difficult to imagine an entrepreneurial class more solicitously protected than that in the United States on the verge of the great nineteenth-century economic and geographic expansion."[1]

Capital Investment

In general, the market for corporate securities was small before the Civil War. Stocks and bonds of highly successful textile manufacturing corporations were closely held by a very small circle of investors.[2] Best known of these was the Boston Associates which organized the modern textile industry in Lowell, Massachusetts. Outside of such groupings, manufacturers generally met with a cool reception in banks where they were informed that their field was too risky in comparison with mercantile pursuits. This is not to say, however, that there was a shortage of sharp operators with visionary conceptions of future success. John Adams, the country's second President, called them "an Aristocracy of ... Stock jobbers ...

irremediably entailed upon Us, to endless generations."[3] The existence of such competition for investors' funds, however, did not interfere with the funding efforts of large textile firms in New England which enjoyed preferential rates in the capital market.[4]

Unless they were insiders, well-to-do investor-merchants, for the most part, tended not to rush into speculative enterprises. As J.S. Davis observes: "the greater the certainty of success, the more heavily the large capitalists ventured . ... Unless the larger fish could be attracted by the bait, the interest of the smaller fry was unavailing."[5] In New York, the first bonds in the Erie Canal were bought by small investors in the state. When, however, a section of the canal was opened successfully, "the securities became attractive to larger investors in New York City and then in London."[6] Similarly, industrial ventures in outlying towns sometimes prospered so well that large-city investors absorbed the projects after a number of years. This, for example, was the case in Springfield and Boston, Massachusetts over the 1820s and 1840s.[7] The New York Stock Exchange handled almost no manufacturing stocks before the Civil War; indeed, until about 1890, hardly any other than railroad securities were traded.

Until the second quarter of the 19th century, state charters of incorporation were passed singly by the legislature. After a time, a movement began to enact a general incorporation statute which required only an administrative application and payment of a modest fee. In places such as Pennsylvania, however, few manufacturing firms applied under the general statute, preferring to seek a special legislative charter or to forego incorporation altogether. In Pennsylvania, most manufacturing firms seeking incorporation chose the special legislative route. Perhaps this was because the legislature was able to add whatever additional privileges influential incorporators could bargain for. Thus, five years after passage of the 1849 general act, fewer than twelve firms had incorporated under it.[8] Even as late as 1880, in Philadelphia's textile industry, consisting of 849 firms and thus the country's largest grouping in the industry, not a single firm was a corporation.[9] In 1812, the New York legislature chartered the New York Manufacturing Company not only to produce cotton and woolen cloth but also awarded the firm the right to conduct banking because of "the difficulty of inducing persons to invest money in untried enterprises however important to the general welfare."[10]

Banks were crucial for the development of American capitalism, especially concerning manufacturing. During the entirety of colonial history, not a single commercial bank was created. In 1814, ex-

President John Adams warned against the growth of "monopolies and incorporations". He asked:

> Is not every bank a monopoly? Are there not more banks in the United States than ever before existed in any nation under heaven? Are not these banks established by law upon a more aristocratical principle than any others under the sun? Are there not more legal corporations ... than are to be found in any known country of the world?[11]

It was common knowledge that chartered bodies possessed special privileges from state legislatures and were highly prized for such reasons. The banks that came into existence after independence were organized ordinarily by networks of wealthy merchants linked by kinship or marriage, who lent most of their money to insiders such as shareholders, officers, and directors of the banks. As Lamoreaux indicates: "insider lending resulted in discrimination in the credit markets. ..."[12] For example, in the early 1840s the Rhodes brothers of Pawtuxet, Rhode Island received nearly half a bank's loans even though they owned less than one-eighth of the bank's shares.[13] In Philadelphia's Bank of North America "shareholders and their intimates got 53 percent of the loans [made in the private sector] and a munificent 63 percent of the dollars."[14]

This was well known. In 1850, the leading business magazine of the country wrote of bank organizers: "It is not that they have money to lend that they want to take stock in a new bank, but because they want to raise money for their own business on the credit of the new institution."[15] Manufacturers seeking loans from these banks stood only the slightest chance if they were outside the organizers' circle. After all, Adam Smith had advised in *The Wealth of Nations* (1776) that banks should not lend for investment in fixed capital and machines.[16] On the other hand, an insider who sought capital for his enterprise could easily supersede Smith's authority. Boston banks within the ambit of the Boston Associates fairly shoveled out capital funds to the textile manufacturers. In the western Massachusetts town of Northampton manufacturers formed part of an interlocking directorate that shifted funds from one industry to another: "While manufacturing gave them profit from production, banks and insurance companies allowed these men to benefit from the expansion of the cash economy and the increasing use borrowers and lenders made of financial institutions for credit."[17] In leading manufacturing centers such as Rhode Island, prominent manufacturers played a leading role in bank organizing.[18]

Banking was itself a growth industry during the American industrial revolution. Banks in New England grew in number as follows:

1784	1
1810	52
1830	172
1837	320+
1860	505[19]

Gilje has written that this expansion amounted to a democratization of banking.[20] Referring to new banks in Philadelphia, New York City, and Boston soon after Independence, however, Matson declares that "few middling and lower-class Americans shared the benefits of these new institutions."[21] The poorest 60 percent of the American people — those who owned no wealth at all — were situated at the farthest margins of this burgeoning financial economy. The next fifth of the people possessed only five percent of the nation's wealth and gained only limited entries to the concentrated wealth of the country's banks. America's financial institutions before the Civil War served the wealthiest fifth of the people. Not least among the latter were prominent politicians.[22]

Throughout the pre-Civil War years, the economic interests of the growing capitalist class were well-served by governmental agencies. Central to this achievement was creation of the Federal Constitution, "a gigantic step toward stabilizing the prospects for long-run returns on investments."[23] The first Federal government of 1789 was clearly devoted to the protection of property and ready to shield its beneficiaries from "the force of sheer majorities."[24]

An early test of federal bounty to the well-heeled was the assumption of state debts in 1790 as well as the issuance of federal bonds. Speculators had long held most of the state debts which languished at extremely low values. These speculators constituted an extremely small group with large expectations. Fewer than 50 northerners owned 40 percent of the public debts of Virginia, North Carolina, and South Carolina.[25] The "speculator's windfall"[26] of 1790 bore both individual and class advantages:

> The market value of federal and assumed state securities advanced by perhaps $38,000,000 from 1786 to 1792, and the consequent redistribution of national wealth generated capital for business. ... Within seven months after August 1791 seventeen corporations were started, and by 1793 ... twelve banks ... were added to the four in existence, raising total bank capital from $2,500,000 to $18,000,000. These and other financial institutions created a mass of liquid securities that facilitated capital investment. ... A stock market sprang up.[27]

The 1790 measure "enhance[d] the importance of those whose investments were in the form of securities; it made their wealth more readily marketable, provided them with a satisfactory collateral for bank loans, and, as the public credit improved, partly in consequence of the measure, it increased the sum of their wealth."[28]

Until 1861, all levels of government contributed up to a third or so of total investment in the construction of railroads.[29] During the years 1815-1860, of the total of $175 million spent on canals, government funds accounted for seventy percent.[30] Goodrich observes that for all these governmental expenditures, it was likely that "their receipts from net earnings, interest, and dividends would represent much less than a commercial return on the sums expended, and the balance on capital account would be heavily negative."[31] Government investment funds were more available during the first period of railroad construction, during the 1830s and 1840s, than in the next 20 years, when private funds were more plentiful.[32] Only as risks were shown to be manageable did private investors replace the government. Still, until the eve of the Civil War, "no canal or railroad of any great length had been built entirely without government funds."[33] From 1840 to 1860, for example, "the state government became the leading investor in Virginia railroads, purchasing more than 60 percent of the total capital stock."[34]

Capital investment also grew through interregional private sources. Eastern merchants, manufacturers, and bankers invested heavily in western land and in building of canals and railroads.[35] In addition, credit was extended to western merchants. Erastus Corning, for example, brought funds from the eastern seaboard that led him into land speculation, manufacturing, banking, railroad building, as well as politics, an indispensable key to business profits. Exceedingly rich mineral lands were purchased for $1.37 an acre and sold for many times that price. Thirty-eight thousand acres of iron land brought half a million dollars in 1864.[36] Gates reports that "in the flush years of the thirties and again in the fifties capitalists from the East and old South took great quantities of money with them to the western land offices, employing it there to make loans to desperate squatters."[37] Gates refers to "loan sharks" whose operations left in their wake numerous heavily mortgaged farms.

In the Southern Appalachians of the early 19th century, "nearly one-half of the town lots of each ... zone were owned by non-residents."[38] Ninety percent of the absentee acreage was held by "distant merchants, planters, and investors in large holdings."[39] When a land office was opened at Huntsville, Alabama, "in addition to activity by national syndicates, numerous small combines of public officials, southern planters, and eastern bankers engrossed the public domain."[40] Coal and other valuable minerals came under absentee control early on. Appalachian elites frequently facilitated such transactions. In western Virginia, northern capital entered coal mining to join with local and other capitalists.[41] Copper mines in eastern Tennessee were operated by capitalists and businessmen from New York, Charleston, Savannah, and New Orleans, as well as England.[42]

Northern capitalists sought investment outlets throughout the South. Machines for the earliest southern textile mills were supplied on long credit terms by northern machine manufacturers.[43] But cotton constituted the most profitable component of the North-South connection. Between the plantation and capital-rich northern banks stood the cotton factor, an agent in charge of merchandising the cotton crop and financing its cultivation. Factors had banking affiliations throughout the North and, indeed, the capitalist world. Without these connections, the plantation system was doomed.[44] This was not lost upon northern and foreign capitalists who fed upon the stream of slave-created cotton.

Besides trade credit, the largest British investments before 1860 were directed at financing railroads in the United States. Between 1849 and 1860, for example, foreign capital, much of it British, amounting to some $190-million poured into the United States for railroads.[45] During the earliest phase of railroad building, however, foreign capital was very selective about such investments. In the years 1828-1832, Baring Brothers and Company, the ranking banking firm in Anglo-American affairs, refused altogether to buy any U.S. railroad bonds or shares.[46] This reluctance receded in time but foreign doubts about U.S. corporate securities remained. By 1853, public and private stocks and bonds amounted to nearly $1.8-billion, of which foreigners held $184-million. Foreign investors owned one-third of all government securities but only one-twelfth of all private U.S. securities issued. They favored the railroad industry over all available forms of investment, and favored bonds over stock by a ratio of five to one. Altogether, this would not suggest a very daring policy by foreign investors.[47] In general, they also stayed away from riskier investments such as manufacturing and investments in the South.[48] (This latter did not apply to cotton production and sale.)

Profits

How profitable were investments in increasingly capitalist America?

In northern agriculture, organized principally in family farms, Clarence Danhof finds most were "financially successful."[49] Atack and Bateman estimate the return on farm investment in the region as a whole ran around 12 percent.[50] This was only half the profit rate in manufacturing or transportation. On the Kansas and Minnesota frontier, the rate of return was less than 10 percent and more or less equal to interest on bonds at that time. In a number of states, by far most of farm profit was not derived from the sale of farm products as much as from an increase in land values. In one group of states (Illinois, Indiana, Iowa, Kansas, Minnesota, Ohio, and Wisconsin) capital gains from increasing land values constituted 61.5 percent of the profit.[51]

Northern manufacture yielded profit rates double those of agriculture. In Lowell, Massachusetts, the giant Merrimack Manufacturing Company began operations in 1823 and during the years 1825-1845 reported an average annual profit of 24 percent.[52] Elsewhere, even in the same state, the record was much more modest. Thus, during the early 1830s, in Uxbridge, Massachusetts, manufacturing brought six percent profit while agriculture recorded only half that rate.[53] In neighboring New Hampshire, however, a U.S. Treasury agent complained that manufacturers of his state were prosperous enough to pay workers more than any other business while farmers could not cover their expenses. He advocated enactment of a law that would "effect a reduction in the profits of manufacturing establishments, by which you will compel the owners of these corporations to curtail their expenses, and reduce the price of labor at least 33 percent."[54] In Western Pennsylvania, another Treasury agent pointed to workers who, during the War of 1812, had lost their manufacturing businesses through bankruptcy and "are to this day [i.e., 1832] employed through the country to earn a pittance by the sweat of their brows."[55] West of Pittsburgh, there were few factories. The agent insisted that no capitalist would risk his funds in Ohio without an expectation of at least a 15 percent return. On the other hand, in older urban areas such as Cincinnati "a great prosperity attends every factory".[56]

Manufacture in the South produced high profits, greater even than in cotton farming.[57] In 1850 and 1860, such profits yielded 21 and 26 percent, respectively. Only six percent of cotton planters owned factories.[58] Yet, as a group they held 23 percent of the capital stock in southern manufacturing. Industry by industry, rates of return ranged from 19 to 40 percent.[59] Many slaveholding southern businessmen joined their northern brother-industrialists to advocate a tariff on textiles.[60] On the eve of the Civil War they sought to slow the movement for secession.[61]

Table 3. DISTRIBUTION OF WEALTH, MASSACHUSETTS AND OHIO, 1820-1860

	Share of wealth held by:						% with zero			
	Top 1%		Top 5%		Top 20%		wealth		Gini	
YR	MA	OHIO	MA	OHIO	MA	OHIO	MA	OHIO	MA	OHIO
1820	20.0	N.A.	41.4	N.A.	74.1	N.A.	39.4	N.A.	0.734	N.A.
1830	28.3	23.6	49.6	52.8	79.3	83.6	39.3	35.4	0.784	0.786
1840	23.2	27.7	48.7	52.5	81.6	84.0	43.0	41.2	0.794	0.821
1850	34.3	16.8	57.9	43.3	87.8	83.0	54.4	40.0	0.848	0.864
1860	26.1	22.7	56.6	50.0	89.5	87.6	57.8	50.4	0.851	0.813

Source: Richard H. Steckel, "Census Manuscript Schedules Matched with Property Tax Lists. A Source of Information on Long-Term Trends in Wealth Inequality," *Historical Methods*, 27 (Spring 1994), p. 85. Based on federal census manuscript schedules and tax records of real and personal property. Rural and urban portions of the schedules were weighted in proportion to the rural and urban populations of both states.

Profits from speculation in land were very great. Judging from Robert Swierenga's studies of speculation in nine Iowa counties between 1845 and 1889, speculators received an average net rate of return of 53.4 percent. During the frenzied 1850s, even higher rates were recorded.[62] Speculation in land had long become — in Thorstein Veblen's phrase — The Great American Adventure. It cut across all propertied classes.

Profits of the slave trade and slave labor permeated the world capitalist economy, including the American economy. Examples follow:

> Early New England manufacturing capital came from merchants who not long before had engaged in the slave trade or in commerce related to the slave trade.[63]

> Northern businessmen were largely the middlemen, the shippers, the bankers, the insurers, that took a lion's share of the profits of Southern agriculture.[64]

> The great success ... of the family was James deWolf, later a United States senator and cotton manufacturer, who made a fortune between 1780 and 1808 in carrying and selling slaves. ...[65]

> Over half of the Cuban capital invested abroad in the mid-nineteenth century was placed in England. This included some fortunes of slave traders, such as that of the brothers-in-law Gabriel Lombillo and José Antonio Suárez Argudín, who began to invest in textiles in Manchester [England] and coal mines in Wales after 1830. ... In Spain the investments of these Cuban entrepreneurs were so substantial that the banking system of the country was really their creation.[66]

There are serious conceptual and related difficulties with arriving at a profit figure in the use of slave labor. And, of course, adequate accounting records do not exist nor have they ever. Fortunately, however, a starting point is available. In 1990, a number of economists and economic historians were asked to arrive at a figure which would express the present value of the wages which were not paid to slaves before emancipation in 1865. Estimates ranged from \$1.4 to \$4.7 trillion. Few people are able to form a meaningful conception of a trillion of anything. It may, therefore, be helpful if we translate a figure of \$4 trillion into contemporary economic actualities. Following is a listing of all United States non-residential fixed private capital, expressed in 1983 dollars. In the main, plant, equipment, and machinery are included.

Fixed Private Capital - 1983 (in $billions)

Transportation and public utilities	$ 1,007.3
Manufacturing	764.7
Finance, insurance, and real estate	574.0
Services	276.9
Mining	238.8
Retail trade	206.2
Agriculture, forestry, and fisheries	201.2
Wholesale trade	122.6
Construction	58.8
TOTAL	$ 3,450.5

Adding the net stock of federal government-owned fixed capital of $583.3 billion in equipment and structures, the total becomes $4,033.8 billion or some four trillion dollars.[67] As W.E.B. Du Bois wrote in 1904: "The present industrial development of America is built on the blood and brawn of unpaid Negro toil in the 17th, 18th, and nineteenth centuries."[68]

Productivity

Before the advent of capitalism in America, sharp increases in production output per worker were achieved, by indentured servants in tobacco fields and enslaved workers in cotton cultivation. These increases, highly profitable to planters, were accomplished by employing violence or the threat of it. In industry, indentured servants were rarely employed and only few enslaved workers labored outside the South. A new compulsion was installed in factories—i.e., machinery—which in time became far more profitable than the earlier techniques. A preliminary step involved the displacement of labor with machines. As Louis Hunter notes:

> Most of the early applications of machinery were in such simple but laborious operations as grinding, pounding, hoisting, pumping, rolling, and the like. The economies there were so large and so obvious in terms of manpower replaced that questions of engine efficiency and fuel economy were of minor importance.[69]

The hand and eye of skilled mechanics remained critical in the finishing of steam engines and other machinery. Nevertheless, the profit advantage of machines was considerable. "A mechanical horsepower, equivalent to the power potential of six to eight men, as delivered by a small high-pressure [steam] engine of quite low efficiency, rarely cost more than ten or twelve cents per horsepower hour, or about the hourly wage in this period of a single worker."[70]

A great employer-gain from mechanization came from progressively increasing the work load of machine workers. As indicated earlier, this took the form of speed-up and stretch-out. Both techniques were used by factories almost from the beginning and were the heart of high productivity. But it was not high productivity that was the goal of capitalist production so much as high *profitivity*. Profitivity is the share of increased output that is appropriated by the employer. The remainder, labor's share, is expressed by increases in real wages, i.e., money wages deflated by the cost of living. It will be recalled that between 1840 and 1854, a period largely of high prosperity, wages remained essentially unchanged while the output of spinners and weavers more than doubled in the Hamilton Company mills in Lowell. The upward trend of profitivity in antebellum times was a principal factor in increasing the concentration of income and wealth in the United States.[71]

The textile mills of New England were more extensively and closely managed than was customary in other industries. Each was headed by an agent who operated under the direction of the corporate treasurer. In every working room, an overseer or overlooker supervised and trained workers. In the earliest mills, children made up most of the work force. In fact, women and children were most of the workers in big factories. The fact that women were so closely supervised might have had more to do with their prominence in strikes rather than their alleged docility. Class lines within the textile factories were rarely breached and "no worker in Lowell is known ever to have risen to corporate management."[72]

Writing of late 18th-century Pennsylvania, Rappaport states that "the coercive power of wealth was limited."[73] Where ties of dependence and command between classes were minimal, few relations of exploitation could arise. Similarly, before 1810 in central Massachusetts towns and for like reasons, "there was no way … wealth was translated into domineering economic power."[74] The rise of an industrial capitalist class, however, changed all this. By the mid-19th century, in both places, a structure had arisen in which wealth became capital and capital led to domination. Fed by investment, profits, and productivity, the new capitalist society took shape. That society was increasingly split into two separate spheres: the economic and the political. Within the former, capital was free (and became freer) to construct a perpetual-profit machine following a system of private governance of its own construction. Workers had no rights of representation nor of participation in the making of rules in the economic sphere. Actually, as we have seen, operators of this private system were heavily dependent on the public sphere—in the area of public investment, for example—but did not yield any of their authority upon receiving public bounties. Indeed, many capitalists or their agents played prominent parts in the public sphere.

Who were the early capitalists? In most cases they were former craftsmen who played a secondary part in partnerships with wealthy merchants who viewed manufactures as a supply of goods they could sell in a market. The most prominent merchants, however, were content with their present pursuits which were profitable enough. Besides, manufacturing was speculative. Syndicates of investing capitalists were rare except in the instance of the Boston Associates. In general, few workers became capitalists, although this varied with the industry. Many or most of the operators of paper mills in the Berkshires of New York and the textile mills of Philadelphia were former skilled workers.[75] In the shoe industry, on the other hand, most "bosses" were sons of manufacturers or of the most highly skilled workers. This was more typical than the paper industry. Altogether, very few factory workers were skilled artisans. In the skilled trades, journeymen who could not rise to master craftsmen became wage-hands in artisan shops. They rarely entered the factories.

While the credit provided manufacturers by merchants was critical, it also gave the merchant-partners a major say in problems of pricing. Thus, during the Panic of 1857, when consumer demand for iron boiler plate declined, ironmasters sought to close operations temporarily in order to avoid cutting prices. Their source of credit—the merchants—were able to convince them instead to reduce prices and remain open.[76] After all, merchants without goods to sell faced ruin. But so did iron-makers without credit. During the Civil War, the need for manufactured goods of all kinds provided manufacturers with a more autonomous existence. Factories that were built early in the 19th century were frequently small, local monopolies which did not attract much competition because of the general backwardness of transportation.[77] Markets had little potential for growth in the absence of infrastructure. By mid-century this lack was largely remedied. Competition had grown so that of two leading industries—iron-making and meat-packing—it was doubtful whether either one overall could be said to be profitable.[78] (Indeed, the former was said to be operating at a net loss.)

In 1850, 350,000 proprietors managed the country's non-agricultural sector of the economy. The Census of that year enumerated 121,855 separate establishments under the heading "manufactures, mining, and the mechanic arts". In addition, 100,752 persons reported their occupation as "merchant", thus suggesting the possibility that there were that many more separate mercantile establishments. The great mass of American proprietors were, at any rate, the owner-managers of very small firms. On the average, each proprietor hired seven workers. The great deviations from this average were in the textile industry and, very occasionally, in the iron industry. In mining and transportation the situation did not differ greatly from the average, other than in the railroad industry.[79] Out of every 100 persons working outside agriculture, 87 were hired workers and 13 were proprietors.

How many truly capitalist enterprises and proprietors existed at mid-century? How many of the 100,000 "merchants" were no more than owners of tiny retail stores with no hired employees? Let us examine the subject through the prism of Table 4.

1. *Private ownership*. Individual and partnership forms predominated until the Civil War. Railroads were the first industry organized principally by corporations.

2. *Labor and capital*. In many industries, firms hired relatively few workers; textile plants were among the largest. Artisan shops remained small. Manufactories were midway between the two.

3. *Production for profit*. Profit was the underlying motive for capitalist firms, large or small, while its importance for little firms ranged from incidental to vital, subject to change over time.

4. *Production of commodities*. This was fundamental for both types.

5. *Capital investment*. Early capitalist firms needed relatively little investment capital for structures and equipment as both were rudimentary. Working capital was more important (especially funds to pay wages). Little firms, particularly artisan shops, depended on tools owned by artisans.

TABLE 4.
CHARACTERISTICS OF CAPITALIST FIRMS AND LITTLE BUSINESSES, 1790-1860*

Characteristics	*Capitalist Firms*	*Little Firms*
1. Private Ownership	Self-ownership of structures and equipment, plus inventory and raw materials	Self-ownership of inventory of goods for sale and raw materials
2. Labor and Capital	Employment of relatively many workers	Employment of virtually no workers
3. Production for Profit	Central objective	Secondary to family subsistence
4. Production of Commodities (goods and services)	Yes	Yes
5. Capital Investment and Expansion	Central objective	Irrelevant
6. Division of Labor	High degree and increasingly so	Practically none
7. Productivity	Central objective (profitivity)	Irrelevant
8. Banking and Other Financial Institutional Connections	Yes	No
9. Specialization of Management and Supervision	Large consideration and increasingly so	Irrelevant
10. Legal Resources	Large consideration and increasingly so	Irrelevant
11. Innovative Orientation	Yes, as competitive pressure	Traditional, conservative
12. Participation of Owner(s) in Work Process	To some degree, although decreasingly so	Unlimited

* See Chapter 1, p. 28, above, and Joseph D. Phillips, *Little Business in the American Economy* (University of Illinois Press, 1958). Most little businesses were found in retail trade (groceries) or in personal service (such as artisan shops and the like). Over a century later, a new category—small business—was created; it was defined as any firm employing fewer than 500 employees (Small Business Administration).

6. *Division of labor*. A principal motivation for organizing larger business units was to accommodate a greater division of labor and thus growing productivity and profitivity. Only in occasional cases were large artisan shops organized, especially toward the Civil War. Ordinarily, artisan shops were limited to traditional modes of production.

7. *Productivity*. While productivity made greater strides in the large capitalist firms, even the early manufactories – operated mainly by hand – recorded productivity increases. Productivity increases by machine labor were extraordinarily large in contrast to earlier accomplishments in agriculture or industry.

8. *Banking*. Access to bank credit was almost exclusively available to capitalist firms, especially those whose principal owners were well-connected in the community. Small shops of all kinds, capitalist and artisan alike, were severely limited by lack of such contacts.

9. *Specialization of management*. In factories, a premium was laid on persons who were experienced managers in English, Welsh, and Scotch textile factories. Often, one or more principal owners headed day-to-day affairs in the plant.

10. *Legal resources*. New capitalist firms frequently ran across unprecedented legal problems related to rights of workers, right to use water resources, right to build on someone else's property, and right to issue new types of securities. Legal counsel and access to law-making bodies became more important than ever. Some little firms might also confront such problems but not be able to solve them.

11. *Innovative orientation*. As the national market took shape, competition from new areas grew and put downward pressure on local prices. Producers were pressed to lower costs of production through labor-saving mechanisms of many sorts.

12. *Participation of owner(s) in production*. To a small degree in factories and over time hardly at all.

Exceedingly few "little" firms ever grew much larger. Capitalist firms which developed from tiny, individually-operated units, were multiplied in the telling but rare in reality. During the antebellum years, retail trade—the stronghold of individual and family proprietorship—remained underdeveloped. Family farms in the same years seldom became capitalist farms, i.e., operated almost wholly by hired labor.

Law and American Capitalism

Between the end of the 18th century and the close of the Civil War, the number of printed volumes of reported legal cases grew by a dozen times to over 3,000.[80] (These included materials on England, Ireland, and the English colonies, as well as the United States.) In another 35 years, all the U.S. reported cases comprised some 6,000 volumes. These decades were long before any consumer revolution that allegedly choked the courts. It was, in fact, capitalists, not consumers, who accounted for the overwhelming bulk of litigation and legislation. Chief among the litigation were cases dealing with the basic rules of corporate organization. New forms of property arose as stolen Indian lands were made available to settlers and businessmen. Where advantageous to the latter—as in the case of mining—deliberate silence became governmental policy. As the economy became increasingly commercialized and capitalized, business demanded and received legal protection from unwanted government intervention. Locally and nationally, laws structured traditional practices into profitable forms of racism. Slavery and bondage extended beyond the bounds of race.

In Massachusetts, with the largest capitalist industry in antebellum America, the legislature heavily invested its time in corporate affairs: "Out of a total of 178 laws passed during the legislative session of 1844 no less than 116 were special acts relating to particular corporations."[81] The rest of the decade witnessed a similar dedication to corporate matters in Massachusetts. Insider political connections helped move matters through the legislature. Thus, after the Western Railroad was chartered in 1833 for $2-million in capital, it soon became clear that the public would not buy a needed additional million:

> Under these circumstances the 1830 proposals for state aid were revived with the approval of Governor Edward Everett, who as a [railroad] subscriber, had a personal interest in the matter. On April 4, 1836, the legislature amended the charter so as to provide for an increase in the capital to $3,000,000, the additional million to be subscribed by the Commonwealth.[82]

Charles Warren well summarizes the vital contribution of courts to the development of corporations: "Probably no economic institution was more affected in its growth, and no branch of law received greater impetus, between the years 1830 and 1860, through judicial decisions, than that of corporations; and the great increase in number and influence of corporations was largely affected by the doctrines laid down by the courts."[83]

Political and financial connections continued to supplement one another. In 1811, the state legislature issued a charter for a bank requiring that loans be made to manufacturers as well as farmers.[84] This was at a time when manufacturing was still regarded as highly speculative. At about the same time it became standard for the state to choose later on to purchase shares of stock in banks. By about 1820, however, banking had become such a profitable enterprise that "private capitalists would have regarded state participation in shareownership as an unwelcome intrusion."[85] Similarly, states commonly reserved the future right to become full owners of railroads for which they had earlier bought shares. In New Jersey, however, the state never exercised its option, undoubtedly because private owners discouraged the step.[86] Massachusetts also had reserved the right to purchase railroads outright but never exercised the right.[87] Indeed, state subscriptions were designed more for the financial relief of laggard public subscription than for any significant income to the state. Dodd observes that Massachusetts' "railroad enterprises contributed very little to the public revenue."[88]

When Wisconsin became a state, it received 10,400,000 acres of public land from the federal government. Much of that land contained timber. By 1890, virtually all of the timberland was privately owned.[89] Even before transferral of the public land, theft of timber from these lands was epidemic. As Hurst points out: "Timber theft from public lands ceased to be a large problem only in proportion as government transferred its timberland to private owners."[90] In other words, it ceased being a problem, since there was little public land from which timber could be stolen. Federal authorities were extremely lax in this matter. A law of 1831 was interpreted by the U.S. Supreme Court in 1849 so as to straightforwardly outlaw timber theft on the public domain. The law gave the governmnt the right to act against the timber thieves, but in fact, nothing was done. Collusion among buyers further frustrated federal management of the public domain. In addition, the lumber industry was well represented in the relevant governmental bodies.

> Wisconsin lumbermen sat in the state legislature and manned committees which dealt with bills affecting the industry; substantial mill owners controlled local government in their operating areas as a routine aspect of business. Wisconsin lumbermen represented the state in Washington. ... Whenever the industry faced defined occasions for exerting its influence on public decisions, its weight was always cast for spending public wealth to speed up and subsidize present forest production.[91]

Hurst estimates that "probably two-thirds of the timber cut was wasted."[92]

Lumbermen domination of both state and society well illustrated the dictum of Eugen Ehrlich: "The same classes, orders, and interests that control society prevail in the state; and if the state makes war on any one of these, we know that the state has passed under the control of one of the others."[93] By its very nature, timber was a local resource; within the ambit of that resource comprehensive control by capitalists was the rule. Boundaries between the separate social, economic, and political arenas were permeable. The localistic bias of the legal system was especially vital during antebellum times. As Friedman writes:

> In the late 18th century, and in the first half of the 19th, the federal courts clearly played second fiddle to the state courts. Where they were supreme, they were supreme; but the realm was a narrow one.[94]

Neither level, however, had any significant representation from working class and dirt-farmer backgrounds.

In matters of commercial law, "business provided norms; and courts tended to ratify what business did."[95] Many judges were intimately acquainted with business practices. In Illinois territory, before statehood which occurred in 1818:

> A small group of amateur lawyers, merchants, and political adventurers ran the government. Litigation on land claims and grants was the staple business of the courts. The judges were speculators themselves, and judged their own claims.[96]

More broadly, when basic class issues arose, judges' "constitutional antennae were much more sensitive when they picked up vibrations of class struggle or proletarian revolt, things which they barely understood and desperately feared."[97] Nash's study of the Philadelphia bar in 1800-1805 and 1860-1861 found that in the earlier period, "lawyers came predominantly from families of wealth, status, and importance."[98] In the earlier period, only two percent of the lawyers' fathers were workers; in the latter, six percent.[99] Hall's study of 849 federal judges during 1789-1899 produced parallel findings. "Sons of the modest—of the common man—were distinctly under-represented; slightly more than one-tenth (13.2%) were from such origins. ... The distribution of social origins remained almost constant throughout the political generations of the nineteenth century."[100] Kinship was about as powerful as among the capitalist and merchant classes: nearly half of the federal judges were related to judges in local, state, or other federal courts.[101] This tendency dropped off after 1829. Increasingly, they represented an educational elite. "The judges ... tended to be upwardly mobile sons of a prosperous middle class, who were committed to the party of the President in power when they were appointed and benefitted from personal ties with mediators of the selection process."[102]

A large overlap existed between the sources of the lawyer-judge and the capitalist classes. In both groups, workers or their children were comparatively rare while owners of business capital were represented in large numbers.

Other than small company towns organized around one or more industrial firms, few places in antebellum America were dominated by cohesive capitalist classes. Even in New York City, the nation's greatest industrial center, "fewer than 5 percent of the city's wealthiest men and women were 'manufacturers.' ..."[103] Nor was the boundary between financier and capitalist very distinct. On the eve of the Civil War, industrial capitalist George Pullman lent money to Colorado miners at interest rates of 25 to 50 percent *a month*.[104] Both in eastern cities and new western towns wealth was highly concentrated. In 1860, for example, a tiny group constituted the wealthiest persons in Milwaukee: "9 were in real estate, 10 were lawyers, 6 were bankers, and 10 were merchants; only 1 indicated that he was a manufacturer."[105] In the country as a whole, reports Soltow, "titles for the rich in 1870 do include the term *manufacturer* more often than did those for 1860."[106]

Generalizing from his span of studies, Soltow adds: "The amounts of total wealth held by the poor and the rich are strong indicators of the power of different groups in economic, social, and political spheres."[107] Pessen's research underscores this finding as does that of Wilentz. The latter found that in the late 1820s, four percent of New York's population owned half the noncorporate wealth. With reference to the city's merchants and financiers: "Clustered in their residential enclaves ... they dined in each other's homes and married into each other's families; they also directed the city's network of charitable and cultural associations and dominated city government."[108] In the 1830s, about a dozen employer associations in the city were involved in opposing unions. By 1850, when organized tailors struck, city police harassed strikers; in August, two tailors were shot and killed by police. Wilentz comments: "For the first time, urban American workers had been slain by the forces of law and order in a trade dispute."[109] Within several years, police violence against unions had become a pattern in the city.

Nationally,

> During the second quarter of the nineteenth century the rich were inordinately represented in city councils, even if by a declining margin, and seldom not in control of the mayor's office. More importantly, the policies followed by city government appear to have usually been in accord with the wishes and interests of the greatest property owners.[110]

Pessen, writing specifically about New York City, contends that "the city's tax assessors looked the other way at flagrant underassessments perpetrated above all by the great wealthholders."[111] The key to this plutocratic dominance lay in continuities established between generations. As Jaher puts it, the richest New Yorkers

> were ... overseas traders with a smattering of manufacturers, who attained great wealth in the second quarter of the nineteenth century, and scions of pre-Revolutionary manorial-mercantile families. During the nineteenth century these traders and industrialists intermarried with remnants of the colonial elites ... to form the patriciates sometimes called Brahmin Boston and Knickerbocker New York.[112]

Story notes that "increasingly, a chief function of such clannishness was the mingling and preservation of entrepreneurial fortunes."[113] In the future textile town of Manchester, New Hampshire, "if the community's leaders in the 1830s were not the exact same men who comprised the local elite of the late 1700s, then they were the earlier group's sons or grandsons."[114] In New York,

> Rochester's entrepreneurial community was no capitalist free-for-all. It was a federation of wealthy families and their friends.[115]

In Pittsburgh and Allegheny County the dominance of founding family members "in the professional, commercial, and manufacturing fields was complemented by similar positions in the government and the military."[116]

By 1860, capitalism in the United States was well on its way toward institutionalization through financial and legal measures. Political dominance extended primarily over local and regional scales. The social cohesion of the capitalist class was patterned after age-old practices in English and American colonial ruling classes.

SUMMARY

Markets for corporate securities were small before the Civil War. Manufacturing was regarded as too risky for bank loans. Capitalists (and merchants) in need of capital frequently organized their own banks. Federal and state governments supplied large amounts of capital to transportation corporations and others. Western lands containing valuable minerals were bought for very low prices; similar land in the Southern Appalachians was purchased by capitalists elsewhere in the country. Profits from speculation land were very great.

The slave trade and slave labor permeated the world economy, including the American economy. American industry was, in fact, financed by the profits from slavery. The present value of the wages not paid to enslaved workers in all of American history may equal the total of all of the country's non-residential plant and buildings—or exceed it.

The widespread use of steam-driven machinery facilitated sharp increases in production output per worker hour. This was a paramount source of profits (profitivity). From 1840 to 1854, wages remained essentially unchanged while the output of spinners and weavers more than doubled in large Lowell mills of one company. Most of the earliest capitalists were former craftsmen. Few workers became capitalists, although this varied by industry. On the average, each proprietor employed seven workers. In one state after another, judges and lawyers were almost wholly representative of larger owners of capital. Extremely few came from workers' families. At a time when the economy was largely a local affair, business control of local governments was taken for granted. This extended to city police forces commonly being summoned against striking workers.

NOTES

1. Jonathan R.T. Hughes, "Entrepreneurship," p. 219 in Porter, ed., *Encyclopedia of American Economic History*, I.

2. Harold C. Livesay and Glenn Porter, "The Financial Role of Merchants in the Development of U.S. Manufacturing, 1815-1860," *Explorations in Economic History*, 9 (Fall 1971), p. 65.

3. John Adams to Thomas Jefferson, September 15, 1813, in Lester J. Cappon, ed., *The Adams-Jefferson Letters*, II (University of North Carolina Press, 1959), p. 376.

4. Jeremy Atack, "Industrial Structure and the Emergence of the Modern Industrial Corporation," *Explorations in Economic History*, 22 (1985), p. 38.

5. Joseph S. Davis, *Essays in the Earlier History of American Corporations*, II (Harvard University Press, 1917), p. 302.

6. Carter Goodrich, *Government Promotion of American Canals and Railroads, 1800-1890* (Columbia University Press, 1960), p. 54.

7. François Weil, "Capitalism and Industrialization in New England, 1815-1845," *Journal of American History*, 84 (March 1998), pp. 1334-1354. Springfield is some 60 miles west of Boston.

8. Louis Hartz, *Economic Policy and Democratic Thought: Pennsylvania, 1776-1860* (Harvard University Press, 1948), p.40.

9. Philip Scranton, *Proprietary Capitalism. The Textile Manufacture at Philadelphia, 1800-1885* (Cambridge University Press, 1983), p. 3.

10. Joseph Dorfman, *The Economic Mind in American Civilization*, I (Viking Press, 1946), p. 353.

11. John Adams to John Taylor, *The Life and Works of John Adams*, Vol. 6, p. 510.

12. Naomi R. Lamoreaux, *Insider Lending. Banks, Personal Connections, and Economic Development in Industrial New England* (Cambridge University Press, 1994), p. 5.

13. Naomi R. Lamoreaux, "Banks, Kinship, and Economic Development: The New England Case," *Journal of Economic History*, 46 (September 1986), p. 658.

14. George D. Rappaport, *Stability and Change in Revolutionary Pennsylvania. Banking, Politics, and Social Structure* (Pennsylvania

State University Press, 1996), p. 156.

15. *Hunt's Merchants' Magazine*, April 1850, p. 423.

16. Hiram Caton, "The Preindustrial Economics of Adam Smith," *Journal of Economic History*, 45 (December 1985), p. 840 [Note to MW: check page number]

17. Christopher Clark, *The Roots of Rural Capitalism. Western Massachusetts, 1780-1860* (Cornell University Press, 1990), pp. 269-270.

18. See Naomi R. Lamoreaux and Christopher Glaisek, "Vehicles of Privilege or Mobility? Banks in Providence, Rhode Island, during the Age of Jackson," *Business History Review*, 65 (Autumn 1991), pp. 502-507.

19. See Lamoreaux, *Insider Lending*, p. 13 and Lamoreaux, "Banks, Kinship, and Economic Development," p. 663.

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Chapter 6

STANDARDS OF LIVING UNDER CAPITALISM,1790-1865

Americans paid a heavy price for the advent of capitalism. "Entire nations of Indians lost their homelands" while a genocidal reduction in their numbers ensued.[1] The number of enslaved workers grew from 697,624 in 1790 to 3,953,760 in 1860. They labored under increasingly exploitative conditions. Black workers not enslaved were subjected to progressively more stringent regulations and were deprived of various civic freedoms, including the right to vote. These were only some of the limitations under which many Americans were compelled to live. Yet, economic historians generally fail to discuss them when dealing with the subject of standards of living. What do they discuss instead?

In general, four subjects are highlighted: (1) per capita output; (2) productivity; (3) real wages; and (4) income and wealth.

1. *Per capita output*: Either by value or volume, production is divided by a population figure. The result is denoted the "average". A series of rising averages is viewed as an improvement of the population's standard of living regardless of how many persons did buy the product or could afford to buy it. Least of all is there any evidence provided of how many persons bought the product. This is a measure of potential rather than an actual standard.

2. *Productivity*: Output per producer is determined for certain products and laborers over a period of time. Increasing productivity is held to be evidence of a rising standard of living. As we have seen in earlier chapters, however, normally employers appropriate most, if not all, of the increased productivity (profitivity). Thus, productivity raises someone's standard of living, but not necessarily the workers'. Matters would be helped if economic historians divided the productivity gain into two figures: profitivity and workers' share. A series of such figures would be highly relevant to standards of living.

3. *Real wages*: The purchasing power of money wages is indicated

by taking prices or the cost of living into account. Since most workers spend the bulk of their wages on actual commodities and services, this measure is directly related to their standard of living. Unfortunately, however, unemployed workers have neither money nor real wage statistics. Indeed, during a deep economic depression, with extensive unemployment, real wages of those still employed may rise significantly. This is not representative of the working class standard of living as a whole. Nor is it of the many persons during 1790-1865 who worked for themselves or their family and did not receive wages at all, including enslaved workers.

4. *Income and wealth*: Only in 1850, 1860, and 1870 did census-takers collect information on income. Similarly, in 1798 the federal Treasury gathered individual data on wealth (houses, conveyances, and enslaved workers). The greatest gap in such statistics consists of those persons who owned no property other than what they wore, i.e., the propertyless. In most compilations of wealth, only those persons owning some wealth are listed. Obviously, this results in grossly overestimating average wealth. Such omissions are generally not even noted; as a result we are given a table allegedly covering "American" income or wealth distribution which is, in fact, a compilation of the data for white or non-slave Americans. (An unusual opportunity to view both versions of reality can be found above, Chapter 3, p. 27. Chapter 5, p.   contains another example.)

Together, these more traditional measures of standards of living share certain shortcomings: They apply only to parts—sometimes small parts—of a population; they assume a far more uniform distribution of goods and services than existed in reality; they omit relevant realities such as unemployment and sickness; and they cover short and discontinuous series of statistics. Like all measures, of course, they may be in great dispute as regards competing versions.

The remainder of this chapter deals with measures of standards of living in three realms: (1) the world of work, (2) home conditions, (3) the biological standard of living.

1. *The world of work*. Since the industrial workday extended from 12 to 14 hours, the job was by far the dominant wake-time activity. Long work-hours, including an extended journey to work, labor intensification, an unhealthy working environment, and occupational

accidents and diseases were central factors on the job, especially in textile factories. In the Chicopee Manufacturing Company, a Massachusetts textile mill that began operating in 1823, "the average working day was 13½ hours: the operatives began work at five in the morning, quit at seven-thirty in the evening, and took half-hour breaks for breakfast and dinner

[2] In a Pawtucket, Rhode Island mill— during 1801 "one hundred children, from four to ten years old, were working at the mill."[3] Throughout the industry children were troublesome workers, although they were cheap labor. They could not be used on night shifts because they tended to fall asleep. On day shifts, they were sometimes so exhausted that upon arrival at home by the end of the day, they fell asleep rather than eat their dinner.[4]

Among adult workers, "laborers and the foreign-born faced more environmental stresses compared to the native-born or men in other occupational classes."[5] In the carding room of the Boott Cotton Mills in Lowell, Massachusetts, the dirtiest room in the mill:

> "Fly" filed the air. The loose cotton and dust … permanently diminished the breathing capacity of many cotton mill workers.[6]

Very recent medical research verifies the connection between cotton dust and bronchitis.[7] Richard Steckel states that "claims on nutrition were made by long hours in work arrangements paced by machines, and numerous people crowded in dusty or humid environments, typical of textile mills, led to the spread of tuberculosis and pulmonary illnesses. …"[8] In a small Pennsylvania mill, the usual unhealthful conditions prevailed:

> The air was filled so thick with "flyings" that breathing was difficult and workers developed a constant cough. In an effort to prevent the escape of the dust the machines were boxed in, but this was not particularly effective.[9]

It should be kept in mind that tuberculosis was the greatest killer in 19th century America.

Labor intensification grew extreme in the cotton mills. As Gross points out: "The Lowell system sought and incorporated every technique by which it could reduce the workers' importance (skill, independence, responsibility, creativity) and cost."[10]

Gloria Main observes that:

> Compared to the colonial era, rural and urban poor whites and most blacks in the early nineteenth century worked harder and thus may have suffered from nutritional inadequacy in the face of higher bodily needs. Thus, it is possible that laborers generally were living closer to the nutritional edge, less because their diet had deteriorated than because of greater calorie needs.[11]

On the other hand, John Komlos holds that while labor intensification heightened energy needs, increased income "more than" compensated for this need.[12] Yet, it was rare to find a proportionate increase in wages to accompany an increase in per worker output. For example, as Caroline Ware notes, "the census figures ... show for the 1850-60 decade a twenty-nine and a half percent increase in worker's output with an average increase in his wage of only ten and two-tenths percent."[13] There were many years with an even more lopsided record. Labor intensification and job strain were two factors that may have led to cardiovascular disease via elevated blood pressure.[14]

Prior to the age of the factory, accidents in the workplace were minor. The advent of machinery, especially during the 1830s and after, brought a new, more dangerous aspect to the world of work. The contemporary arrival of the railroad added still another dimension of danger to the workplace. Employer speed-ups of machines and the ever-expanding stretch-out of operator tasks laid the basis for a high accident rate. In addition, textile machines were operated at high speeds, significantly greater than in England at the same time.[15] Employers might urge and require great speed, but they carefully avoided accepting legal liability for any resulting accidents.[16] Managers of mills viewed expenditures on factory maintenance as an avoidable deduction from profits and dividends. This view could be found even among some of the great Lowell corporations.[17]

2. *Home conditions*. Company-built housing in Lowell and elsewhere was not substantial. Margaret Coleman declares that "the living conditions at Lowell and other mill towns deteriorated within a decade of being built."[18] During the early 1850s, when numerous Irish immigrants entered the Northeast, rents began to rise in that section of the country.[19] Lorena Walsh states that "in cities, poor families may have been worse off than in earlier years; high rents and fuel costs probably precluded improvements in diet."[20] She suggests that "living standards [for the urban poor] ... may have declined."[21]

In a small mill-town in the lower Delaware Valley of Pennsylvania,

> The upper class lived in substantial stone houses, locally referred to as mansions, with ten or twelve rooms, always near the top of a hill overlooking the family property. ... In the 1840s, some of the mansions were being equipped with indoor toilets and had indoor pumps and facilities for bathing, and they were heated less often by open fireplaces than by iron stoves.[22]

Viewing both the antebellum North and South, Pessen observed that "improved public facilities for disposing of waste or carrying fresh water into the city were usually introduced in upper-class residential districts."[23]

Rising urbanization aggravated housing shortages and crowded residential quarters thus facilitating the spread of infectious diseases. In the 1830s, southern textile factory master William Gregg observed:

> A cotton factory should not be located in a city. ... Country people coming to a city would be frightened away by any appearance of epidemic.[24]

After 1820, notes Fogel, urbanization increased and, quite possibly, "food consumption of the urban laboring classes ... decline[d] between 1825 and 1860."[25] Indeed, elsewhere he wrote that "during the last two decades of the antebellum era the rise of manufacturing was associated with the immiseration of substantial sections of the non-agricultural labor force."[26] While the United States remained a rural nation for years thereafter, it should be noted that urbanization grew between 1800 and 1860 at the brisk pace of five percent annually.[27] Along with urbanization and industrialization—which were increasingly linked together—came unemployment on a growing scale during the economic depressions of 1837-1843 and 1848-1855; declines in real wages were recorded earlier in the 1830s.[28]

Deteriorating economic conditions heightened the impact of prevalent epidemics. During 1853, for example, a yellow fever epidemic killed some 8,000 people in New Orleans.[29] In his annual messages to Congress during 1853 and 1854, President Franklin Pierce referred to "disease, assuming at one time the characteristics of a widespread and devastating pestilence, has left its sad traces upon some portions of our country" and to "disease [which] has prevailed to a greater extent than usual, and the sacrifice of human life through casualties by sea and land is without parallel."[30] Urban workers who were weakened by food deficits were all the less able to weather the impact of severe epidemics as well as normal workloads. Community resources were growing seriously inadequate: "Important aspects of the quality of urban life deteriorated from early in the nineteenth century until the mid-1880s."[31]

3. *Biological standard of living*. The biological standard of living refers to patterns and levels of health not measured by indices of real wages, output, or income. All three of the latter can be rising while the biological standard of living is falling.[32] This, in fact, happened during much of the antebellum period and beyond. Life expectancy was falling and stature (height) declining, while various endangerments of health were increasing. "The biological standard of living did not improve at all for most of the population for a long time."[33] Only during the past decade or so have some economic historians begun to take note of these facts. The result is a more realistic picture of the rise of industrialization and of capitalism.[34] The data on which the findings of this research are based are far more comprehensive and continuous than those relating to wages, output, or income for the same period. Especially welcome are data relating to the poorer people in American society, a group which, for example, is missing from many data series of the conventional sort.

Costa and Steckel provide the following chronology of life expectancy:

> After rising for most of the eighteenth century life expectancy began to decline during the 1790s and continued to do so for the first half of the nineteenth century . ... Life expectation for men at age 20 declined from approximately 47 years at the beginning of the century to slightly less than 41 years in the 1850s. Among women the decline was steeper: from nearly 48 years in 1800-1809 to 37.1 years in the 1840s.[35]

Clayne Pope, using a longer period, 1760-1769 to 1880-1889, comments: "The fact that a century marked by a high rate of economic growth did not significantly raise the life expectation of [even] the most economically favored segment of the population (native-born white adults) is worthy of notice. ..."[36] A fall in life expectancy in the antebellum years is also documented by Yasubichi Yasuba as well as Fogel and Kent Kunze.[37] Quite possibly basic to this decline was the simultaneous rise in workers' expenditures on food and the consequent deterioration of the nutritional status of workers.[38] Between 1820 and 1860 "from 50% to 75% of the income of workers was spent on food. ..."[39] With rents also rising for urban workers, skimping on food was probably more feasible than refusing to pay higher rents.

The physical stature of Americans also declined over much of the antebellum era. As John Coatsworth points out:

> The average height of the native-born U.S. male population stagnated from 1780 to 1830 and then fell by nearly five centimeters to a low point in the 1880s. The U.S. population did not recover the average stature it had achieved by the late eighteenth century until the 1920s.[40]

Women were even worse off, as Komlos writes: "The evidence so far indicates that females began to experience nutritional stress earlier than men during a downturn and were less likely to show improvements in an upswing."[41] While European immigrants were as a rule shorter than white Americans, the decline in American male stature set in before the large immigrant inflow of the late 1840s and early 1850s.[42] Social class and occupation also played a large part in the decline. "Within industrialized countries," write Steckel and Floud, "height rises with socioeconomic class."[43] Komlos states more broadly: "In all studies without exception, the positive relationship between social status and physical stature has been consistently documented in various societies and at different times."[44] Class differences in height change over time. During the Civil War they were greater than during the American Revolution.[45] Not until the cohort born in 1935-1946 did the differentials by occupation "substantially narrow".[46]

Out of nine industrialized capitalist countries, the United States experienced the longest decline in stature—sixty years.[47] The antebellum years constituted the bulk of this period. Steckel and Floud observe of those years: "Growing inequality of wealth combined with rising food prices, and the falling birthweights of babies of poor women suggest that the quality of life may have decayed for the lower classes."[48] This was especially clear in the case of enslaved workers, starting with birth:

> The slave children were extraordinarily small, approaching the early childhood heights of the Bundi of New Guinea. ... Young children who survived the hazardous neonatal period faced a poor diet and diseases that were often related to poor nutrition.[49]

Steckel concludes that "in the nutritional sense slave children had the worst living conditions of any ethnic group in America and were at least as badly off as any population in Europe."[50]

Slaveowners were basically responsible for this outcome, however much later historians might laud them for their purported "paternalism". Pregnant enslaved workers continued to be worked without mercy, even in "the third trimester when fetal weight gain is greatest."[51] After birth, mothers were sent right back to the fields and had little opportunity to breast-feed their infants. During the late teenage years, male children of enslaved workers received a diet comparable with those of adult workers.[52] This nutritional change was based on the same reason that oxen and horses were also fed adequately—i.e., otherwise they could not carry out their day's work. Height for enslaved men gained during the years 1810-1830 while that for enslaved women declined over the same period. As older adults, however, enslaved workers who had experienced malnutrition as children came down with many of the chronic diseases that struck non-slaves. "Stunting during developmental ages had a long reach," according to Fogel, "and increased the likelihood that people would suffer from chronic diseases at middle and late ages."[53]

The biological standard of living of workers was further adversely affected during antebellum years by the developing economic inequality. Steckel and Haurin state the issue well:

> Average stature is a function not only of average income—which provides the means to acquire a good diet, housing, and medical care and to avoid hard work—but of the distribution of income. For example, if income is redistributed from the poor to the rich, it is likely that average height will fall (other things being equal) because the income decline of the poor will lead to a deterioration in their nutritional status, while the increased income will have little effect on the height of the rich, whose nutritional needs have already been met.[54]

We might add that if income is redistributed from the rich to the poor the latter's height will rise while that of the rich will be unaffected, depending on the severity of the redistribution. During antebellum times, redistribution was wholly in the direction of increasing the share of the rich.

Williamson and Lindert's studies support this conclusion:

> Around 1774, the top one percent of free wealthholders in the thirteen colonies held 12.6 percent of total assets, while the richest

> ten percent held a little less than half of total assets. In 1860, the richest percentile held 29 percent of total America[n] assets, and the richest decile held 73 percent. Thus, the top percentile share more than doubled and the top decile increased its share by half again of its previous level. Among free adult males, the Gini coefficient on total assets rises from .632 to .832.[55]

Lee Soltow, however, declares that "wealth inequality among free persons with real and personal estate changed very little in the first three-quarters of the nineteenth century."[56] Both groups of studies lament the absence of data on propertyless persons. But Soltow writes also that "the poor were living with strong disadvantages," and that there was "very substantial inequality" of housing as well as "extreme inequality" in general.[57] This closely parallels Fogel's assertion about the immiseration of sectors of the nonagricultural labor force during 1840-1860.[58]

Industrial accidents were another aspect of the biological standard of living. They increased greatly in factories where moving parts of machines constituted a novel work hazard, especially when employers speeded up the machines or compelled workers to increase their work load. Frequently, overseers who succeeded in spurring an unusual increase in output were awarded bonus pay, thus further creating an atmosphere of speed rather than care. In one large Lowell cotton mill, supervisors kept a record of accidents but "never in these accounts did the pressures of speed and production associated with piecework appear."[59] Details of each mishap were recorded but "in every case, the danger of [employer] liability was carefully avoided."[60] Courts almost always accepted employer evasions of liability. State laws and regulations governing aspects of the workplace were flagrantly evaded. "The state's experience with the cotton industry [in Massachusetts] had shown that management was not to be trusted in matters regarding safety, sanitation, age laws, or even in fulfilling their agreement to pay fairly the low wages they offered."[61]

Railroad employment also constituted a new danger-point of mechanized work. Whether in the textile mill or on the railroad, workers who suffered serious accidents could look forward to a life of penury and uncompensated pain. In case of deaths, their families were left to fend for themselves; an occasional tiny payment was not designed to substitute for lost wages. In nearly all cases, the cost of medical care was left to the injured worker to manage.

The price that workers paid for a lowered biological standard of living can be seen in certain health statistics, although these are not plentiful for the antebellum years. Tuberculosis, "the leading killer in England and America during much of the nineteenth century,"[62] struck down many industrial workers. As a direct result of workplace practices "70 percent of textile operatives died of respiratory disease at a time when only 4 percent of Massachusetts farmers died from this cause."[63] With reference to the national center of shoe manufacture, "in 1850 the Lynn [Massachusetts] board of health reported that the life expectancy of shoemakers was nearly twenty years less than the life expectancy of farmers in the Commonwealth."[64] The infant mortality rate of children of enslaved workers was 350 per 1,000 live births or more. On large plantations, the deaths of black children aged one to four years was 210 per thousand.[65] Neonatal and still-birth death rates of slave children were highest when the first trimester coincided with the planting season and the third trimester coincided with the harvest.[66] During the years 1830-1860, the mortality of slave children aged less than five years was double that of white children in the United States.[67] Meanwhile, growing commercialization of the countryside insured increasing incomes for farmers who had formerly earned only subsistence. It also, however, meant that farm animals ceased providing meat to these farmers' families thus trading "away proteins, minerals, and vitamins essential to the health and nutrition of their children." The result was stunting of the height of children.[68] This helps explain why "most of the antebellum height decline occurred within the rural population."[69]

At no time during antebellum years was there a public-health survey made of specific cities. In the late 1840s and 1850s, however, various members of the Hygiene Committee of the recently-formed (1846) American Medical Association published articles on cities in the Association journal. Together, these constitute the nearest approach to a national survey.

Dr. Josiah Curtis of Lowell, Massachusetts reported in 1849 that in the year before, of all the deaths in the town from specified causes, 29.5 percent were from lung diseases, mostly consumption, 12 percent from typhus, including typhoid fever, and 10.8 percent from dysentery. Lowell, whose population constituted far less than a quarter of the state's population, accounted for 52.3 percent of all the state's deaths from these three causes.[70] He asserted that poor ventilation in textile factories was "the most prolific source of deteriorated health in the adjuncts of factory labor among us, and in our neighboring manufacturing towns,"[71] explaining that "the air in these rooms, which ought to undergo an entire change hourly, remains day after day, and even month after month, with only the precarious change which open doors occasionally give."[72] Dr. Curtis interviewed a physician who worked at the Lowell Hospital, operated by textile companies, who told him:

> Typhoid fever is not only a very constant, but also the most important, disease among our operative population . ... Our operatives, as a class, have suffered from it to a much greater degree than the citizens at large. ... My own opinion is, that *imperfect ventilation*, in our cotton-mills, particularly, may have a very important bearing upon the question of causes of fever among our operative populations.[73]

Dr. Curtis pointed out that the most destructive diseases in Lowell could be prevented but that instead they were increasing and that in this respect America was "falling in the rear of other nations."[74]

Housing was found by AMA committee members to be abysmal, especially for the poorest. In Portland, Maine, a city of 20,000, "the houses of the native poor are, for the most part, comfortable, healthfully situated, and not overcrowded; those of the *Irish*, are as well situated, but almost invariably over-crowded, filthy, and very imperfectly ventilated."[75] In New York City, the country's manufacturing center and a metropolis of 400,000, there were no ordinances or laws regulating overcrowding in residences. Dr. John H. Griscom pointed to diseases among the poorer classes arising "from the impurities of the air they breathe, in their low, rotten, and crowded tenements, and the abundant filth with which they are surrounded and encased."[76] In the most densely-populated areas:

> The dwellings ... are the worst possible description: old, dilapidated, and filthy, and crowded with people scarcely to be believed. As many as twelve to fifteen have been known to occupy one room; sixty may be the entire number in one house.[77]

Mechanics and artisans also lived in crowded residences, in which 20 to 25 persons occupied a single house.[78] (Dr. Griscom was a renowned advocate of what became the public health movement.)

In Philadelphia, a city of 320,000, tenements for the poor on the west side of Water Street lacked "yards, privies, or any means of ventilation."[79] Sometimes, privies were placed in cellars of these houses. In such settings cholera infantum and chronic bowel diseases thrived.[80] Buildings housing the poor had no bathing facilities and there were few hydrants in these crowded neighborhoods. Public baths did exist but they were too expensive for the poorest people. In Lowell, Massachusetts "the rapid influx, especially of foreign population ... placed small-tenements and cellars in high demand, and crowded them infinitely beyond a healthful condition."[81] (By this time, the textile plants did not house workers in company dormitories.) A Lowell minister told Dr. Curtis that "from six to ten persons frequently sleep in a single room, and sometimes in one bed." Curtis himself summed up the matter thusly: "The dwellings of the masses, and the factories of the few, seem less cared for than our prisons."[82]

In Baltimore, Maryland, wrote Dr. James Wynne, "one-half of our population die before they have reached their fifth year; and ... within the last year, *the number of deaths to the living was as one to thirty-six*, a mortality almost equal to the most unhealthy manufacturing districts in Europe. ..."[83] While all "fashionable" houses in the city had bathrooms, the city itself had no public baths and, of course, the poor had none either.[84] Dr. Wynne explained the consequences: "But it is no matter of surprise, where buildings ... with defective ventilation, surrounded by effluvia of decomposing matter ... and crowded by a population subjected to the evils of poverty, exist, that the air should be freighted with pestilence, and life wither permanently away under these destructive influences."[85]

In the "Graveyard of the West" as Louisville, Kentucky was known a generation earlier, Dr. L.P. Yandell recalled the 1822 endemic of intermittent fever and bilious fever during which more than five percent of the town's 5,000 population had died; a decade later, a rather mild epidemic of cholera struck the town. "The houses of the poor are generally bad ... damp and unwholesome, with five to ten persons per room."[86] In Cincinnati, a large city of 110,000, Dr. J.P. Harrison observed that "crowded and ill-ventilated apartments" were a major factor in producing cholera infantum.[87] "Among the Germans especially," reported Dr. Harrison, "eight or ten families are seen to occupy the same house—a family in each room."[88]

Urbanization and crowded housing led to another health-related problem—the collection or non-collection of garbage and refuse in general. In Concord, it was dumped onto house gardens while in faraway Baltimore it ended up in the streets, there to languish until the rain moved it on.[89] Both in Louisville and Cincinnati, the garbage was thrown onto the streets and picked up by scavenger carts; in the latter city, the frequency of such visits was "about every three weeks."[90] Roving hogs dined on these piles of garbage in Philadelphia, Baltimore, and Cincinnati. Sewers were built in a few places which helped the health situation. But in a city as large as Baltimore, there were only two miles of sewers; the lack of sewerage was "an important nuisance operating in all parts of the town, but most severely in the low, level, and uncleanly portions occupied by the poor."[91] A parallel condition obtained in Lowell where "many lanes and alleys are without either [sewerage or drainage]; the house slops and other refuse remaining on the surface, especially in wet weather."[92] In Portland, Maine, where sewerage was not a special problem, refuse was said to be picked up by cart several times a week.[93] Three-quarters of New York's streets lacked sewers in 1855.[94] It was not until fifty years later that "about half of the tenement dwellers had access to flush toilets."[95]

"Water, water, everywhere, but not a drop to drink" could have been an accurate description of New Orleans where a supply of potable water was sorely lacking. A legal monopoly to supply such water had been granted to a single company which charged extremely high prices. Only about five percent of the population purchased such water, while "the remainder of the population is dependent upon rain water collected in wooden cisterns, which supply very generally fails in summer, when carts are seen peddling water at 5 cents a bucket."[96] An AMA article concluded that "the health of this city has improved much during the last twenty years or thirty years," but no evidence is cited.[97]

Infant mortality was a major problem in America's cities. Dr. D. Meredith Reese of New York City devoted an entire report to the subject. In that city over the years 1804-1853, "the number of deaths *under 5 years of age* ... have been ... nearly 49 percent of the entire mortality. ..."[98] Dr. Reese pointed out that infant mortality rates in this country's large cities were rising while those in Europe were declining. He asked:

> Why should infant mortality in American cities be greater than even in Paris! 8 percent above Glasgow, 10 percent above Liverpool, and nearly 13 percent greater than in London? ...[99]

At the same time, Reese noted that "statistics abundantly show the mean duration of human life to be greater by 3½ percent in our American cities taken collectively than in the cities of Europe."[100] In Boston, dead persons who were buried in the city's Catholic cemetery averaged 13.5 years of age while the average age for all deaths in Boston was 22.75 years.[101]

Class differentials in mortality were evident from age-of-death statistics. Over a 27-year period, the average age of decedents in Dorchester, Massachusetts was as follows:[102]

Laborers:	27 years, 5 months, 6 days
Mechanics:	29 years, 6 months, 14 days
Merchants, capitalists, etc.:	33 years, 2 months, 27 days
Farmers:	45 years, 8 months, 6 days

Similar results were found for Brookline and Concord. Dr. Edward Jarvis of Dorchester, who compiled these statistics, wrote that "a sanitary survey of this and of every other State would, I fear, demonstrate an inequality in the distribution of life in various places and among various classes of people, such as few either of the philanthropists or political economists now suspect."[103] Dr. Jarvis also reported that when the earliest American benefit societies created life insurance policies they based their premium schedules on those of England and Scotland. Over time, however, a number of such societies found that they had underestimated the extent of sickness in the United States; some firms were bankrupted. Since, as Dr. Jarvis himself stated, "the poor, the outcasts, the vagabonds, and the invalids ... are rarely insured" in this country, it would seem that the gap between national mortality rates was considerable.[104] (Dr. Jarvis was a founder of the American Statistical Association and had been a member of the Boston City Council in 1837-1841.)

Women workers suffered special disabilities:

> Less than half of wages for occupations which employed women could cover the expenses for a household composition of one adult and one child. ... None of women's wages paid enough to allow for savings in the event of long periods [of] illness or unemployment.[105]

Numerous working-class women were forced by economic circumstance into at least part-time prostitution. In New York City, nearly half of wage-working women during the 1830s "engaged in prostitution" to supplement inadequate wages.[106] The health consequences could not have been positive.

During the 1850s, real per capita income rose by 24.5 percent in the United States.[107] Yet, these years are among those during which at least one prominent economic historian stated that laborers were in a state of immiseration. There is no conflict between the two statements. Per capita figures inevitably cloak the extremes. As we have seen, laborers lived precariously in the nation's cities. The averaged income figures ignore their actual living conditions, health risks, life expectancy, and related matters bearing on the standard of living.

High per capita income figures are of small comfort to laborers whose wages have not risen in decades or whose monetary increases have been cancelled out by frequent wage reductions or unemployment. Nor are there any ready ways to "trade off" rising per capita incomes against genocide such as the American Indians experienced during antebellum times. Or, rising real wages against enslavement of African Americans who constituted fully one-third of the southern labor force. Indeed, per capita income or real wages should not be calculated without first deflating them by the enslaved workers who received no wages; similarly, with respect to figures on the distribution of wealth. When these measures are taken, much of the alleged high-wage of antebellum times disappears.

The class solidarity of capitalist employers accentuated the harshness of labor policies and consequently the standard of living. Larger cotton firms organized Associated Textile Industries which was financed by membership dues of its constituent firms. It acted as an insurance plan against potential losses when labor strikes occurred.[108] Factory agents also shared the cost of employing detectives to spy on workers who might be considering the formation of unions. Companies coerced workers into voting for political candidates partial to employers' bidding. Town politics was company-dominated. Only seldom did workers succeed in electing officeholders who might press municipal or state governments to require more healthful conditions in the mills. As a result, textile corporations "rapidly became extractive industries, deriving profit from labor with declining recompense and shrinking investment."[109] Mining the workers became a hallmark of this as well as many other industries, and contributed mightily to the deterioration of workers' standards of living.

SUMMARY

Four statistical measures are conventionally used to ascertain standards of living. Each is greatly deficient. Per capita output expresses total output divided by a population. It does not, however, express the number of persons who *consumed* the product or service being measured. Productivity refers to output per worker per hour, but it does not distinguish between the worker's and the employer's share of productivity for wages or profits. Real wages refer only to employed workers; unemployed workers receive no wages but this fact is not factored into real wages. Nor does the concept cover enslaved workers or family members who work in a family farm or enterprise. Finally, income statistics are available only for short periods of American economic history. Statistics for wealth, which is much more concentrated than income, are available for even shorter periods and more intermittently.

Standards of living are examined in this chapter in three sectors: (1) the world of work, (2) home conditions, and (3) biological standard of living. The world of work includes long working hours, between 12-14 hours, six days a week; labor intensification, unhealthful workplace environment, and occupational accidents and illnesses. Child labor was extensively used. Employers might urge and require great speed, but they carefully avoided accepting legal liability for resulting accidents. Company-built housing in Lowell and elsewhere was not substantial and rents rose along with immigration and in-migration from the countryside. Public facilities for waste and potable water were inferior in working-class districts of cities. Unemployment grew during economic depressions and declines in real wages were not unknown. Urban epidemics killed thousands of poor and workers.

The biological standard of living was declining during this period. Life expectancy fell and stature (height) dropped. One historian refers to the "immiseration" affecting industrial workers during these years. Growing inequality of wealth and income further aggravated the health status of workers. Out of nine industrialized capitalist countries, the United States experienced the longest decline in stature – sixty years. Children of enslaved workers suffered the greatest decline. In one industrialized city after another, public health was weakened. Overcrowded housing created seriously unhealthful conditions. Infant mortality rates in the U.S. rose while similar rates in Europe fell.

NOTES

1. See Gloria L. Main in Robert E. Gallman and John J. Wallis, eds., *American Economic Growth and Standards of Living Before the Civil War* (University of Chicago Press, 1992), p. 261. See also above, Chapter 2, p. 10 and Chapter 2, endnote 42.

2. John M. Cudd, *The Chicopee Manufacturing Company 1823-1915* (Scholarly Resources, 1974), pp. 1-52.

3. *Ibid.*, p. 5.

4. Anthony F.C. Wallace, *Rockdale. The Growth of an American Village in the Early Industrial Revolution* (Norton, 1980), p. 183.

5. Dora L. Costa and Richard H. Steckel, "Long-Term Trends in Health, Welfare, and Economic Growth in the United States," p. 59 in Richard H. Steckel and Roderick Floud, eds., *Health and Welfare during Industrialization* (University of Chicago Press, 1997).

6. Lawrence F. Gross, *The Course of Industrial Decline. The Boott Cotton Mills of Lowell, Massachusetts, 1835-1955* (Johns Hopkins University Press, 1993), p. 61.

7. W. Keith C. Morgan and Anthony Seaton, *Occupational Lung Diseases,* third edition (W.B. Saunders Co., 1995), pp. 494 and 504.

8. Steckel, "Stature and Living Standards in the United States," p. 297 in Gallman and Wallis, *American Economic Growth*.

9. Wallace, *Rockdale*, p. 181.

10. Gross, *The Course of Industrial Decline*, p. 12.

11. Main in Gallman and Wallis, *American Economic Growth*, p. 262.

12. John Komlos, "Shrinking in a Growing Economy? The Mystery of Physical Stature during the Industrial Revolution," *Journal of Economic History*, 58 (September 1998), p. 791.

13. Caroline F. Ware, *The Early New England Cotton Manufacture. A Study in Industrial Beginnings* (Houghton Mifflin, 1931), p. 113.

14. See Peter L. Schnall and others, "Job Strain and Cardiovascular Disease," *Annual Review of Public Health*, 15 (1994), p. 392.

15. Ware, *The Early New England Cotton Manufacture*, p. 83.

16. Gross, *The Course of Industrial Decline*, p. 73.

17. *Ibid.*, p. 49.

18. Margaret Coleman, *Low Wages, Labor Shortage, Wage and Labor Structures, and Poverty: 1810-1840, in the Northeastern United States* (doctoral dissertation, New School for Social Research, 1996), p. 78.

19. Robert A. Margo, "Wages and Prices during the Antebellum

Period: A Survey and New Evidence," p. 190 in Gallman and Wallis, *American Economic Growth*.

20. Lorena S. Walsh, "Consumer Behavior, Diet, and the Standard of Living in Late Colonial and Early Antebellum America, 1770-1840," p. 252 in *ibid*.

21. *Ibid*., p. 218..

22. Wallace, *Rockdale*, pp. 46-47.

23. Edward Pessen, "How Different from Each Other Were the Antebellum North and South," *American Historical Review*, 85 (1980), p. 1142.

24. Broadus Mitchell, *William Gregg. Factory Master of the Old South* (University of North Carolina Press, 1928, repr. 1966), p. 107.

25. Robert W. Fogel and others, "Secular Changes in American and British Stature and Nutrition," *Journal of Interdisciplinary History*, 14 (Autumn 1983), p. 476.

26. Robert W. Fogel, *Without Consent or Contract* ( ), p. 111.

27. Komlos, "Shrinking in a Growing Economy," p. 790.

28. *Ibid*., p. 788.

29. See Jonathan B. Pritchett and Susan Tunali, "Strangers' Disease: Determinants of Yellow Fever Mortality during the New Orleans Epidemic of 1853," *Explorations in Economic History* 32 (1995), 517-539.

30. James D. Richardson, ed., *A Compilation of the Messages and Papers of the Presidents 1789-1908*, vol. 5 (Bureau of National Literature and Art, 1908), pp. 207 and 273.

31. Alan L. Olmstead, "The Costs of Economic Growth," p. 879 in Glenn Porter, ed., *Encyclopedia of American Economic History*, II (Scribner's, 1980).

32. John Komlos, "On the Significance of Anthropometric History," p. 214 in Komlos, ed., *Stature, Living Standards, and Economic Development* (University of Chicago Press, 1994).

33. *Ibid*., p. xiv.

34. A comprehensive review of the research literature is Richard H. Steckel, "Stature and the Standard of Living," *Journal of Economic Literature*, 33 (December 1995) 1903-1940. Two basic surveys of the

field are John Komlos, "Shrinking in a Growing Economy," pp. 779-802 and Steckel, "Strategic Ideas in the Rise of the New Anthropometric History and the Implications for Interdisciplinary Research," *Journal of Economic History*, 58 (September 1998) pp. 803-821. A comparative study of the United States and eight other countries is Richard H. Steckel and Roderick Floud, eds., *Health and Welfare during Industrialization* (University of Chicago Press, 1997).

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37. Cited in *ibid*., p. 270.

38. Robert W. Fogel, "Nutrition and the Decline in Mortality since 1700: Some Preliminary Findings," p. 498 in Stanley L. Engerman and Robert E. Gallman, eds., *Long-Term Factors in American Economic Growth* (University of Chicago Press, 1986).

39. *Ibid*., p. 497.

40. John H. Coatsworth, "Welfare," *American Historical Review*, 101 (February 1996), p. 4.

41. John Komlos, "On the Significance of Anthropometric History," p. 217 in Komlos, ed., *Stature, Living Standards, and Economic Development* (University of Chicago Press, 1994).

42. Coleman, *Low Wages*, p. 174.

43. Steckel and Floud, *Health and Welfare during Industrialization*, p. 8.

44. Komlos, "On the Significance of Anthropometric History," p. 217.

45. Fogel and others, "Secular Changes," p. 480.

46. Costa and Steckel, "Long-Term Trends," p. 61.

47. Steckel and Floud, *Health and Welfare during Industrialization*, p. 430.

48. *Ibid*., p. 435.

49. Richard H. Steckel, "Stature and Living Standards in the United States," pp. 291-292.

50. *Ibid.*, p. 299.

51. Claudia Goldin and Robert A. Margo, "The Poor at Birth: Birth Weights and Infant Mortality at Philadelphia's Almshouse Hospital, 1848-1873," *Explorations in Economic History*, 26 (1989), p. 362.

52. Gloria L. Main in Gallman and Wallis, *American Economic Growth*, p. 263.

53. Robert W. Fogel, "Economic Growth, Population Theory, and Physiology: The Bearing of Long-Term Processes on the Making of Economic Policy," *American Economic History*, 84 (1994), p. 378.

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55. Jeffrey G. Williamson and Peter H. Lindert, "Long-Term Trends in American Wealth Inequality," p. 36 in James D. Smith, ed., *Modeling the Distribution and Intergenerational Transmission of Wealth* (University of Chicago Press, 1980).

56. Lee Soltow, "Inequality in the Standard of Living in the United States, 1798-1875," p. 122 in Gallman and Wallis, *American Economic Growth*.

57. *Ibid.*, p. 131. See also Pope, p. 67 in *ibid*.

58. Fogel, *Without Consent or Contract*, p. 111.

59. Gross, *The Course of Industrial Decline*, p. 71.

60. *Ibid.*, p. 73.

61. *Ibid.*, p. 68.

62. Fogel, "Nutrition and the Decline in Mortality since 1700: Some Preliminary Findings," p. 442 in Gallman and Wallis, *American Economic Growth*.

63. Gross, *The Course of Industrial Decline*, p. 64.

64. Paul G. Faler, *Mechanics and Manufacturers in the Early Industrial Revolution. Lynn, Massachusetts 1780-1860* (SUNY Press, 1981), p. 172.

65. Steckel, p. 291 in Gallman and Wallis, *American Economic Growth*.

66. Fogel, "Nutrition and the Decline in Mortality Since 1700," p.

471-472.

67. Steckel, p. 162 in Komlos, *Stature, Living Standards, and Economic Development*.

68. Komlos, "Shrinking in a Growing Economy?" p. 790.

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70. Josiah Curtis "Public Hygiene of Massachusetts; But More Particularly of the Cities of Boston and Lowell," *Transactions of the American Medical Association*, 2 (1849), p. 489.

71. *Ibid*., p. 514.

72. *Ibid*., p. 517.

73. *Ibid*., footnote, p. 529.

74. *Ibid*., pp. 530-531.

75. J.T. Gilman, "Replies to Circular Letter," *ibid*., p. 452.

76. *Ibid*., p. 456.

77. *Ibid*., p. 457.

78. *Ibid*.

79. Isaac Parrish, "Report on the Sanitary Condition of Philadelphia," *ibid*., p. 462.

80. *Ibid*., p. 467.

81. Curtis, "Public Hygiene of Massachusetts," p. 520.

82. *Ibid*., p. 531.

83. James Wynne, "Sanitary Report of Baltimore," *ibid*., p. 568.

84. *Ibid*., p. 568.

85. *Ibid*., p. 572.

86. L.P. Yandell, "Letter on the Condition of Louisville, Kentucky," *ibid*., p. 614.

87. J.P. Harrison, "Letter on the Sanitary Condition of Cincinnati," *ibid*., p. 619.

88. *Ibid*., p. 620.

89. Charles P. Gage, "Sanitary Report of Concord, N.H.," *ibid*., p. 446; and Wynne, "Sanitary Report of Baltimore," p. 558.

90. Yandell, "Letter on the Condition of Louisville, Kentucky," p. 614

and Harrison, "Letter on the Sanitary Condition of Cincinnati," p. 660.

91. Wynne, "Sanitary Report of Baltimore," *ibid.*, pp. 557 and 561.

92. Curtis, "Public Hygiene of Massachusetts," *ibid.*, p. 519.

93. Gilman, "Replies to Circular Letter," *ibid.*, p. 452.

94. Jeremy Atack and Robert A. Margo, "'Location, Location, Location!' The Price Gradient for Vacant Urban Land: New York, 1835 to 1900," *Journal of Real Estate Finance and Economics*, 16 (1998), p. 158.

95. *Ibid.*

96. J.C. Simonds, "Report of the Hygiene Characteristics of New Orleans," *Transactions of the American Medical Association*, vol. 3, (1850), *ibid.*, p. 270.

97. *Ibid.*, p. 280.

98. D. Meredith Reese, "Report on Infant Mortality in Large Cities, the Sources of Its Increase, and Means for Its Diminution," *ibid.*, vol. 10 (1857), p. 94.

99. *Ibid.*, p. 95.

100. *Ibid.*

101. Curtis, "Public Hygiene of Massachusetts," *ibid.*, 2 (1849), p. 488.

102. Edward Jarvis, "Sanitary Condition of Massachusetts and New England," *ibid.*, 3 (1850), p. 265.

103. *Ibid.*, p. 266.

104. See *ibid.*, p. 253 and 262.

105. Coleman, *Low Wages*, pp. 153-154.

106. See Timothy J. Gilfoyle, *City of Eros. New York City. Prostitution, and the Commercialization of Sex, 1790-1920* (Norton, 1992).

107. This figure is described as an unpublished estimate by Robert A. Gallman in L. Lynne Kiesling and Robert A. Margo, "Explaining the Rise in Antebellum Pauperism, 1850-1860: New Evidence," *Quarterly Review of Economics and Finance*, 37 (Summer 1997), p. 405.

108. See Cudd, *The Chicopee Manufacturing Company*, p. 213 and

Gross, *The Course of Industrial Decline*, p. 86.

109. Gross, *The Course of Industrial Decline*, p. 244.

Chapter 7

CAPITALISM DOMINANT, 1865-1920

Between 1865 and 1920, the United States became the world's leading industrial capitalist nation. There was nothing inevitable about this development. Two principal obstacles blocked the way, each of them arising from capitalism itself: (1) a growing working class which increasingly insisted on sharing the fruits of industrial production and (2) competition among existing firms, originated over the years 1790-1865, grew extreme. (The former will be discussed in the next chapter.)

During the earliest phases of industrialization, as we saw above, "American industry … was … characterized by … local [miniature] monopolies protected from competition with each other by high transportation costs.[1] By 1850, the average industrial plant in the country employed only seven workers. (See above, Chapter 5, p. 17.) A year later, "more than half of all British industrial enterprises had five or fewer employees."[2] At mid-century, the internal American market for manufactures was still smaller than that of the British. In no real sense was there much competition between two of the leading industrial countries of the world.

In the thirty-five years after the end of the Civil War, competition permeated American industry. In only a few industries were there dominant firms; instead, numerous small and medium-size companies populated the country. Competition took the form of price-cutting. As James Livingston observed, most capitalists during these years feared that "'ruinous competition', overproduction, and price deflation had created a secular trend toward a stationary rate, in which profit incentives and their civilizing corollaries would disappear."[3] Livingston also reported that

> [National Bureau of Economic Research] data show … that between 1870 and 1900 there were more months of contraction than expansion. Moreover, per capita output and growth in labor productivity declined persistently from 1870 until the turn of the

> century; interest rates (nominal and real), commodity prices, and yields on capital fell just as precipitously throughout the late nineteenth century.[4]

Thus, most capitalists found little about which to celebrate during these "Gay Nineties", despite the fact that during that decade the United States surpassed Britain in total industrial production.

By no means was full-scale monopolization unknown before the 1890s. As early as the 1850's railroad pools were in operation. After the Civil War, they continued to be organized. In 1879, for example, the "Joint Executive Committee" was organized in Chicago, the nation's railroad center.[5] The formation of monopoly in manufacturing "began gradually in the 1870s in ... iron and steel processing, oil refining, agricultural implements ... meat packing, and sugar refining."[6]

Each instance of monopolization was based on the special characteristics of the case. Thus, 95 percent of the best anthracite coal is located in five Pennsylvania counties. By controlling access to and egress from this compact area, several railroads controlled by J.P. Morgan and Company in turn could act as the effective policy-maker of the anthracite industry. In 1880, over 28 million tons of anthracite coal was produced from these holdings; 20 years later the amount had doubled.[7] Yearly output was fixed in accordance with "harmony" among the various owners, under the guidance of J.P. Morgan.[8] The Beef Trust was operated by major meat-packing corporations who, among other things, made secret agreements to fix the prices they would offer for cattle. They did not bid against each other.

Control of patents was a later technique of monopolization. John Gates, chairman of the American Steel and Wire Company, argued that bestowal of a patent entitles the patentees to receive a super-profit on the patented item.[9] For a number of years, General Electric fought Westinghouse via their patent holdings. After a time, they formed the GE-Westinghouse Board of Patent Control to protect their joint interests; the board operated from 1896 to 1911. Meanwhile, in 1903, "Emil Rathenau, the founder of AEG [the German counterpart of GE] reached an agreement with General Electric in America to divide their world markets; AEG would continue to be preeminent in Europe; GE, in America."[10] On the other hand, a principal figure in the U.S. Steel Corporation explained how he and his opposite numbers in England, Germany, Belgium, France, and Austria had failed to reach a monopolistic agreement on division of the world wire market mainly because he (John W. Gates) insisted on too high a quota for his firm.[11]

The depression of 1873-1879 was the last crisis of a highly competitive American economy. Producers responded to falling prices by trying to keep output level or even increasing it. During the depression of 1893-1897, however, industrial producers were better able to protect their position. As indicated above, there was widespread experimentation with monopolistic arrangements. The general result is evident. During the earlier depression, for example, prices of metal and metal products fell an average of 14.9 percent a year and those of farm products 3.3 percent. Twenty years later the percentages were 3.2 and 4.0.[12]

In 1867, the country's leading business journal lectured manufacturers on the financial advantages of reducing output rather than prices during economic slumps: "Manufacturers appear to have regulated their production by the capacity of their works rather than by the capability of consumers; and the result has been the supply of goods has been so far in advance of the demand as to place the determination of prices in the hands of the buyers, causing upon many descriptions of goods very heavy losses."[13] Manufacturers seem to have learned the lesson and applied it increasingly during the late 1890's and early 1900s. During these years industrial mergers proliferated, as follows:[14]

Year	*Mergers*	*Year*	*Mergers*
1895	4	1900	21
1896	3	1901	19
1897	6	1902	17
1898	16	1903	5
1899	63	1904	3

"More than half of the consolidations absorbed over 40 percent of their industries," notes Naomi Lamoreaux, "and nearly a third absorbed in excess of 70 percent."[15] These mergers aimed at achieving monopoly positions over resources or markets; typically, they involved firms that had been competitors. Another motive for the mergers was to create large promotional profits for those persons who initiated and managed the merger.[16] These profits could be transacted in the shape of shares of new stock. In general, the mergers did not result in improved efficiency in producing any commodities since the mergers were "horizontal", that is, they involved companies producing more or less the same products at more or less the same technical efficiency.

Robert Grosse has written that "monopolistic agreements among pig iron producers were unknown until the depression of 1873-79, and even these were ineffective."[17] In these early years, small furnace capacities and modest market demand had limited firm sizes to around what was barely optimum technically. By 1880, however, producers of Bessemer steel—who of necessity incurred very high fixed costs for machinery—were organized into extremely large firms. These high costs put a premium on the elimination of competition in the industry; monopolistic agreements gained prominence during the 1880s. By 1901 they led to creation of the U.S. Steel Corporation. U.S. Steel did not attempt to create a complete monopoly in the industry. It "set prices at a level that would earn profits for its weaker competitors, but not so high as to antagonize customers."[18] In other words, the corporation was interested in stabilizing the industry so as to maintain its own position of dominance. One avenue to that goal was the corporation's ownership of the rich iron ores in the Lake Superior district which gave U.S. Steel a competitive edge and which it refused to share with any other firm in the industry. Another mechanism was the holding of so-called "Gary dinners" during 1907-1909, which involved steel industry leaders. A participant in the dinners, named after Elbert H. Gary, chairman of the board of directors of the U.S. Steel Corporation, noted that the guests were summoned in order to discuss problems arising out of the depression of these years. Gary was said to stress that industry policy should be based "on a disposition to help one another, instead of trying to get business at the expense of one another and at prices below actual cost."[19] The advice was heeded, and the dinners eventuated in the formation of the American Iron and Steel Institute, a long-lasting trade association. One historian writes that "the Gary dinners were remarkably successful in preventing price cutting."[20]

During the 1860s and 1870s, the annual rates of growth of business capital (plant and equipment) were 3.9 percent and 4.8 percent. In the 1890s, notes Josef Steindl, the rate began a very long-term drop which was uninterrupted even as late as the 1930s. Another approach to this same area is to study the rate of output of fixed capital per worker. Referring to the years after the Civil War, Robert Gallman reports that "in the postwar period [until 1899] the rate does not rise above the rate for 1859-69. ... The rate of increase of fixed capital output was subject to sharp retardation and this is especially evident for the period after 1869."[21]

Monopoly made significant headway only starting in the mid-

1880s. By that time, as just noted, the rate of growth of business capital was being checked. Indeed, the advance of monopoly led to that checking process by raising profit margins of the larger firms, expanding excess capacity, and thereby restricting investment.[22] Regarding this growth of monopoly as a concomitant of capitalism, we can say with Lewis Corey that "unlike England ... the American industrial revolution and the upswing of capitalism measurably coincided in time, the conditions of one modifying those of the other."[23]

The leap toward monopoly during the decade of the 1890s produced a system of corporate capitalism.

> In 1891-92 an industrial company with a capitalization in excess of $10-million was still extremely rare. In 1902, by contrast, nearly a hundred industrial corporations had attained that size. ... In 1899 incorporated companies made up only 13.6 percent of all manufacturing establishments, yet they already employed 65 percent of all wage earners in manufacturing. By 1905 industrial corporations in manufacturing—now 23.6 percent of all establishments in the sector—controlled 82.8 percent of all capital, employed 70.6 percent of all wage earners, and accounted for well over 70 percent of value added.[24]

This transformation resulted from a series of deliberate steps taken by a ruling class on the make. It was particularly through control of the financial system that this class succeeded in establishing its rule.

The merger movement consisted not of an assortment of specialists in producing manufactured commodities but of financial experts who commanded either the capital itself or the avenues for gathering the capital. Thorstein Veblen described the essentials of the system: "The banking community took over the strategic regulation of the key industries, and...also the control of the industrial system at large."[25] Control of the key industries was "lodged in the hands of that group of investment bankers who constitute in effect a General Staff of financial strategy and who between them command the general body of the country's credit resources."[26] During the first years of the 20th century, a new assumption pervaded higher financial circles: " The banking system could and should be the headquarters of an investment system based on cooperation among large firms."[27] Here is an example of how the new system operated.

In the years 1885 and 1905, the annual income of life insurance companies in the United States was $525-million and $2.9-billion, respectively.[28] These funds were derived from premiums paid by holders of the insurance policies, and needed to be invested promptly so as to yield an income for the companies to pay for the deaths of their insured persons. Five firms owned two-thirds of the assets of all life insurance companies: Metropolitan, Prudential, Mutual, Equitable, and New York Life. The last three owned fully one-half the assets of all life insurance companies. In 1870 less than three percent of these assets were stocks and bonds; by 1900, that figure had risen to nearly 38 percent. Five years later, securities held by New York Life constituted 74 percent of its total assets; of Equitable, 57 percent; and of Mutual, 54 percent.[29] Which securities did the insurance companies buy? Primarily, those sold (i.e., underwritten) by six dominant New York investment banks, led by J.P. Morgan and Company. Such securities were issued by industrial corporations and others which had close relations with the dominant investment banks. According to Douglass North, "it was clearly a one-sided arrangement in which the great bulk of the advantages accrued to the investment banker rather than to the insurance company."[30]

Crucial to this entire arrangement was the requirement that the insurance companies control their own back yard. This was accomplished by deep company involvement in political and governmental affairs. "The three big insurance companies occupied key positions in financing the [New York state] Republican machine (and to some extent the Democratic one also) and guaranteed not only friendly legislators but cooperative [state] insurance departments as well."[31] Between 1895 and 1905, a New York Life lobbyist was paid at least $1,312,197.16 to guard against passage of hostile legislation.[32] The New York State Department of Insurance functioned as a subdivision of the industry:

> Formally the department was supposed to regulate insurance companies in the public interest. Actually the department was intimately related to the dominant political machine and responsive to the long-run functional requirements of the major companies. ... The net effects of the actual policies of the regulatory body were (1) to enable the large companies to easily evade regulations when it was important for them to do so and (2) to insure continuous dominance by the large companies.[33]

Few economic historians have shown as graphically as Douglass North how significant a contribution was made by government to the short- and long-term development of the life insurance industry. The Big Three insurance companies ruled their industry in a manner closely reminiscent of that of U.S. Steel, a Morgan firm.

Vast amounts of capital were needed to finance the installation of expensive heavy equipment and buildings to house the rapidly expanding industrialization. In addition, capital was required to develop various natural resources, especially in minerals. Accessibility by the new giant firms to adequate capital permitted them to drive their costs of production downward. The highest labor costs were incurred in shops or operations where skilled labor predominated. Whenever possible, machinery was substituted. In addition, craft union work rules were outlawed throughout industry after industry. Nevertheless, as James Livingston notes, "output per industrial worker calculated in dollar amounts declined 5 percent from 1874-83 to 1884-93, as earnings per industrial worker increased about 4 percent."[34] Heightened mechanization aimed to eliminate the worker advantage. This was accomplished during the transition from the production of wrought iron to steel.

David Jardini reports that in one firm "by early 1892, only 3.0 manhours of labor were required for each ton of steel produced, compared to 29.7 man-hours required for each ton of wrought iron in 1887."[35] In the same company, total labor costs constituted 30.5 percent of wrought-iron production but only 21.6 percent of steel output.[36] Jardini classified the skill levels of workers in the firm's plants on a scale from 0 to 10. The lowest value was applied to jobs requiring less than six months of training (unskilled), the highest value to jobs needing 60 of training or more. During 1885-1887, the average skill-level range of wrought-iron workers was 3.81-3.85. During a longer period, 1887-1896, the mean skill-level range of steel workers was 1.57-1.98.[37] Jardini explains:

> Almost three-quarters of the jobs in the steel department were in skill ranges 0 and 1, which represent occupations requiring less than twelve months of training. ... While the mean skill level of workers in the ... [iron] plant hovered around 3.8, the mean skill level of the steelworkers never reached 2.0."[38]

Between 1890 and 1910, steelworkers' earnings rose by half while their productivity tripled.[39] This pattern of exploitation was highly reminiscent of the experience of New England textile workers a half century earlier.

Technological change and a drive for greater profit per worker laid the basis for a lengthening of the workday in the steel industry. In 1892, Andrew Carnegie's Homestead Works in Pennsylvania conducted an anti-union campaign (see next chapter) which resulted in an ending of unionism in the plant. Very rapidly thereafter, the twelve-hour workday and seven day workweek became norms in the entire industry.[40] Jonathan Rees notes that "less than a third of the departments in most mills required continuous operations."[41] Not even in this minority of departments, however, did continuous operation require that particular workers continuously operate the same machine for twelve hours. (Steelworkers in England and France, whose production methods were highly modern, worked fewer hours than their American counterparts.) A high official of the U.S. Steel Corporation claimed in 1912 before a Congressional committee that electrification of steel operations had greatly lightened the physical burden of steelmaking and thus presumably made it less laborious.[42] By 1911, 45,248 men worked the 12-hour, seven day week in U.S. Steel's mills. Nine years later, the number had risen to 85,000.[43] In the industry as a whole, in 1910 over half of all steelworkers worked the long week; eleven years later up to two-thirds of employees did so.[44] It should be recalled that an era of highly skilled specialist workmen in steel had never existed.

Capitalism advanced in the South, both in industry and agriculture, but without any special technological feature. (See the next chapter for a discussion of developments in agriculture.) During the 1880s, railroad-building in the South took on a new urgency. In a number of cases, African-Americans were employed in construction as well as operating and service capacities. It was, however, the cotton-textile industry that became the principal industrial engine of capitalist growth. By the 1890s, New England textile mills began to close shop and move to the South. The magnet for such movement was the availability of a great reservoir of cheap labor—the poor whites. The rulers of the post-Civil War South—more or less the same ones who had ruled before the war—still controlled cotton agriculture. Vital to continuation of that control was command over the labor of the emancipated enslaved workers. To have staffed the textile mills with these workers would have created a competition between farm and cotton mill; wages would surely have risen. Thus, poor whites were employed: They were told the new jobs were exclusively designed for them; blacks were not permitted to work in the mills. In return, the poor whites were expected to remain content with the slenderest of rewards. And textile owners did not need to fear the development of any radical sentiments of class conflict among the grateful workers.

Douglas Dowd points to the result: "In 1900 the work week in the South was sixty-eight to seventy-two hours; in New England, it was fifty-six to fifty-eight."[45] Another indicator is Phillip Wood's observation that "North Carolina had 12.5 percent of the nation's cotton millworkers but accounted for 61.1 percent of those working more than sixty hours per week."[46] He notes also:

> In 1890 the average wage rate for males in North Carolina was 163 percent that of females and 281 percent that of children. By 1900 these figures became 138 percent and 211 percent, respectively, largely as a result of the fall in the average rate for males.[47]

Such were the leading attractions of textile economies: a bonus to employers of a longer work week; the sweeping presence of such work-weeks in North Carolina; and falling wage rates for male operatives, even during a period of industrial expansion. Toward the end of the 19th century, politically organized employers were able to deprive both white and black workers of political power in the state, thereby strengthening the rule of capital.[48] A well-informed Englishman visiting the South in 1902 was told "of children of twelve running a dozen automatic looms each for eleven or twelve hours a day; of girls of twelve drawing-in warps; of fathers carrying their children to the mill in their arms." In Winston-Salem, North Carolina, "half of the people in the mill seemed to be between nine and fourteen years of age, and I was told that they worked sixty-nine hours a week"[49]—almost as many hours as many adult steelworkers in Pittsburgh.

By 1914, child-labor laws forbidding work before the age of 12 had been passed throughout the South. As W.J. Cash notes, however, "Not a single Southern state made any serious provision for enforcement; not one set up more than the shadow of an inspection service."[50] (It should be kept in mind that all these mill children were white.) Extensive child labor helped significantly in yielding profit rates ranging from ten to 30 percent in North Carolina textile mills.[51]

Before 1900, the 139 research laboratories in the United States were not actually engaged in research. "Rather, they were engaged in a variety of routine and elementary tasks such as the grading and testing of materials, assaying, quality control, writing of specifications, and so forth."[52] When it came to making steel during the second half of the nineteenth century, "none of the scientific ideas used by

Bessemer ... and Thomas were more recent than 1790. ..."[53] Generally speaking, as John Bernal pointed out, "when a process is not understood but is known to work there is always a real danger in any variation however apparently supported by theory."[54]

Industrial research dates in the United States from around 1900. It originated in science-sensitive industries, that is, industries whose fund of theoretical knowledge was clearly inadequate to make further progress, whose problems were not being solved in universities, and yet whose entire fortunes could be upset by a major technical breakthrough. Such, for example, was the situation in the electric lighting and the telephone industries around 1900. In part, the effort was successful; important technical advances came from these industrial laboratories. Nevertheless, even in the electric lighting field crucial technical advances continued to be purchased or leased from European sources. And many fundamental technical advances came from independent inventors or from gifted enterprisers who lacked genuine laboratories.

Corporate interest in research extended beyond technical advance for its own sake:

> A company often established an industrial research laboratory for market protection as well as for innovation, and as a result the work there was aimed at maintaining corporate market position through broad-ranging patent-gathering activity as well as at achieving particular scientific or technical goals.[55]

Nevertheless, by far most patents before World War I were produced by independent inventors having no connection with companies.[56] While undoubtedly only large firms could afford to establish full-scale laboratories, "it remains difficult to provide convincing empirical support for the view that large firms contribute disproportionately to technical advance."[57] This was especially the case before 1914. More than one large firm closed down their laboratory because quick profits were not resulting from investments in scientific personnel and equipment. "To them," wrote Henry D. Lloyd in 1894, "science is but a never-ending repertoire of investments stored up by nature for [investment] syndicates."[58]

During the third quarter of the 19th century, the scientific community reflected its origins in an economic elite:

> Most professional scientists came from professional or upper-middle-class families. Three-fifths of the scientists listed in the

> *Dictionary of American Biography* were sons of professionals, as against one in seventy-five of the general population. Nearly another fifth were sons of entrepreneurs.[59]

Thus, America's scientists shared similar social origins with contemporary politicians, judges, industrialists, and other propertied folk. This came in handy, at the least, when scientists were making their way into economic and political affairs, as they necessarily did. Bruce reports:

> Government employed nearly a third of the leading antebellum scientists. ... By 1860, twenty-nine of the thirty-three states had sponsored [geological] surveys at one time or another. ... Twice as many leading scientists worked for the federal government, 1846-76, as worked for the states . ...[60]

It should be noted that before the Civil War, West Point constituted the leading producer of engineers in the country.

Geologists, declares Bruce, "ran a greater risk than other scientists of contracting the itch to be rich."[61] State government geological surveys pointed to probable sources of valuable minerals while capitalists hastened to exploit the deposits. The market for geological knowledge expanded rapidly and numerous geologists became investors. Many early engineers, who came from social circumstances similar to those of scientists, commonly had "a proprietary interest in the projects in which they were engaged."[62]

Numerous contemporaries inflated the role scientific research played in American industry, none more wantonly than W.J. McGee. In 1898 he wrote:

> In truth, America has become a nation of science. There is no industry, from agriculture to architecture, that is not shaped by research and its results.[63]

This volley was preceded by an even less accurate one: "Fully half of the progress of the world, during the last fifty years, has been wrought through the unprecedented energy of American enterprise and genius, guided by American science."[64] In fact, American science was a small and tender shoot. In 1899, a band of American physicists formed the American Physical Society; they could count no more than 37 members. Two years later, when the physics department at Columbia University invited the world-renowned scientific figures J.J. Thomson and Ernest Rutherford to join them, "neither would think of going to so isolated a place as New York City."[65] The picture in industrial science was not greatly different. Thus, in 1919, research and development accounted for only 0.1 percent of Gross National Product.[66] In fact, a year earlier a careful observer reported:

> It is nowadays generally only the very large establishment which is in a financial and technical position to handle big things in the way of patents or scientific discoveries of great economic value. Time was when such discoveries were the free gifts of the scientists to the whole class of industrial capitalists.[67]

The picture changed only gradually.

After the Mexican-American War, the Treaty of Guadalupe Hidalgo (1848) required the American courts to respect Spanish and Mexican practices with regard to ownership of sub-surface mineral deposits. Those age-old practices, derivative from European practices, required government be awarded all rights to such deposits. In turn, the government could grant mining rights to private individuals in exchange for royalty payments. Thus, land could not be sold or granted to private parties for farming if it was known to contain minerals. State supreme courts after 1848, however, deliberately violated the Guadalupe Hidalgo Treaty by declaring "public access to minerals ... [to be] a privatized property regime giving exclusive—and invaluable—subterranean rights to the owner of the soil above."[68] This opened the way for mining corporations to engage in large-scale mining that utilized technologies that were highly destructive to a physical environment which they "owned". So Peter Reich declares:

> Such large-scale extraction deforested the area to provide mine reinforcement and fuel, polluted the air with mills and smelters, and contaminated the water through dumped tailings. Destruction of vegetation, erosion, and debris accumulation from hydraulic mining has also been well documented.[69]

A very high price in environmental degradation was paid for by the advance of large-scale mining, especially in California.

The late 19th and early 20th centuries are frequently referred to by economic historians as the age of Big Business. W.E.B. Du Bois regarded the label as "a misleading misnomer."[70] In his view:

> Its significance lay not simply in its size. It was not just little shops grown larger. It was an organic super-government of mankind in matters of work and wages, directed with science and skill for the private profit of individuals.[71]

By 1900 or so, it had not yet achieved the status of a "super-government". Undoubtedly, however, it was well on its way.

Capitalist interests were served on all levels of government.

Referring especially to large-scale corporate entities, Gerald Nash writes that during 1860-1900, "powerful new business groups exerted extraordinary influence on state and local governments."[72] Even the big businesses that began to emerge in the 1870s and 1880s were located in municipalities. Governments in company towns were almost completely dominated by the dominant firm or firms. Thus, a vice-president of Bethlehem Steel Co. was the mayor of Bethlehem, Pennsylvania while a member of a company's private police force in North Clairton was also mayor of the town.[73]

Local taxes were exceedingly light on the largest enterprises. A crucial step in this process was local assessment of property as a base for taxation. In Montana, where the Anaconda Copper Mining Company accounted for 90 percent of the copper produced, local tax assessors tended to accept the firm's valuation estimates, thus enabling the company to determine its own tax rate. Louis Levine commented:

> This practically leaves the assessment of mines in the hands of the owners of the mines and reduces the supervision of the taxing authorities of the state over mine assessment to almost nothing.[74]

Profits grew accordingly. Between 1905 and 1917, the company "earned a sum equal to 150 percent of its outstanding capitalization and paid in dividends a sum equal to its capitalization. ..."[75] Meanwhile, higher tax rates were levied on farm land and other forms of property. James O'Connor notes, likewise, that "in some cities (e.g., Houston) major industries themselves fix the value of their properties for tax purposes."[76]

Many laws were administered according to political criteria. This was preeminently the case with measures requiring inspection of factories for safety and other matters:

> In small towns, particularly in company-dominated communities, the inspector had virtually no chance of obtaining convictions against the major employer. In other areas the judges were often sympathetic to the objectives of the law but hesitated to levy more than a reprimand.[77]

The owner of the largest bank in Montana was also the territorial governor. During 1886 he began developing coalfields in the territory in which the Vermont capitalist Frederick Billings invested

$125,000.[78] He cooperated closely with the owners of the Northern Pacific Railroad.

Between 1860 and 1900, the federal government gave the states some 72-million acres of land for transferral to small farmers. "In general, state administration often violated legislative intent" and speculators were allowed "to amass vast tracts of land."[79] (The reader will note that it was during these years that both federal and state authorities successfully opposed distributing "40 acres and a mule" to the freed slaves.)

With the advent of large-scale, mechanized mining in California, Nevada, and elsewhere in the West, mining capitalists became deeply involved in state politics. "At Nevada's constitutional convention the large mining interests constituted a controlling block, and continued to do so in later sessions of the legislature."[80] Throughout western states, governments distributed "corporate mining charters, codified mining law, and granted [the industry] direct subsidies."[81]

In North Carolina, industrial and agricultural capitalists combined to strip the poor of their political rights. State constitutional provisions as well as election laws were re-written to deprive both black and white poor of their vote. After the end of reconstruction in 1877, the legislature enacted numerous regressive taxes, including a general property tax which bore most heavily on holders of small properties. "Almost every piece of property owned by blacks, however insignificant, was taxed."[82] As the poor lost their vote, they also were saddled with unequal schooling taxes:

> The system of educational financing was highly regressive. Blacks paid higher taxes for education than did whites, poor whites paid higher taxes than rich whites, and the law was designed to prevent any redistribution between "rich" and "poor" counties. After 1900 the ratio between per capita expenditures on education for blacks and those for whites fell by 53 percent in ten years, and there was increasing inequality between per capita expenditures in rich and poor counties.[83]

Sweeping disfranchisement accompanied the triumphant advance of capitalism in the South. The consequent deprivation spread far beyond racial boundaries.[84]

When Woodrow Wilson first ran for president, in 1912, he declared that "the masters of the government of the United States are the combined capitalists and manufacturers of the United States."[85] At the center of this process lay control of the principal political parties and the political machines, organized under direction of party bosses. "Living to a great extent on the corporations, bossism burst into full bloom in the States where big capitalist interests were concentrated, where [railroad] companies were most numerous, such as New York, New Jersey, Pennsylvania . ... ."[86] The bosses, however, did not run the "whole show":

> Often the high officials of the companies sat on the important party committees and pulled the strings from them. They equipped and kept up political Organization for their own use, and ran them as they pleased, like their trains.[87]

Just after the Civil War, a leading business magazine regretted "that legislation should be made mercenary" but opined that businessmen "pay our 'backshish' to the lobby-chief whom we meet, rejoice that it is no higher, and regard it as one of the conditions of human society. ..."[88]

Directly bribing individual members of legislative bodies became onerous since their tastes differed and their numbers were large. In time, corporations saw their way to economies: instead of purchasing individual votes they began buying entire elections through campaign contributions. As Ostrogorski comments: "Capitalism ... buys what is for sale, men as well as materials."[89] Only the mode of purchase changes. Thus, in 1888 the general manager of the American Iron and Steel Association wrote the chairman of the U.S. Senate Finance Committee offering a campaign contribution to the Republican party of some $40,000 if the tariff rate against foreign steel rails could be raised from $14.00 to $15.68.[90]

Matters of broader capitalist class concern did not necessarily require cash payments. In 1890, for example, Congress passed the Sherman Anti-Trust Act to forbid industrial conspiracies in restraint of interstate commerce. An amendment had been offered to assure that the new measure would not be applied against unions. Senator Sherman successfully led the fight against the amendment, arguing that it was not necessary.[91] (Five years later, the U.S. Supreme Court in fact approved the application of the law to Eugene V. Debs in relation to the Pullman Strike.) Under the high court's later ruling in the *Steel Case* (1920), only "unreasonable" restraints of trade were outlawed. In another case, a giant firm was held to be engaged in commerce—and thus exempt from the bars in the Act—rather than in industry. So much of the law was construed out of existence that one economic historian characterized part of it as a "charade".[92] In the decade between the organization of the U.S. Steel Corporation and filing of the federal anti-trust case against the company, the firm absorbed 180 one-time independent enterprises.[93] This in itself was held not to be "unreasonable". New anti-trust laws passed in 1914 (Clayton Act and Federal Trade Commission Act) more or less incorporated Supreme Court holdings of the years 1890-1914.[94]

Big Business was not only accompanied by the growth of Big Government; it had a large part in producing Big Government. From the Interstate Commerce Act (1887) to the Federal Reserve Act (1913) and similar measures, federal regulation was installed under the aegis of giant corporations.[95] Regulation was called upon when business itself proved unable to manage the economic system without developing "destructive" competition.

During the years 1865-1920, American natural resources underwent enormous "development", or, in plainer English, depletion. At a meeting of the American Forestry Association in 1893, the editor of a leading trade journal, *North Western Lumberman*, warned against the shortsightedness endemic in commercial lumbering. The lumberman "was not in the business for a lifetime, much less for the benefit of future generations." He would retire from the business whenever the timber supply gave out. "In the future," the editor concluded, "there will be a decidedly intimate relation between forestry and the lumbering industry, but it will be when the hum and clatter of the great commercial mills will have nearly died away, as then there will be but few great bodies of timber from which such mills may be fed."[96]

Earlier in the 19th century, according to historian Martin Ridge, the Great Lakes lumber industry paid almost nothing for its raw material: "The fact that lumber was virtually a free good on the frontier made profits significant."[97] Even when formal laws and regulations governing the industry were adopted, enforcement was lax or non-existent. In the Pacific Northwest, shortly after 1900, the industry grew rapidly. Coos Bay, Oregon witnessed a boom in lumbering:

> Rumors of an impending timber famine and presidential withdrawals of the forest reserves brought lumbermen from the Great Lakes states and other potential investors from centers of eastern capital. Company land agents played fast and loose with

federal and state land laws in order to "block-up" huge acreages of valuable timberland, especially in western Oregon.[98]

Warnings by foresters of impending shortages were ignored:

Neither federal nor state governments heeded the warnings. Private harvesting practices continued unrestrained.[99]

The continuation of such practices created a deadening uniformity of boom-and-bust for people working in the industry.[100]

Around 1913, resource abundance characterized the American industrial scene. This led to large exports of these resources as well as U.S. development of products that exploited many of the same minerals:

Copper, coal, zinc, iron ore, lead and other minerals were at the core of industrial technology for that era, and in every single case the United States was the world's leading producer by a wide margin. In an era of high transport costs, the country was *uniquely* situated with respect to almost every one of these minerals. ...[101]

Often, as in the South, iron and coal deposits were located near ample supplies of cheap black agricultural labor who readily learned the mining trades. This was especially the case in Alabama, Tennessee, and Georgia.[102]

The West became an exemplary magnet for eastern and foreign capital. "The onset of the copper boom in Arizona indicated that the region had become an integral part of the larger continental and transatlantic world of industrial capitalism."[103] Thousands of eastern and midwestern workers and middle-class persons sought to make their mining fortunes in the region. Most, however, ended up as factory workers. In Colorado, the trend was as follows:[104]

Year	Manufacturing Establishments	Average Number Wage Earners in Manufacturing
1869	154	600
1879	439	4,500
1889	904	11,300

In 1880, slightly less than half of Colorado's non-agricultural wealth was owned by persons outside the state. And, "undoubtedly the banks of the West and East controlled the mining and railroad industries of Idaho."[105] In short, much of the region became little more than an "economic province" of the industrial East; Arrington includes under this rubric early Montana, Nevada, Colorado, and Wyoming.[106]

British investors were bold only in their hopes of rewards; in practice they took few chances. Thus, from 1860 to 1880, rail bonds issued in the United Kingdom were distributed as follows:[107]

Developed regions	69%
Developing regions	22%
Undeveloped regions	9%

Herbert Brayer, in discussing foreign capital in New Mexico and Colorado, referred to "this short-term-high return" concept [which] was the guiding principle of a large portion of the English, Scottish, and Dutch investors who purchased American securities following the Civil War."[108] It also guided American investors. Brayer nevertheless calls the absentee-ownership operation as a whole "disastrous to European investors and ... stagnatory to southwestern development. ..."[109]

Wasteful mining techniques were a further consequence of such investment perspectives. In 1916, Charles Steinmetz, chief engineer of the General Electric Company, declared:[110]

> The vast natural resources made it possible to use what we had not produced, and thereby led to an average consumption, an average standard of living, beyond that of any other country. This is a rather serious problem, as it means that our nation has largely been living on its capital and not on its income, and thereby acquired habits of the spendthrift.

Little heed was given to Steinmetz's views.

During early American economic history, government and business were customarily closely interrelated. With the rise of regional and national industries, loosely-linked capitalists constituted increasingly powerful lobbies for legislation on matters of direct economic interest such as tariffs and taxes. As industrialists and financiers bought up political parties and politicians, in the late 19th century, more intimate relationships evolved, many of them directly related to major aspects of government policy and programs.

Military power was one such area. During the years 1866-1891, wars against the Western Indians were conducted by the Army. Lands with underlying mineral resources were particular targets for wresting from Indian peoples; agricultural and range lands were seized by troops. Continued Indian control interfered with the extension of railroads and thus stymied the development of mining industries as well as settlement. Federal military expenditures rose sharply: "Gilded Age armies were nearly twice the size of those in the decade before the Civil War, and army appropriations in unadjusted dollars almost tripled."[111] Paul Koistinen continues: "After the Spanish-American War, the annual average peacetime strength of the army was over three times greater than in the period 1872 to 1897, and average annual budgets in unadjusted dollars were almost four times as large."[112] (Large costs were incurred in the federal policing of labor strikes; see the next chapter for further details.)

Naval expansion was even more extensive. During the 1880s, the U.S. Navy stood 12th in the world; some 20 years later, it stood second;' and by 1915-1916 it was on the verge of leadership.[113]

> To build a new navy of steel, steam, armor, and modern ordnance required a production team of civilian governmental officials, naval officers, and industrialists, especially for the manufacture of armor and ordnance. In one way or another, that production team has remained in existence through today. And in that coalition are located the origins of the military-industrial complex.[114]

Close and continuing cooperation helped produce a sense of identity between military and industry: "As the officer corps professionalized in both the army and the navy, and especially in the latter, it took on an upper-class bias."[115]

When World War I broke out in August 1914, the United States declared its neutrality but became a prime source of war materials for England and France. Allied war orders started arriving at the moment that an economic recession struck the U.S. By 1915, Allied orders had become a major element in the country's economic recovery. When Allied credit was all but exhausted, therefore, and this threatened an end to war-production recovery, the Wilson administration was faced with a threat of recession again. Secretary of the Treasury William G. McAdoo wrote the President:"To maintain our prosperity, we must finance it. Otherwise, it may stop and that would be disastrous."[116] The Allies were then permitted to sell bonds within the United States and funds were raised to continue the economic stimulus.

During 1915-1916 a strong movement took shape to augment

American military forces. The movement, most prominent among upper-class circles in the Northeast, was actually a rehearsal for eventual entry into the war. A parallel movement evolved to mobilize the economy for war. "The leading economic preparedness advocates shared two critically important convictions: Private businessmen and professionals had to direct the mobilization of the economy, and the basic structure of the nation's economic system had to be preserved during the process."[117] Both in the preparedness phase as well as during actual military hostilities, private authority over the economy prevailed. Actually, however, under federal supervision in wartime, private businesses were able to be even more privately controlled than previously. This was because "governmental" supervision was often exercised by the private businessmen who had been appointed to governmental procurement and administrative authorities. The result was a conflation of public and private elements.

The consequences were best characterized by historian Koistinen:[118]

> Private economic power, if exercised shrewdly and at times ruthlessly, can be strengthened enormously through public operations. ... Industry was using public authority with few safeguards against abuse. ... Private businessmen served as government officials and often had a role in awarding contracts to themselves and their colleagues. ... Conflicts of interest and other abuses were rife throughout the W.I.B. [War Industries Board] ... Almost without exception, the commodity sections and the war service committees constituted an organic unity in which any division between public and private interests was obliterated. ... And the WIB was dominated by a business ideology dedicated to the notion that industries, individually and collectively, deserved as much favorable treatment and protection as they could possibly get while they mobilized the economy for war. ... Never in the nation's history was so much public power placed in private hands with so few checks. ... [The W.I.B. was] a board that carelessly and grossly mixed private and public interests and functions. ... The possibilities for plunder were endless.

Profit records show the material consequences were enormous.

In the steel industry, the ratio of profits to invested capital sextupled in 1917 over the average of 1912-1914; U.S. Steel's profits rose from $46-million in 1914 to $585-million three years later. After-tax profit rates of 21 copper firms doubled between 1913 and 1917. In 1917 alone, "copper firms were annually returning in profits a range of 70 to 700 percent of invested capital."[119] Stock prices skyrocketed: Bethlehem Steel stock rose from a pre-war average of $25 to $700 in 1916. That same year Bethlehem stockholders received a 200 percent dividend. During 1915 alone, U.S. Steel's stock increased from 48 to 120 and General Motors from 78 to 750. Ordnance stocks for nine firms rose by 311 percent in one and a half years.[120] Stuart Brandes notes that such increases were restricted largely to products directly used by the military: "This was in sharp contrast to stocks that served the civilian market—between 1914 and 1918 the stock market as a whole dropped by 60 percent in real value."[121]

The end to hostilities did not conclude the pro-industry policies of the federal government which now found itself with vast inventories of vital industrial materials. Instead of dumping them onto the market at one time, which would have severely depressed prices of copper, leather, and other supplies, agreement was reached to sell off limited quantities over a comparatively gradual period. This was, in effect, a government subsidy for industrial producers of the surplus commodities which included lumber and aircraft engines.

The significance of World War I, however, went far beyond profit margins and stable prices. The American capitalist class had tasted political power as never before. Sitting at the levers of the political economy of war, industrialists learned the potentials of the economic system when it was integrated into a governmental system. Big government and big business could thrive together. World War I was the first test case.

SUMMARY

As the American economy became predominantly capitalist, competition permeated American industry; price-cutting was rife while economic contraction outstripped expansion. Industrialists turned to monopoly as a cure wherever opportunities arose. By the turn of the century, a few large firms exercised market control in selected industries: anthracite coal mining, meatpacking, iron and steel, oil refining, and sugar refining, among others. The depression of 1873-1879 turned out to be the last crisis of a highly competitive American economy. Large-scale industries tended afterwards to reduce output and thereby support sagging prices and profits. Investment bankers exercised overwhelming control in monopolized industries, including the life insurance industry where monopolists negotiated political connections that proved lucrative.

Heightened mechanization accompanied monopolization. In the steel industry, labor costs fell. Between 1890 and 1910, steelworkers' earnings rose by half while their productivity tripled. Another source of increased profits came from the lengthened workday. By 1920, 85,000 U.S. Steel workers labored for 12 hours per day for seven days a week. This number had risen from slightly over 45,000 nine years earlier. In the South, the cotton textile industry expanded greatly with poor whites as the exclusive cheap labor reservoir. The textile workday was far longer in the South than in New England. Young children were employed in very large numbers despite state laws forbidding much of this; the southern states were unanimous in failing to enforce the child-labor laws.

Industrial research emerged on the national scene around 1900 but its actual research activities were extremely limited. The range of scientific problems explored in industrial laboratories was exceedingly elementary. When quick profits did not follow, a number of corporations closed down their laboratories.

Capitalist interests were served on all levels of government. Governments in company towns were almost completely dominated by the larger firm(s). Local taxes were light on the largest enterprises. In many cases, it was the industrial corporations rather than the tax collectors that determined the value of their own property for tax-assessment purposes. The "private" and "public" domains were intimately intermixed. The owner of the largest bank in Montana was also the territorial governor. During 1886 he began developing coalfields in the territory in which Vermont capitalist Frederick Billings invested $125,000. He cooperated closely with the owners of the Northern Pacific Railroad. When Woodrow Wilson first ran for president, in 1912, he declared that "the masters of the government of the United States are the combined capitalists and manufacturers of the United States."

World War I further developed the industry-government tie. War orders from England and France had, by 1915, eliminated the economic recession of 1914-1915. Allied funds, however, soon gave out and the Wilson administration was faced with a threat of recession again. Secretary of the Treasury William G. McAdoo wrote the President: "To maintain our prosperity, we must finance it. Otherwise, it may stop and that would be disastrous." Wilson then authorized the sale of Allied bonds in the United States and prosperity continued. In April of 1917, the U.S. entered the war. Major industrial interests profited greatly. Sitting at the lever of the political economy of war, industrialists learned the potentials of capitalism when it was integrated into the governmental system.

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Chapter 8

CLASS WARFARE FROM ABOVE, 1865-1920

The profitable use of America depended on development of a working class. But concentration of workers has always cultivated a fear among employers that large numbers of workers might organize and become a counterweight or even a superior force to that of the employers. To frustrate the formation of a unified working class became a prime aim of American (and other) employers. Not only would this head off united worker action at the workplace. It would also deny workers access to political organization based on their economic interests. Weakness on this front would also stave off effective demands for legislation advancing labor's cause.

In the United States racial policy has been another way to assure that the unity of workers would not be achieved. By encouraging conflict between groups of workers divided by race, nationality, sex, language, or religion, employers rarely needed to worry about facing labor as an equal. This process has been characteristic of American history. Because the economic sphere of life has been so fundamental, patterns developing there tended to overflow into other areas of American life.

Early in American history, groups were deliberately set against one another to weaken both. Anthropologist Charles Hudson describes the situation in early 18th century South Carolina:

> The whites lived in mortal fear of black insurrections, and they were even more afraid that the blacks and Indians would combine forces. … To heighten enmity between the races they used black troops in military actions against the Indians and likewise used Indians against blacks as slave-catchers and also to suppress slave insurrections.[1]

Typically, the manipulators of conflict between Indians and blacks were elite planters and their political and economic partners. Poor whites lacked the authority and organizational capacity to indulge their personal hates. Historian Gary Nash notes the same procedure of divide and rule in South Carolina.[2]

Throughout much of United States history, employers regularly encouraged racial and ethnic conflict among workers. They did so primarily to prevent workers from forming unions or conducting strikes. Employer power was maximized while the bargaining power of workers grew minimally. Thus, racism accompanied and strengthened the development of American capitalism; to the degree that capitalist domination of politics and economic affairs came to be accepted, so, too, was racism.

After the close of the Civil War and Reconstruction, such a system was fastened upon the South. Reflecting a bargain between the rulers of both North and South, black and white workers were placed in a mutually destructive relationship. White workers as a group were paid slightly more than blacks and given a few political and social advantages over the blacks. By no means, however, were they given equality with the ruling whites. Blacks, even when used as strikebreakers against white workers, were not rewarded with any enduring improvement in living standard.

The South thus became "stable"; a productive labor supply was assured and disruption was at a minimum as the black-white system allocated its meager awards. Northern investments could safely flow to an area in which profit was embedded in such favorable conditions. The northern investors, after all, were themselves part of an industrial system in which profitable racial conflict was being practiced increasingly.

Let us examine some evidence of this during the years 1865-1920.

Around the turn of the century, economist Paul S. Taylor writes, hand laborers in the western sugar-beet industry were part of such a system:

> In 1908 German-Russians were hired in California "to break a strike among the Mexican thinners." "Mexicans" were early employed in several northern districts in the same state "to provide competition against the Japanese [workers]." In southern Colorado, Japanese and Mexicans were "employed largely as checks against" the German-Russians. In northern Colorado 200 Japanese were secured in 1903 "to afford competition against the German-Russians."[3]

Historian Daniel Nelson, reviewing the years 1880-1920 in the country as a whole, writes:

> Because strikebreakers often came from outside the area and represented a different—and presumably "lower" ethnic group—their use exacerbated racial and nationality tensions and disrupted

> the ethnic balance of the community. In many factories French Canadians, East European immigrants, and blacks were first introduced as strikebreakers.[4]

In many company towns, private builders constructed ghettos for groups of unskilled immigrants.[5]

Manchester, New Hampshire was the location of a large textile firm, the Amoskeag Manufacturing Co. Historian James Hanlan notes: "The town's least desirable and prestigious employment — textile operatives and unskilled and semi-skilled labor — was reserved for the foreign born, particularly in 1870 for the Irish and for the newly-arriving French Canadians who would move into the factories in increasing numbers."[6] The most desirable employment was reserved for selected native-born who filled executive and managerial jobs in the textile plants. These home-grown leaders well knew how to serve the corporation's interest:

> The very presence of the new immigrants and their neighborhoods caused native born workers to view the Amoskeag's resident native-dominated management more as an ally than as an adversary. ... By adopting policies that fostered ethnic identity and otherwise divided group from group, employers in other "corporation towns" may have been [able] successfully to arrest the development of working-class consciousness.[7]

Steelton, Pennsylvania was founded in 1866, a year after the Civil War ended. A history of immigration and labor in Steelton was written by John Bodnar, the author of several studies of that state. Analyzing the (lost) strike of 1891 at the Pennsylvania Steel Co., Bodnar observes:

> It was in the aftermath of the strike ... that the company began to encourage massive immigration from southern Europe. The influx of foreign labor dramatically increased the social divisions in the town, chiefly because the [company] policy that encouraged European immigration also segregated newcomers into certain departments in the mills.[8]

Bodnar stresses the deliberateness of the corporation's practices. "The steel company in particular implemented systematic steps which practically insured a fractured society. In an effort to maintain a source of inexpensive labor, Slavs were recruited directly, for instance, or funneled into the Pennsylvania Steel plant through a cooperative system with certain boardinghouse keepers. Blacks were periodically recruited in groups."[9] With reference to unionization, Bodnar reports: "The company, rigidly opposed to any form of labor organization by its workers, reinforced this [racial and ethnic] diversity by labor practices encouraging ethnic segregation in its various departments. Ethnic tensions between workers impeded labor solidarity."[10] Dominic Del Turco, a steel worker whose father was an immigrant from Italy, recalled that when he began to work at a Jones and Laughlin mill in 1924: "No, we didn't have any union at all then. But they brought Negroes from the South to put them against whites and keep us from organizing."[11]

In 1915, when Polish workers at the oil refineries of Bayonne, New Jersey were about to go out on strike, "intransigent refinery managers imported a crew of strikebreakers — mostly Italians."[12] On the other hand, referring to conditions in coal mining in Pennsylvania, another historian writes that three companies in Scranton "played on ethnic hatred by firing their Welsh miners and hiring Germans and Irish to replace them."[13]

In the Michigan copper country around the turn of the century, the giant corporation Calumet and Hecla Mining Co. also created ethnic conflict. In 1904, two-fifths of the population in Houghton County were foreign-born; one recent feature of this group was the comparatively large representation of non-English-speaking people. Economic historian William Gates writes: "The mining companies encouraged this new immigration development in the hope that language barriers would forestall the growth of unionism and that the new workers would prove to be easily manageable."[14] During a strike led in 1913 by the Western Federation of Miners, "Calumet and Hecla imported about 1,600 men—an effort being made to obtain nationalities different from those in the Copper Country."[15]

On the iron country of both Michigan and Minnesota, writes Vernon Jensen, "a conscious policy of mixing nationality groups appeared destined to keep workers divided. ... On the iron range the percentage of foreign born ran as high as eighty-five percent, mainly from Finland, Italy, and the Slavic countries.[16]

Major copper-mining operations were also conducted in Arizona where the labor force consisted mainly of Mexicans who were highly experienced. In 1915, they struck at Ray and even though they belonged to no union, won. Thereupon they joined the Western Federation of Miners, the nemesis of mining companies which were united against the WFM. "Various attempts to foment discord and to arouse prejudice among the Mexican workers against the WFM were carefully controlled."[17]

Hard-rock mining for metals required deep-mining and was widespread throughout the Far West, especially after 1890. The familiar labor policies prevailed. As historian Richard Lingenfelter wrote: "Many of the mining superintendents purposely hired men from as wide a range of nationalities as possible in the hope that cultural and linguistic differences would make union organization more difficult. ... The hardrock miners generally worked side by side with remarkable harmony—so long as Chinese, Mexicans, and Blacks were excluded."[18]

Another historian of hard-rock mining, Mark Wyman, noted that during strikes the native-born American "was frequently brought in as a strikebreaker—against union militants who were overwhelmingly European."[19] Few European workers became strikebreakers. Their zeal for unions was hard for employers to overcome: "Italians were so active in the WFM's Colorado strikes in 1903-1904 that Governor Peabody obtained the assistance of the Italian secret service and the Italian consul in Denver regarding the removal of undesirable aliens from the district."[20]

Employers' deliberate cultivation of ethnic and racial conflict was designed primarily to weaken the ability of white workers to bargain to their own advantage. The effort was successful. During the years 1890-1914, demand for labor expanded greatly in manufacturing industries. Immigration and movement of many farm workers to the cities, however, moderated increases in real wages.[21] In part, this slowing trend is attributable to deliberate ethnic conflict which operated to strengthen the power position of employers.

Unions largely excluded blacks at this time, but they were not highly instrumental in promoting ethnic conflict in U.S. industry. In 1900, after all, only six percent of all manufacturing workers were unionized.[22] Fifteen years later, the figure was a modest 12 percent. In any event, employers did not need much help in this task. Nevertheless, some unions played the employers' game by helping create racist structures inside the workplace. Blacks were either excluded altogether or consigned to job slots that led nowhere. White workers, especially native-born, were assigned to semi-skilled or skilled jobs. Unions incorporated provisions for such systems into collective-bargaining contracts.

After the end of slavery in 1865, employers in southern agriculture opened new avenues for conflict between black and white farm labor.

White workers replaced large numbers of black artisans in the South. During strikes by white laborers, white planters often hired black laborers as strikebreakers. The same happened off the farms. In the North, blacks were excluded from many industries. From time to time, they were employed as strikebreakers. There are also records of whites being hired as strikebreakers when blacks were on strike. As the black presence was largely restricted to the most physically-taxing jobs, whites did not aspire to many jobs held by blacks. Racial discrimination tended in the opposite direction: whites were chosen by employers to staff the better jobs and thereby appear as the privileged ones. Employers could and did threaten such whites with replacement by blacks should their wage and other demands rise too sharply. Thus, contrived racial conflict led to lower levels of earnings by white workers. Meanwhile, employers continued to profit from the equal productivity of black workers as well as from lower labor costs of blacks based on less pay for equal work.

Similar mechanisms were used by white employers to set one group of white workers against another. In each case, the employers' goal was the same: prevent workers from acting together to achieve their goals on the job. Thus, native-born Americans were preferred for certain more desirable jobs. Italian immigrants were hired to break strikes by Irish immigrant metal miners in the West, and Hungarian immigrants were used as strikebreakers against German and Irish workers in the stockyards. On the West Coast and Hawaii, Asian immigrants were manipulated by owners of sugar plantations. Japanese were hired at lower wages to replace the Chinese. Filipinos were then employed to replace the Japanese. In each case, employers' agents actively denigrated a group and encouraged another one to regard itself as superior. Meanwhile, of course, the employer benefitted from the absence of a united workers' movement. The consequence was a lowered standard of living for all workers and an elevated standard for employers and investors in the relevant firms.

The deliberate creation of racial and ethnic conflict was not a matter of individual employer prejudice but of capitalist class strategy. This was attested from afar by Karl Marx's closest colleague Frederick Engels, who, in 1892, wrote a friend in America:

> Your bourgeoisie knows much better than the Austrian government how to play off one nationality against the other: Jews, Italians, Bohemians, etc., against German and Irish, and each against the other, so that differences in the standard of life of different workers exist. ...[23]

The mere multiplicity of ethnic groups did not cause racism, nor did it weaken the labor movement. Primarily when employers manipulated ethnicity to their advantage did working-class disunity occur. Canada's population was even more diverse than that of the United States. Nevertheless, Canadian unionization was more class conscious and militant. In the anthracite coal regions of the United States, workers of varying nationalities worked side by side but they were organized into separate local unions by the United Mine Workers; each local conducted its business in its own language.[24] Hog Butchers Local 116 in the Chicago packinghouses provided simultaneous translations in five languages; the sheep butchers needed seven.[25] During World War I, "the new [southern and eastern European] immigrants [in the packinghouses] provided the main source of union strength and worked to integrate Black immigrants into the movement."[26] Black workers in the packinghouses provided more than membership: "A small but solid core of Black activists ... [shared] rank-and-file leadership with Slavic immigrants and German and Irish veterans."[27] Employers did little to hide their motives: many newspaper ads for workers specified the nationality or race desired.[28]

In some cases, unions and white workers adopted policies that discriminated against certain nationalities and racial groups. The United Mine Workers organized the broadest range of workers, including Blacks and immigrants from eastern and southern Europe. Yet, the national president of UMW, John Mitchell, told the U.S. Industrial Commission in 1901 that with respect to Hungarian and Italian members, "those people have been undesirable as far as our organization is concerned."[29] The American Federation of Labor paid little or no attention to organizing these newer immigrants, whatever the industry. Nevertheless, writes Judith McDonough, "when union doors were open, immigrants rallied to the union cause."[30] As David Montgomery points out, "It is folly to think of immigration and ethnicity solely in terms of barriers to class consciousness."[31] He notes that in Chicago's packinghouses, "in 1918 only 25 percent of the workers were citizens, and 43 percent did not even have first [naturalization] papers. Yet 90 percent of them were union members."[32]

The United States is the only former slave society in the world that became a modern industrialized capitalist country. Few if any historians have confronted this fact. Slavery is usually studied for its impact on the individual slave or, less often, on the individual slaveowner. We need, however, to grasp the significance of the system of slavery for the society as a whole, and for its subsequent development.

Slavery was based on the right of owners-employers of workers to enforce labor discipline by violence. In one southern state after another, this principle was adopted by legislatures and courts. Violence as threat or actuality attended every phase of enslavement: initiation, violation of local regulation, attempts to escape, or learning to read. Northern protests against the legitimacy of violence in labor relations were rare. More than once Congress enacted laws providing for federal force to be used in re-enslavement of workers who had successfully escaped from bondage.

The utter one-sidedness of violence against enslaved workers was reproduced increasingly in relations between free workers and employers in the North, especially in the generation before the Civil War. At this time police in northern and southern cities began their long record of violence against striking workers. In the generation after the Civil War, employers demanded and received governmental permission and encouragement to use deadly violence to put down labor protests. Frequently, this involved the right of employers to use the police power of states against their striking workers. In some cases, companies hired private police who were armed and could make arrests. In other cases, privately-employed convicts under armed guard were housed on company property. Both examples were strongly reminiscent of the plantation's absolute power over its workers.

Thus slavery served as a model of organization in labor relations throughout the country.

The utter subjection of slaves found its parallel in the workshop and factory. Violence against white and black workers was used at will by American employers. Machine guns as well as more conventional firearms could be found in company armories.

Much of American culture and society bears the marks of both slavery and capitalism. Slavery, however, is usually treated in a self-contained way, as though it was isolated from any other sector of the American economy or culture. Thus, a radical classic by Morton J. Horwitz, *The Transformation of American Law 1780-1860*, ignores the role of the law in saddling a system of slavery upon this country during the very years of capitalist ascendancy. Yet, the two systems were intimately interactive.

While the cost of slavery was borne wholly by the slaves, its profit was enjoyed by slave owners, merchants, bankers, and capitalists. The political representatives of these profiteers of slavery cooperated in varying degrees on issues of common self-interest. Both customary and newly-made legal procedures were adapted to protect the property interests of slaveholders. Few, if any, legal limits were placed on the virtually absolute authority of slaveholders over their slaves. Nor was slaveholder law regarded as irregular or improper in the courts or legislatures.

The spirit of the law of slavery entered the realm of labor relations under capitalism. In slave areas of the country, slaveholders successfully mobilized the community to enforce the slave regime. Violence by direct representatives of the owner and his community was employed to discipline enslaved workers. In those areas of the North where concerted action by free workers occurred, employers called out police and others to stop the action. Violence was frequently used against these free workers. Quasi-military tactics replaced those directed against recalcitrant individuals.

During these years, the propertied classes and the federal and other governments conducted a class war against organized working people. A quasi-military alliance between large corporations and government repressed efforts to form labor unions. Government and business carried out a broad range of military functions. *Espionage* was assigned primarily to corporate employers who hired private detectives to infiltrate unions and report on the activities of workers active in union affairs. Union organizers were identified by company spies and were subjected to beatings by local and state "peace officers", private detectives, and hired thugs, while armed soldiers frequently stood by silently.

Command functions were conducted by armed service officers acting in concert with top company officials. Frequently, the former reported to the latter before initiating any armed action. *Cavalry* were provided by armed formations such as the Pennsylvania State Police who drove their horses directly into groups of unionists who were meeting to discuss union matters. These police also attacked leaders among the working people with clubs and weapons. It was not at all unusual for police to fire into crowds of strikers and leave many dead or wounded. *Infantry* forces were provided by State Police, sheriff's deputies, militias, National Guard, and volunteers recruited from among local businessmen, corporation staff employees, university students, and other middle-class persons. Their principal goal was to overwhelm the enemy, i.e., the striking working people.

At times, *combat* was waged against strikers by declarations of martial law. This occurred even when legal requirements were not fulfilled by the armed forces involved. *Ordnance* was purchased by corporations and supplied to armed forces by regular military sources, financed by public funds. *Headquarters* were established on corporation property, including struck factories, and barracks were often located nearby. *Armories* were situated in industrial cities, alongside possible sites of strikes. *Military courts* operated even while civilian courts were in force. *Military arrests* occurred without warrants, by soldiers, sheriffs' deputies, and others.

Casualties among strikers, caused by military forces, were regarded as legitimate battle casualties; individual soldiers at fault were not held personally responsible. Frequently, strikers who retaliated were prosecuted. Most of the time, strikers were not armed and women and children were also shot down. Battle casualties caused by armed officers of the law far outnumbered those caused by strikers and their supporters. Many *military attacks* went unanswered in kind, other than in the form of protest marches or written complaints. *Vigilante actions* in support or instead of military attacks were organized and led by prominent middle-class community notables, including corporate officials.

The scale of anti-worker activity in the United States can be summarized by statements of two observers of the subject:

> From approximately 1873 ... until 1937 ... American labor suffered governmental repression that was probably as severe or more severe than that suffered by any labor movement in any other Western industrialized democracy. ... The great bulk of violence leading to deaths and injuries was initiated by business and government and the great majority of casualties in labor disputes were suffered by workers. ...[33] In the early twentieth century, state coercion and violence against strikers was substantially greater in the United States than in other industrial nations.[34]

Such characterizations are moderate statements of the case.

Infiltration of union ranks by undercover company agents gave employers detailed knowledge of union plans: "Operatives in mill towns throughout the steel districts of Western Pennsylvania reported on everything from run-of-the-mill laziness to serious organizing efforts among employees."[35] Workers discovered to be active unionists were discharged. David Brody notes that "the steel companies invested heavily in labor espionage."[36] During the Pullman Strike of 1894, General Nelson A. Miles, commanding officer of federal troops in Chicago, hired labor spies to attend union meetings.[37] At the same time, the railroad companies' association sent reports from its own labor spies to Miles. Labor spies were also used as *agents provocateurs*, to secretly goad unionists into violent actions and thus lay the basis for police or army intervention.[38]

Cooper clarifies the significant command power held by corporate representatives. In the mining areas of Coeur d'Alene, Idaho "the state government and the Army were simply the tools the owners used to combat an increasingly militant and active union movement."[39] In Chicago during the Pullman strike, "the [Army] department heads were most deferential about troop withdrawals, usually letting the railroads set the times and conditions for the relief of troops."[40]

Cavalry was used exclusively by governments against unionists. In New York, just before World War I, "the state police made frequent use of the mounted baton-swinging charge through strike crowds."[41] State police in Pennsylvania were also mounted. Their main target was the immigrant worker. J.C. Groome, the force's first superintendent, formulated its motto: "Each Constable Must Be Equal to One Hundred Foreigners."[42] In both states, corporate businessmen occupied high posts as generals and in other ranks.

Infantry superiority in numbers swamped strikers and unionists. During the years 1886-1894, especially, armed government force helped conduct "the most intense (and probably the most violent) counteroffensive ever waged against any country's organized workers."[43] Walter Licht found that from 1877 to 1910, troops put down forcibly over 500 strikes[44]. During the 1919 Steel Strike some 25,000 persons were deputized by the U.S. Steel Corporation.[45] This meant that they were armed and had authority to arrest strikers and others. Also, of course, many of them had some kind of connection with the corporation and could be depended upon to protect its interests. In a 1910 strike at a Bethlehem Steel plant in New York, squads of the state police "were entering the houses of foreigners near the works and dragging them to work in the mills."[46] Between 1892 and 1916, the National Guard in New York intervened in 19 strikes.[47] Rarely were strikers ever appointed as deputies.[48] Federal troops played truly neutral roles only when the President himself specifically authorized their activities. Thus, in a Colorado coal strike President Wilson sent troops only after the National Guard there was demobilized; when the troops arrived, they disarmed not only the miners, but also company guards and local law enforcement officials.[49]

Martial law is the suspension of civilian law in part or all of a country. In the words of Robert Rankin, it "has frequently been a judicial instrument of oppression of labor, similar to injunctions against strikes."[50] Because freedom of speech and other civil liberties are suspended under martial law, labor is deprived of an opportunity to defend its case. Usually, capital continues to pursue its own interests. In connection with a coal strike in West Virginia, the governor proclaimed a "state of war". Two persons were arrested under charges that customarily were punished as misdemeanors: "They were arrested by the militia, tried by military commission pursuant to order of the governor, sentenced to terms of two and five years to the state penitentiary. ..."[51] But, as Henry Ballantine pointed out: "A state of the Union has not the constitutional power to declare war or create a state of war."[52] In the course of the Paint Creek-Cabin Creek coal strike, also in West Virginia, when the governor proclaimed martial law, the entire state militia was sent there. In addition, 300 private detectives were employed by the coal companies. Martial law simply became another advantage enjoyed by the companies. Even when political considerations did not permit a formal declaration by the governor, in New York "state police could impose a virtual state of martial law."[53]

The great majority of strikes involved no violence. One reason for the disproportion in the number of strikers and sympathizers killed was the fact that most were unarmed when they were attacked. Where a tradition of violent confrontation between labor and capital existed, employers far outspent organized workers. In the Paint Creek coal strike, "the operators had armed the nine guards with Winchesters and machine-guns of the latest pattern, but the arms of the miners were more varied and nondescript."[54] Metal workers in Rome, New York who struck in July 1919 were unarmed but their antagonists, the state police, "all were armed with service revolvers and heavy clubs, and those on foot had carbines."[55] Montgomery describes a battle between Homestead steel workers and Pinkerton detectives who had been hired by Andrew Carnegie's company: "While the Pinkerton's fired through gun slits in the armor plating of their barges, the populace at Homestead hastily erected steel barricades of their own and assaulted the invaders with rifle fire, dynamite, flaming oil, cannon fire, and fireworks left over from the Fourth of July."[56]

A similar encounter occurred among coal miners in West Virginia between miners and private detectives of the companies:

> The Baldwin-Felts [detectives] built iron and concrete forts that they equipped with machine guns throughout the strike districts and then evicted the striking miners from their company houses. ... Later ... [they] rigged a train ... with iron-plate siding and machine guns, and then at night, with its lights turned out ... they drove the monster through the valleys, machine-gunning the people in the tent colonies on the sides of the hills.[57]

Such wanton destruction brought little response from legal authorities. In Lackawanna during the 1919 steel strike, "the state and private forces were under joint command, and state police colluded with the private forces to avoid prosecution of the company detective who had shot and killed a striker."[58]

Few precise figures are available to judge the number of dead and wounded among strikers and their sympathizers. One estimate, covering 75 strikes during 1890-1909 that involved at least one death, found 308 persons killed.[59] This total includes both strikers and employer-representatives. It would not be surprising to discover that 90 percent of the total represented strikers. This would mean that about 15 persons a year were killed during the 19-year period. During the railroad strikes of 1877, according to Robert Goldstein, "at least ninety deaths occurred ... the vast majority at the hands of police and militia."[60]

In the 1916 Westinghouse strike, three strikers were killed and 50-60 wounded.[61] During the 1919 Steel Strike, "authorities killed 22 people. ..."[62] Historians have reported many other casualties but only in incomplete form. The overall trend, however, is unmistakable. The vast majority of dead and wounded were strikers and sympathizers. In the South, parallel events were occurring, especially among Black workers in agriculture. During the 1887 sugar harvest in Louisiana, black laborers were subjected to a "reign of terror" by the state militia. At least 30 strikers died.[63]

It is a commonplace of American writing on law that in the United States, violence is a monopoly of government. In fact, however, this chapter has shown how private business was allowed to exercise governing powers in adopting violent methods in relation to their workers forming unions. Corporate officials were permitted to be officers of military organizations. Corporate employees were deputized by the thousands. Still another manner of privatizing violence was vigilanteeism. As Robert Ingalls points out, in Tampa, Florida, vigilantes engaged in "lynching, flogging, tar-and-feathering, and the forced expulsion of so-called 'agitators'." Targets of the violence were "workers, labor organizers, immigrants, blacks, Socialists, and Communists."[64] Organizers of the vigilantes were local elites, especially southern-born whites. In 1910, for example, they formed a Citizens Committee "led by residents of substantial wealth and political power, including Tampa's mayor ... [and] obtained the endorsement of 432 local officials, businessmen, and professionals, who publicly signed their names to the enabling resolutions."[65] Strikes were broken, leaders were lynched, and union activists were deported from Florida in the name of a narrowly-conceived "community".

In 1917, the Phelps-Dodge copper company and other firms in the industry formed the Loyalty League of America. Called the industry's "own private paramilitary organization," its constitution advocated the "extermination" of the Industrial Workers of the World, an industrial union then organizing in the nation's metal-mining regions.[66] The L.L.A. then arranged for the leading organizers and activists to be arrested and deported out of Arizona. This action "destroyed all effective unionism in the district ... "[67] While Phelps-Dodge and others were indicted for conducting an illegal deportation, they were cleared in a prolonged court battle ending in the U.S. Supreme Court. In San Diego "the longest, bloodiest, and most publicized battle took place in ... 1911, where IWW members, after being arrested for violating a ban on downtown public speaking, were handed over to vigilante groups for punishment."[68] In 1917 and 1918, the U.S. Department of Labor reported that "'numerous citizens' committees, vigilantes or Ku Klux agencies ... have come into being to oppose unions in Birmingham [Alabama]. ... On May 6, 1918, the KKK led 150 robed horsemen who distributed pamphlets characterizing metal miner unionists as 'idlers and disloyalists'."[69] In St. Louis during the railroad strikes of 1877, a Committee of Public Safety ordered the creation of a private army with orders to "shoot to kill" strikers and demonstrators.[70] It was an elite body which obeyed the order.

Richard Oestreicher has summarized the situation:

> Deaths of union activists and strikers were not concentrated in periods of wider strife or civil disturbance. They were a routine part of working-class life. In the United States in the 1890s, approximately two workers were killed and 140 injured for every 100,000 strikers. In France in the same years, only three workers were injured per 100,000 strikers and none were reported killed. Between 1902 and 1904, the injury rate in U.S. strikes soared to

> more than 1,000 per 100,000 strikers, and 198 deaths of strikers were recorded in slightly over two years. A few of the dead and injured were strikebreakers attacked by striking workers, but the overwhelming majority were strikers attacked by police, troops, or company thugs.[71]

Similarly, Robert Wiebe records that "during 1910 and 1911 ... company deputies at what was appropriately called one of United States Steel's captive coal mines, in addition to beating workers, evicting them from their homes, and smashing their belongings, killed miners at the rate of one for every five days they were on strike."[72]

Almost unrestricted warfare waged against unionists and strikers expressed a class-conscious attack by employers which grew over the years.

In the half-century after the Civil War, capitalism became ensconced throughout the South. Its main avenue to dominance was the transformation of the labor system in agriculture. As Harold Woodman declares: "[The] free labor system in the postwar South ... [was] a system that in its essential features replicated that of the North."[73] Like every unskilled or semiskilled factory worker in the North, both Southern wage-workers and sharecroppers "contributed nothing to production beside labor."[74] Sharecroppers neither owned nor controlled the land they worked. They were paid with a share of the output. The expenses of production were charged against that share, leaving little if any balance to their credit. According to state laws throughout the South, sharecroppers were not tenants but employees of the landowner, just as the wage workers.[75] Landowners exercised somewhat less supervision over the cropper than they did over the wage worker.

After emancipation, freedmen sought to acquire land so as to become self-sufficient. They were denied this at every turn, first by the federal government and then by state governments. Private owners of land in the rural South were united in refusing to sell to blacks. Exceptions were few. Forty-five years after the end of the Civil War, "roughly 83 percent of black farmers remained landless."[76] In 1900 black farmers owned 7.3% of all farms and 6.5% of all farmland in the Cotton South."[77] When public land was put up for sale under a short-lived Southern Homestead Act, blacks were eligible to buy but the land was "either of poor quality or far from the railroads."[78] Nevertheless, the number of black landowners rose between 1900 and 1910 from

188,269 to 219,667.[79] While this was a solid 16.7 percent rate of growth, over a longer period the proportion of black landowners among all black farmers was falling.[80]

Black farm laborers and sharecroppers astounded rural whites with their new-found ability to "organize labor combinations involving hundreds of workers and large land areas. ..."[81] Planters and their allies responded to these displays of militancy with violence: "Whippings by the Klan ... were also used as a means of enforcing labor discipline."[82] In the 1880s, the Knights of Labor organized black farm workers throughout the South. Blacks streamed to the Knights. In South Carolina they met a vicious reception:

> Planter-led vigilante committees terrorized the new Black Knights and destroyed the ... [Knights] in several ... counties. A crescendo was reached with the murder of the leading Knights organizer. ...[83]

Ringleaders in the organization drives were beaten or lynched.[84] In the South as a whole, "strike leaders were subjected to beatings, arrest, and forced exile,"[85] very much as in the North.

Capitalism continued to be linked with violence against workers, whatever the section of the country. One of the deadliest comparisons between sections was that in the South "whites always commanded the preponderance of firepower"[86] while in the North, as we saw above, corporate employers held the upper hand.

Employer and state violence against strikers in the United States outstripped that in any other industrialized country of the time. Goldstein summarizes the situation in Europe as a whole:

> The use of brutal and frequently deadly violence against strikes, demonstrations and other manifestations of popular dissatisfaction was a frequent response of governments in nineteenth-century Europe. In hundreds of incidents, civilian demonstrators, strikers and rioters were killed during encounters with troops and police between 1815 and 1914, and in at least 20 such clashes 25 or more civilians died.[87]

Gerald Friedman has written recently about the relative absence of state violence in French strikes, but the historical record suggests otherwise. In 1891, for example, a strike in a textile center witnessed the killing of nine workers and the wounding of many more.[88] The following year, the American editor and writer Henry Demarest Lloyd asserted that "the French troops shoot down French miners in behalf of French mine owners, just as the American militia shoot the miners of Tennessee and Idaho."[89] When discussing the May Day general strike of 1906, Friedman fails to take note that "between 1906 and 1908, about 20 workers were killed and almost 700 injured in French labor disputes."[90] Gaston Rimlinger also writes about "many instances of the use of armed force against strikers" in France.[91] In Germany, the army intervened bloodily during the coal strike of 1889 and killed eleven miners.[92] As the new century opened, "Prussian police officials had adopted or were seriously experimenting with the use of rubber truncheons, tear gas, armor, police dogs, and firehoses."[93] Government leaders were all the more ready for police to use revolvers and rifles if "the suspected troublemakers were perceived to be socialist or anarchist inspired."[94] During September, 1920, Italian fascists invaded factories being occupied by 500,000 strikers and attacked them violently.[95] As industrialists cheered, the Fascist party became a national force.

Between 1870 and 1920, the working population of the United States grew from 12,500,000 to 41,600,000. While the working class expanded from just under half the total to nearly two-thirds, the bourgeoisie—that is, the propertied group—fell from one sixth to a seventh. (See following table.) The wealth of the entire adult population in 1870 was distributed as follows (total worth):[96]

Share held by:	%
Top 1%	37
Top 5%	70

Quintiles:	%
First	92
Second	8
Third	0
Fourth	0
Fifth	0

Table 5. CLASS DIVISIONS IN THE UNITED STATES, 1870 and 1920

	1870	Percent	1920	Percent
Working Class	5,860,000	46.9	27,015,000	64.9
Industrial Workers	2,600,000	20.8	15,370,000	37.0
Other Wage-Workers	3,000,000	24.0	7,930,000	19.0
All Wage-Workers	5,600,000	44.8	23,300,000	56.0
Clerical	260,000	2.1	3,715,000	8.9
Farmers	4,550,000	36.4	8,500,000	20.5
Bourgeoisie	2,090,000	16.7	6,085,000	14.6
Lower	n.a.	n.a.	3,759,000	9.0
Intermediate	n.a.	n.a.	2,100,000	5.1
Upper	n.a.	n.a.	226,000	0.5
TOTAL	12,500,000	100.0	41,600,000	100.0

n.a = not available

Industrial workers includes wage-workers in manufactures, mining, railroads, water transportation, municipal traction, electric power, construction, telephones and telegraphs; *other wage-workers* includes servants, hired farm laborers, etc. (but not wage-workers in government service). *Clerical* includes clerks in offices and stores, stenographers, typists, office boys and messengers, and salespeople in stores. *Farmers* includes farm laborers working on home farms. *Lower bourgeoisie* includes all non-wage-workers and non-farmers with incomes below$3,000 yearly; *intermediate bourgeoisie*, incomes of $3,000 to $10,000; *upper bourgeoisie*, incomes above $10,000.

Source: Computed from material in Bureau of the Census, *Census of Population*; Bureau of Internal Revenue, *Statistics of Income*. See Lewis Corey, *The Decline of American Capitalism* (Covici Friede, 1934), p. 560.

In the near-century between 1774 and 1870, the richest five percent of the adult population increased its overwhelming share of the national wealth while the poorest sixty percent continued to own more or less nothing of commercial value.

In an all-but-forgotten study by the Federal Trade Commission, published in 1926, the national wealth and income during 1912-1923 were analyzed. A very great amount of inequality was found. FTC staff reviewed "probate records of 43,512 estates in 24 counties of 13 States."[97] In addition, a sample study was made of 540 estates involving large fortunes during the years 1918-1923; the decedents had come from New York City (401), Philadelphia (59), and Chicago (80). Findings of the larger-scale study were as follows:[98]

Amount of Estate	*Percent of Numbers of Estates*	*Percent of Total Value of Estates*
Under $500	79.8	5.4
$500-10,000	14.9	12.7
$10,000-50,000	4.2	23.0
Over $50,000	1.1	58.9

In the smaller study, the size of the average estate was $3,850,266[99] while total holdings were $1.8 billion.[100] Among the 540 decedents, investments in stocks and bonds constituted 87.7% of the estates' property.[101]

The striking findings of the FTC inquiry led to their recognition as a landmark:

> [The data for 1912 show] more inequality than any other measurement of wealth dispersion from the entire history of the U.S. ... . It appears that America had joined industrialized Europe in terms of its degree of reported wealth inequality. Whatever leveling effect the American "frontier" and more rural orientation may have imparted, they did not show up in the form of a clearly lower degree of wealth inequality. By the eve of World War I, wealth—or at least decedents' wealth—was as unequally distributed here as in Western Europe. ... The American egalitarian dream had been completely lost.[102]

In the light of the revised wealth-distribution figures reported earlier for 1774 and 1870, however, the 1912 figures are not surprising. The American egalitarian dream had remained a dream from colonial times onward.

The American working class in this period undoubtedly was the principal occupant of the lowest sixty percent on the wealth scale. How did they fare in the struggle for wages? According to Andrew Dawson, members of the working class constituted about 61 percent of the entire labor force during 1870-1910.[103] Just over an eighth (13.1 percent) of the working class were skilled workers; the remainder were semiskilled and unskilled, mostly the latter. Skilled workers earned higher wages and a number were union members; almost none of the others were, primarily because the unions were not interested in recruiting them.

The annual income of an average industrial worker's family during the first decade of the 20th century ranged from $700 to $800. A series of studies conducted in 1901-1910 reported a range of $345 to $883.[104] It should be noted that in many cases, the annual sums also included wages earned by wives and children. Average annual wages per factory employee were considerably lower. Following is a listing of such figures for two years in this period:[105]

Industry Group	*1914*	*1919*
Iron and steel	$ 682	1,449
Machinery	667	1,242
Metal and metal products	646	1,177
Lumber and allied products	516	995
Average:	$ 579	1,157

Money wages doubled from 1914 to 1919 but so did food prices and wholesale prices. Only the highest-paid workers enjoyed a significant rise in real wages. Telephone operators, almost all of whom were women, received $337 in 1912 and $476 five years later. Employees on Class I steam railways received $1,003 in 1917. Amidst conditions of rapidly rising consumer prices after the United States entered World War I, by 1918 an annual family income of some $1,600 was required to maintain "an 'average' family under healthful conditions of living."[106]

How adequate were the wages? Researchers in the field were generally agreed that a working-class family required an annual income of $800 or more to finance a minimal standard of health and decency.[107] Eugene Smolensky found that "from the turn of the century until the Depression [of the 1930s] the proportion of the population considered poor hovered around one-third."[108] As in the case of wealth, persons concentrated toward the lower incomes tended to be workers. Similarly, researchers concluded that a woman worker needed a minimum of $8 per week to "live decently and without detriment to her health". A federal study during 1907-1909, however, found that more than three-quarters of women workers 16 years of age and over were paid less than that amount.[109] Welfare was virtually absent from the national scene: "In 1914, total welfare spending, public and private, equaled 0.45 percent of GNP." A review of the living conditions of working-class persons highlights some areas of acute deprivation.[110]

Housing

In a report to the American Medical Association in 1874, Dr. A.N. Bell informed delegates that the previous year in New York City, city officials "discovered thousands of people actually living in holes in the ground, a dozen or more in a huddle, in holes nine or ten feet square, swarming with vermin and rotting with disease."[111] This, obviously, was worse "housing" than even ancient cave dwellers had endured. Nearly 40 years later, several physicians discussed the economics of decent housing. Southern blacks—overwhelmingly of the working class—were being housed in facilities unfitted "for human habitation". Dr. C. E. Terry of Jacksonville, Florida pointed out that "they live for the most part in ill-ventilated shacks, without provision for sewerage or proper water supply, the privy, the surface well, the rain barrel and filthy stable are evidences of our own shortsightedness and their needs."[112]

Dr. L.L. Lumsden of the U.S. Public Health Service commented: "When we begin to recommend the extension of sewerage systems or the installation of sanitary privies in every home in these [southern] cities, we realize that it is almost out of the question, in some instances, to provide a home with sewerage connections which will cost as much as the house is worth."[113] Another physician, Dr. Woods Hutchinson of New York City, called attention to financial arithmetic that was compelling: "The property owners of that section are white men who oppose the improvement of the streets and the laying of sewers and who refuse to improve their property because for a shack costing $150 they can get $10 or $12 a month rent. That is not peculiar to the Negro or to the South."[114] Dr. Terry rejoined the discussion by a declaration that "if we condemn every house that is unfit for habitation in Jacksonville, we would condemn 33 percent of all our houses, and ... 90 percent of these are occupied by Negroes."[115]

Did the hole-dwellers of New York City pay rent for their quarters? It would not be surprising if they had. Both they and the southern black workers inhabited the uninhabitable. Elements of their plight could be found throughout the ranks of low-paid workers in the rest of the country. In 1911, Lawrence Veiller, Secretary of the National Housing Association, wrote that "with two exceptions, New York and Chicago, no city in America has as yet developed a system of [housing] inspection that is worthy of the name of system. And even in these two cities only a beginning has been made."[116] That same year, in Chicago, Breckinridge and Abbott reported that out of 1,981 rooms visited by investigators in the Stockyards area, fully 53.1 percent of tenants were sleeping in rooms with less than the legal minimum of air.[117] Over ninety percent of the 1,616 apartments visited were smaller than the minimum required by law.[118] Of the lodgers who were present in over half the apartments, the investigators found that "they sleep on the floor both with and without mattresses and sleep in beds with people who are total strangers."[119]

In Philadelphia of the turn-of-the-century, up to a quarter of the population owned their own homes, exceeding that in New York, Chicago, or Boston. But the City of Brotherly Love built its slums in the backyards of the single homes, fronting on back alleys. Band-box buildings, two or three floors high, with one room per floor, were built for immigrants and blacks. These rear dwellings exhibited "paving and sewers in some cases; unspeakable toilet facilities; overcrowding. ..."[120] Immigrant streets "were notorious for their decaying wooden 'bandboxes', the offal and animal excrement encrusted in their wooden sidewalks and cobblestone alleyways."[121] As with workers here and elsewhere, laboring Philadelphians could afford only to live nearby their work, obviating the need to pay for transportation. Neighborhood sweatshops solved this problem for many workers.

The rise of mass unemployment in industrialized Massachusetts produced a growing number of homeless men: "Every depression of the late nineteenth and early twentieth centuries was accompanied ... by an increase in the number of homeless men who roamed the commonwealth in search of work."[122]

Health

Lauck and Sydenstricker found that "health has been a luxury to the wage earner because it has been a purchasable thing."[123] The cost of sickness to the worker was extremely heavy since "when a man is injured [on the job], in eighty percent of the cases, his pay is discontinued."[124] Two estimates of the portion of industrial employment attributable to sickness and accidents were 11 and 30 percent.[125] In reviewing fatalities of railroad workers, Mark Aldrich uses the word "slaughter".[126] During 1889-1892, 9 per 1000 trainmen died in railroad accidents.[127] Some 25 years later, Pennsylvania's "hard coal miners experienced a fatality rate that was 4.75 times greater than that in manufacturing."[128] Not that the latter field was especially safe. As Kleinberg notes: "Carnegie's profits derived partially from pushing his men like machines and shaving costs by installing no safety devices in his mills."[129] Between 1907 and 1916, in the Carnegie South Works, it was "discovered that 25 percent of the recent immigrants employed there had been injured or killed."[130] A survey in Pittsburgh found that fewer than half the casualties owned either insurance or savings accounts. Of those earning less than $15.00 per week — primarily unskilled laborers — none had either.

While the economic cost of work accidents was overwhelming for workers, it was quite minor for railroads. Aldrich reports a study of Ohio railroads during 1873-1888:

> Each additional nonfatal injury cost about $38, while another fatality added only about $43 to costs. By contrast, in 1884, Ohio railroads killed 1,693 horses, mules, cattle, sheep, and hogs at an average cost of $79.59 each.[131]

It was less expensive for railroad workers to die than for a wandering farm animal. The experience was not peculiar to railroads: In soft-coal mining, "the fatality rate in 1910 was about *twice* as high as it had been a generation earlier."[132] Mine-owners were especially concerned only with accidents that involved large-scale destruction of mine property, such as explosions and fires. "By the twentieth century, manufacturing dangers had risen to extraordinary levels."[133] The enactment of workmen's compensation laws directed the attention of corporation managers to searches for ways to lower accident costs. Still, by 1920, only the very largest firms had undertaken general safety measures.

The United States lagged far behind European countries in industrial safety, including railroads, coal mines, and factories. This needs to be taken into consideration when gauging comparative standards of living of workers.

Occupational health was endangered not only by work accidents but also by diseases originating in or aggravated by work processes. Before the Civil War, as we saw in Chapter 6, work-related illnesses were clearly related to numerous operations in New England textile mills. In 1870, Dr. Francis Condie reported on the health situation among Pennsylvania coal miners: "Among miners, bronchial irritation is a complaint constantly present. … 'Miner's Asthma' is a chronic bronchitis, with thickening of the mucous lining of the air passages, causing emphysema and nervous distress in breathing."[134] He observed also that very few men over 55 years of age could be found in mining villages, a hint of deadly occupational diseases at work. Two years later, Dr. E.A. Hildreth of Wheeling, West Virginia, described the work of nailers in an iron mill who continually inhaled iron dust as they ground cutters for a nail machine. He and a colleague examined the iron dust microscopically and found it full of tiny sharp metal particles, variously shaped. "It is presumed," he wrote, that "the inhalation of such materials irritates and inflames the bronchial lining down to the air vesicles." In conclusion he called for research in the area: "The whole subject of dust factories and mills, as a cause of disease, deserves attention."[135] It undoubtedly did, but little was given. Employers in industry successfully resisted the issue while the organized medical profession did likewise. Edward Beardsley's comment is appropriate: "Along with physicians everywhere, Southern professionals also chose to ignore mounting problems of occupational health, partly because their schools gave no training in such matters but partly, too, because they feared intruding in the domain of local economic elites."[136]

During the closing decades of the 19th and early in the 20th centuries, lead poisoning was widespread in American industry, especially in the manufacture of white lead paint. In such factories, workers' "decisions to leave [their jobs] often came at the encouragement of employers or foremen, who kept an eye out for signs of characteristic occupational ailments among their charges.[137] In other words, employers were well acquainted with the dangers of white lead paint but took care to avoid any liability for occupational illness by separating workers who were being poisoned by their work. Scientific research into lead poisoning by Dr. Alice Hamilton soon led to her recognition as the nation's premier investigator of occupational diseases."[138] It was quite true that as of 1900 "the field of occupational health was still *terra icognita* to most Americans including the medical profession."[139] In 1910 and 1912, however, the First and Second Conferences on Industrial Diseases were held; at the latter, a critical bibliography of medical literature on the subject was distributed.[140] Nevertheless, before 1914, only a single state—Massachusetts—covered occupational illnesses in workmen's compensation; there was no federal legislation on the subject. During the years 1867-1920, the Virginia City Miner's Union paid members over $450,000 in compensation for illness due to work accidents or other sickness.[141] Some 25 local unions of the Western Federation of Miners managed their own hospitals.

Unions were in the forefront of efforts to safeguard their members from occupational diseases and work accidents. Alan Derickson writes that "from its founding, the United Mine Workers of America fought to protect its membership against work-induced disease."[142] Christopher Sellers makes a similar point: "It was the workers who, in alliance with their private doctors and lawyers, goaded corporations into sponsorship of disease research."[143] State labor bureaus, created by state legislation and headed by union people at least during initial years after the Civil War were active in the area. As George Rosen states: "The workers' health was one of the problems that early attracted the attention of these bureaus."[144] Unions sometimes went on strike to compel employers to implement laws already passed by state legislatures. On the other hand, Sellers declares that "state government agencies sometimes served as stand-ins for corporate resistance."[145]

The country's medical schools did little about occupational disease and accidents. Graham-Rogers, writing in 1914, reported: "The subject of industrial hygiene is given but scant attention at all in our medical schools. ... In but few of the engineering or technical schools is the subject considered at all."[146] By the same year, however, occupational disease clinics had been opened in several medical schools.

As serious as occupational illness and accidents were for the working class, non-work sickness was even more destructive since whole families suffered. The strong tendency of American generations to experience shorter size and weaker nutritional status continued after the Civil War into the 1890s.[147] Fogel writes that in the United States the "negative effects" of technical progress, industrialization, and urbanization "probably exceeded the positive ones through the

1870s."[148] At the same time, he points out that "it was not until well into the twentieth century that ordinary people in… America began to enjoy regularly the levels of nutrition and longevity that characterize our age."[149] While, as Steckel and Haurin note that "the bottom of the secular decline in American heights was reached for those born in approximately the last decade of the nineteenth century," it remained true that in the U.S. "social standing affected height throughout the nineteenth and twentieth centuries."[150] They meant that the working class was at a further health disadvantage. Similarly, Dora Costa, in a study of the New York Lying In Hospital's records for 1910-1930, discovered that in the period "differentials in infant mortality by social class increased."[151] One medical historian holds: "For all practical purposes prenatal care did not exist in the first decade of the century."[152] But it did after that, and it was in the those later years that Costa found class differences.

As late as 1919, in Gary, Indiana:

> ... two-thirds of the children of black and foreign-born workers ... had no milk, fruit, or eggs in their diet. Over half had no vegetables, and a third no meat. ... Some 15% of these children were suffering from bone defects consequent to inadequate nutrition.[153]

Edward Greer observes that "massive poverty among the working class of Gary persisted until World War II."[154] [155] Again and again, the issue of poverty pervaded studies of ill health. Warren and Sydenstricker declared that "poverty is the greatest problem in public health."[156] Julia Lathrop, director of the U.S. Children's Bureau, reported on a series of studies of infant mortality made by her organization in eight industrial cities between 1912 and 1919. Overall, mortality rates averaged from 84.6 to 165.0 per 1000 live births. Divided into two groups, however, infant death rates for fathers earning $1,250 or more were considerably lower than for fathers who earned less than $550 (22.2 to 87.6 and 67.1 to 200.9).[157] During a two-month period in 1917-1918, Dr. Louis J. Harris studied the impact of a rapidly rising cost of living on health. Somewhat over 10,000 persons in more than 2,000 families were involved. Dr. Harris found that rising prices had resulted in elimination of meat in the diet of 807 families or 37 percent of the total. Almost 300 families had eliminated milk from their children's diet.[158] Shortly after the Civil War, during 1867-1869, 547 Philadelphians died of marasmus ("a progressive wasting of the body, occurring chiefly in young children and associated with insufficient intake or malabsorption of food").[159]

It is not known what the later record of this disease was.

Black children were under special health threats. Their infant mortality rates ranged double to triple those of white children.[160] "Negro wage-earners' families in the South were found to have the smallest food expenditures, in proportion to income, of all races."[161] Since black doctors were barred from white medical societies, they were not permitted to use hospitals in any community. The only exception was the case where black doctors agreed beforehand to have their patients treated in a hospital by white doctors. It did not matter whether the black doctor had graduated from an accredited medical school. In the absence of such an agreement, a black patient had no alternative.[162] John Ellis sums up the situation:"The double burden of segregation and discrimination based on color served to further institutionalize the causes of ill-health."[163]

The working-class districts of urban America were incubators of ill-health. Throughout the historical literature are accounts of changes for the better, followed almost always by cautionary notes that the changes did not occur in neighborhoods occupied by the poor. This was especially the case in measures for improving sanitation. With reference to Atlanta, New Orleans, and Memphis late in the 19th and early in the 20th centuries:

> The real health benefits resulting from sanitary reform accrued principally to the business sections and to the residential neighborhoods of the upper and middle classes. Regular garbage service, paving, and sewer and water mains were not to be found in poor neighborhoods where incomes and tax receipts were low. ...[164]

The situation was not basically different in Pittsburgh at the same time:

> Large water mains and indoor water pipes served the homes of the affluent, but working class dwellings had smaller water pipes in the courtyards or down the street. ... Though the first decade of the twentieth century ... these improvements in hygiene, and therefore in health, were primarily limited to the middle class.[165]

This class selectivity may have been the reason that one historian asserts that "expenditures on sewers and waterworks had a relatively small effect on the decline in urban mortality before the beginning of the twentieth century. ..."[166] In England, this was not the case.[167]

Democracy

The continued existence of democratic rights for many workers complicated the class war from above. Occasionally, state legislatures as well as Congress responded to worker pressures for social and labor legislation. The right to vote stood at the heart of these successful efforts. However, between the 1890s and 1920, workers' voting rights were attacked in a series of offensives activated by the strategists of American capitalism: "Business and corporate leaders were usually the instigators of proposals to change the rules of electoral politics."[168] Outright disfranchisement, poll taxes, complex voting registration procedures, literacy tests, and other mechanisms were specially tailored to fit working people. During these three decades, voting turnout tumbled. As Eric Foner writes, "millions of men—mostly blacks, immigrants, and other workers—were eliminated from the voting rolls. ..."[169]

In Houston it took only four years to reduce the number of registered voters from 76 to 32 percent (1900-1904).[170] Friedman examines the national picture:

> Eleven northern states followed the southern lead in using [literacy] tests to remove poorer and immigrant voters from the electorate. Ray Stannard Baker in 1910 observed that registration laws eliminated "hundreds of thousands of" voters in the northern states. ... It is revealing that many registration requirements applied to urban and industrial areas but not elsewhere. ..."[171]

In 1900, African-Americans were a majority of male industrial workers in five southern states while in the Confederacy states as a whole white male workers constituted from 11.1 to 27.2 percent. In such a setting, Halevy noted, "the disfranchisement of the Negro in ... [the former] states has reduced the strength of the industrial proletariat at the polls by from one-half to nearly two-thirds. ..."[172]

In the nation as a whole, voting turnout dropped sharply. Wiebe provides an overall picture:

> In national contests, turnouts declined from about 80 percent of the eligible voters in 1896 to under 50 percent in 1924. ... In South Carolina, where prospects of a turnout in excess of 80 percent had been realistic in the 1880s, 18 percent voted in 1900. ... In Indiana ... from approximately 92 percent of the eligible voters in 1900 to 72 percent in 1920, in New York from approximately 88 percent to 55 percent. ... Turnouts in national elections ... remained on average about 20 percentage points below 19th century norms.[173]

Friedman contrasts well-to-do areas with those of poorer folk:

> Turnout declined little after 1896 in affluent areas but "cumbersome, expressive, and inconvenient" registration systems reduced voting by over 50 percent in working-class districts. In some urban areas, the working-class electorate virtually disappeared. By 1912 ... poll taxes and restrictive registration rules reduced the share of adult male workers eligible to vote in Lawrence, Massachusetts to only 15 percent.[174]

Never before in such a short time had American workers or any other class lost so large a portion of their political presence.[175]

At the same time, as Nell Painter pointed out, "disfranchisement also increased the political power of well-off whites vis-a-vis the poor, black and white."[176] As fateful as the loss of voting power undoubtedly was, crucial decisions regarding workers were increasingly made by private governments constituted by corporations. More and more, the only votes that mattered were those of corporate boards of directors.

SUMMARY

Early in American history, groups were deliberately set against one another to weaken both. Employers regularly encouraged racial and ethnic conflict among workers, both in the South and North. This was not a matter of individual employer prejudice but of capitalist class strategy.

Slavery was based on the right of owners-employers of enslaved workers to enforce labor discipline by violence. In the generation after the Civil War, employers demanded and received governmental permission and encouragement to use deadly force to put down labor protests. Slavery thus served as a model of organization in labor relations throughout the country. Violence against white and black workers was used at will by American employers. A quasi-military alliance between large corporations and governments repressed efforts to form labor unions and conduct strikes. Factual accounts of such episodes can be described by such terms as ordnance, headquarters, armories, military courts, military arrests, casualties, military attacks, vigilante actions, espionage, command functions, and infantry.

In the South, as slavery was abolished and replaced by a capitalist form of sharecropping, employer terror continued to be used against black workers by various violent means. Thus, the advent of capitalism both north and south was accompanied by rising violence against workers.

The advance of capitalism also meant a further concentration of the distribution of wealth in the United States. By 1912-1913, wealth dispersion showed greater inequality than ever before and "was as unequally distributed here as in Western Europe." From 1900 to the 1930s, a third of the population was in poverty. Thousands in New York City were living in houses "unfit for habitation." Workplace accidents and illnesses occurred at high rates in coal mining, railroads, and steel. Very few unskilled workers had insurance. In a New York City hospital during 1910-1930, "differentials in infant mortality by social class increased." Black children were under special health threats. The working-class districts of urban America were incubators of ill-health.

Early in the 20th Century, outright disfranchisement, poll taxes, complex voting registration procedures, literacy tests, and other mechanisms were tailored to fit working people especially. They thus became less able to exert political power just at a time when they sorely needed protection from new economic and social problems.

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Chapter 9

THE TESTING OF AMERICAN CAPITALISM, 1920-1945

American capitalism underwent three testings during 1920-1945. From 1920 to 1929, corporate firms prospered as never before, the national government presided benevolently in the interest of business, and profitivity reached record levels. Economic rewards were very unevenly distributed. Nevertheless, its heritage consisted in the second testing period, 1929-1940, the Great Depression, the most destructive economic catastrophe of American history. American participation in World War II, during 1941-1945, constituted the third testing. Unemployment all but disappeared, large-scale industry prospered, and the political power of the capitalist class was restored. Vast military expenditures were the primary force behind the third testing.

The 1920s

During the decade, manufacturers invested an average of $5.3 billion annually (in 1958 dollars). Between 1919 and 1929, the amount of physical capital invested per worker rose from $4,120 to $5,889, a 43% increase. In that same period, the productivity of labor increased an average of 5.6 percent annually, more than four times the rate during the preceding decade.[1] Rates of profit in 1929 varied from 7.5 percent (on total capital) to 13.9 percent (on fixed capital).[2] The great mass of profit, however, was earned by a tiny group of giant firms: "The largest 1,349 corporations... 0.26% of all corporations, received 60.3% of all corporate net income. ..." Even in 1923, a similar group already received 47.9% of all corporate net income.[3] Over the years 1923-1929, corporate profits as a whole rose by over 62 percent while corporate dividends increased by 65 percent.[4] Nevertheless, much of the expensively expanded productive capacity was not used during the twenties: "In 1928-29... most American industries were capable of producing from 25% to 75% more goods than markets could absorb."[5]

Union membership dropped sharply after the strike defeats of 1919-1920. In metal and metal-using industries, the number of union members dropped by three-quarters during 1920-1924.[6] In the entire country, union membership dropped 25 percent between 1920 and 1923.[7] The percentage of unionized soft-coal miners working under union contract fell from 72% in 1919 to 40% in 1925.[8] One reason for the losses was the depression of 1921-1922, but the main explanation was the sweeping anti-union campaign conducted by industrial employers. Union membership continued to decline during the rest of the decade. By 1930, it was recorded at 3,284,000, a loss of 28 percent since 1920 (4,551,100).[9]

Per worker earnings in manufacturing during the comparatively prosperous years 1923-1929 rose by 5.1 percent, less than one percent a year.[10] Declines over the period were by no means unknown. In meat-packing, for example, "in 1929 average wage rates... were actually ten to twenty percent lower than at the start of the decade."[11] In the steel industry "wages fell steadily after 1920. ..."[12] Even these slight changes were not the entire story since price increases further reduced the significance of changes in money wages. Aglietta reports that real hourly wages between 1920 and 1929 in manufacturing rose only a total of two percent.[13] Writing mainly about the principal manufacturing industries in Chicago, Lizbeth Cohen, referring to the years 1923 to 1929, finds that real "wages advanced modestly if at all in big manufacturing sectors such as steel, meatpacking, agricultural implements, and the clothing industry, particularly for the unskilled and semi-skilled workers who predominated in this kind of work."[14] Using a somewhat different period, George Soule reports an increase in real earnings of 26 percent of 1919-1928; this estimate seems somewhat on the high side.[15]

Few cited wage figures represent annual earnings. Instead, most cover hourly or weekly wages. Unfortunately left out of consideration are periods of unemployment during which no wages or wage substitutes were received. Only a tiny proportion of the labor force in factories worked 12 months a year.

How productive were America's industrial workers? From 1919 to 1929, "The productivity of labor in manufactures rose 43%. ..."[16] A more comparative view is the following: "During the `1920s output per worker-hour in manufacturing rose at a rate of 6.3 percent per year compared to annual rates of 0.8 percent, 1.6 percent, and 2.0 percent in the 1890s, 1900s, and 1910s respectively."[17] Productivity gains affected different groups of workers variously: "Between 1923 and 1929 manufacturing output rose about 30 percent, whereas production workers employed increased by only 2 percent and nonproduction workers employed remained almost constant."[18] Geography did not make much of a difference. Millhands in South Carolina experienced rising wages during cotton mill expansion during the early 1920s when they earned double their earnings of 1915. By 1926, however, the industry had overexpanded. During the late 1920s, many millowners employed industrial engineers who installed new machines which operated at very high speeds in addition to heightening the practice of stretchout: extending the number of machines and operations to be tended by each operative.[19] Everywhere, the profitivity of production increase was high; real or money wage increases ran about half or less of the productivity rise. Another indicator of the same relationship is the downward course of unit labor costs. Between 1923 and 1929, for example, unit labor costs declined by nearly 16 percent in the production of 13 of 19 measured industries.[20]

Sagging internal demand for the burgeoning output of American products became evident in the late 1920s. Productive capacity expanded in earlier years of the decade now began to lie idle: "Over the period 1923-1926, capacity utilization in manufacturing averaged almost 90 percent; over the years 1927-1929, it averaged less than 83 percent."[21] A dual economy developed, producing both luxury goods and mass consumption products. Between 1923 and 1929, the market for the former expanded while "mass consumption was practically stationary."[22] Economists and publicists frequently confused the two and imagined that the market for luxury goods and services was far larger than it was in fact .

How widely were wealth and income distributed during the 1920s?

In 1926, the Federal Trade Commission completed a study of American wealth and income that revealed a high degree of concentration, matching Western European levels. (See Chapter 8) Five years earlier, the newly-formed National Bureau of Economic Research had published the findings of its first study in the field — "whether the National Income is adequate to provide a decent living for all persons."[23] The NBER adopted a dividing line of $2,000 a year to indicate a minimum income of a married couple to permit "modest comfort". It found that during 1910-1919 from 59 to 69 percent of income earners received less than $2,000 a year.[24] Frank Stricker, reviewing the decade as a whole, concluded that "the wages of millions of workers—and perhaps a third of all non-farm *family* incomes - were at or below the poverty line in 1929" and that "the lower sections of the working class, such as unskilled railroad workers, probably had insufficient incomes for a nourishing diet."[25] Eugene Smolensky also estimated the proportion of the poor at around one-third.[26] A study by the Brookings Institution reported that in 1929 over 70 percent of families earned less than $2,500, an amount which was barely above that required to finance the widely accepted Heller Budget.[27]

Early in the 1920s, it was reported that stockholding had spread to the working class. H.T. Warshow declared that he detected "a tendency of the ownership of corporations in this country to pass into the hands of the wage-earners — a phenomenon which may have great future possibilities."[28] Six years later, Gardiner Means found that the number of stockholders had indeed grown greatly; at the same time, however, he reported that the trend Warshow uncovered "involved no appreciable shift in the proportion of corporate industry owned by the different income groups."[29] Means explained that heavy income tax laws during 1916-1921 had discouraged stock purchases by the rich but that the legal situation had changed after 1921 and wealthy persons had resumed their accustomed purchases of stock. Accordingly, between 1920 and 1929 "82 percent of all dividends were paid to the top 5 percent of income earners."[30] Alas! America's proletarians were not to become coupon-clippers after all.

Economic inequality developed rapidly during the 1920s as it resulted from changes on the shop floor. Chief among these were heavy investment in machinery, speed-up and stretch-out, lack of unionization, manipulation of race and ethnicity by employers, continued class warfare from above, as well as other stratagems.

Relatively few workers benefitted from what some historians have called "welfare capitalism," i.e., employer-controlled non-wage measures designed to engender worker loyalties to their employers. By 1930, for example, only seven percent of all workers had private pensions. Miron and Weil point out that "the pensions typically had long minimum service requirements, and employees lost all accrued pension eligibility if they quit or went on strike. ... To a large extent, these pension plans seem to have been worker discipline devices."[31] At U.S. Steel, according to Jonathan Rees, "welfare capitalism had little impact on the lives of most steelworkers. ..."[32] Lizbeth Cohen underscores the evanescence of corporation-dominated "welfare": "Both U.S. Steel and International Harvester changed their pension provisions over the course of the 1920s when too many workers began qualifying."[33] It was not the magnetism of corporate welfare as much as the growing unemployment in the mid-1920s that convinced industrial workers to hold on to their jobs: "Unemployment in manufacturing was higher between 1923 and 1927 than for any other five-year period since 1900, excluding depression years."[34]

Racial discrimination was a firm policy of industrial America. In Chicago, "International Harvester, the packinghouses, and steel mills all carefully monitored quotas on the number of blacks that could be hired."[35] With respect to anti-black prejudices of European immigrants, "employers… took pleasure in fueling the flames of this discord, doing whatever they could to incite the prejudices and fears of native workers."[36]

Beginning in 1924, the management of U.S. Steel established quotas for black employees. The new policy was part of a broad racial program for the Gary community: "In the 1920s… Gary saw the growth of 'jim crow' housing, public accommodations, recreation, and education [begun] by United States Steel corporation executives running both City Hall and the decisive community organizations to an extent unknown prior to …[World War I]"[37]

When, in 1925, black Pullman porters organized the Brotherhood of Sleeping Car Porters, the Pullman Company responded by employing Filipinos to fill positions as attendants on club cars. This tactic was

> designed to frighten black porters from support of the Brotherhood during its long struggle for recognition; Pullman threatened an end to the monopoly over service jobs enjoyed by blacks for over half a century. … Pullman favored its Filipino employees over its more numerous black workers.[38]

Pullman created differences in wages, work assignments, and other respects to structure the discrimination. Meanwhile, during the 1920s, members of the standard railroad brotherhoods succeeded in barring black workers from their membership, sometimes employing murderous methods to effect their aims.[39]

Industrial employers resorted to economic pressure and organized violence in their struggle against unionization. They did not neglect to use the law, especially court injunctions. Indeed, the 1920s witnessed a high point in such usage. As David Montgomery explained: "Of the 1,845 injunctions Edwin Witte catalogued that had been issued against union activities between 1880 and 1930, 28 were issued in the 1880s, 122 in the 1890s, 328 in the first decade of the twentieth century, 446 in the second, and 921 in the 1920s."[40] In 50 years, fully half the injunctions were obtained by employers in the 1920s.

Large corporations' publicity bureaus released reams of announcements about facilities for worker relaxation and better working conditions. Sometimes, the very same firms remained silent about their use of violence against their workers. Armour and Company, the second largest meatpacking firm and a booster of "welfare capitalism," had its Chicago office for the company's private police "visibly stocked with tear gas, rifles, and sawn off shotguns."[41]

In Bogalusa, Louisiana, the agent of the Great Southern Lumber Company, William Henry Sullivan "crushed an incipient effort to unionize the Bogalusa mills by playing off one race against the other, and, when that appeared on the verge of failure, by brute force that left four white union organizers dead on the streets of the town he had made."[42] As part of what was called "the first genuinely serious labor revolt [by white textile workers] the South had ever known", four strikes broke out in Spring 1929. To head off the revolt in Gastonia, N.C., "a mob of masked men, led as is now common knowledge in the territory, by business and political figures of the town and neighboring towns" attacked strikers.[43] Throughout the South, "when blacks took initiative to break the [peonage] system, their efforts were usually crushed by violence."[44] Though the NAACP frequently complained to the U.S. Department of Justice about such incidents, "the complaints remained … uninvestigated and forgotten."[45] During a strike of Anaconda Copper Company miners in Montana, May, 1920, company guards attacked pickets:

> "One miner was killed and sixteen wounded. All were shot in the back. … No one was arrested for the crime."[46]

In a strike during 1929 in Marion, N.C., "an attack on fleeing strikers by local police resulted in six dead and twenty-five severely wounded. All the dead had been shot in the back."[47]

During World War I, tear gas was the first form of chemical warfare used by American armed forces. In 1919, Secretary of War Newton D. Baker banned the use of tear gas against American civilians. Two years later, the Army rescinded the ban. President Harding proclaimed martial law and sent federal troops into two West Virginia coal counties to put down striking coal miners. The First Gas Regiment, Edgewood Arsenal, arrived in Charleston, W.Va.

> On September 3, a train arrived carrying the detachment [of 28 officers and men] and a large supply of tear gas munitions, including 1,000 chloroacetophenone grenades, 350 mortar shells filled with

> chloroacetophenone, 190 lachrymatory candles, smoke candles, and grenades, as well as standard rifle and pistol ammunition. In addition, 191 aerial-drop bombs were filled with chloroacetophenone at Edgewood Arsenal and shipped separately to the 88th Aerial Squadron on duty at Charleston.[48]

Miners surrendered their weapons when faced with the heavily-armed troops. The gas did not need to be used.

Between 1921 and 1923, tear gas became virtually standard equipment in American urban police departments. "By the end of 1923, over 600 cities had been equipped with tear gas, and several reports of its use had already appeared."[49] Private firms entered the tear-gas business at the behest of the Chemical Warfare Service which provided technical assistance to their firms. During the remainder of the decade, former officers of the CWS continued to organize tear-gas manufacturing businesses.

Frank Donner has written "that in the course of the past hundred years urban police have served as the protective arm of the economic and political interests of the capitalist system."[50] Among the tactics employed by them in such work were "dragnets and pretext arrests, use of force or the threat of force to disperse gatherings, indiscriminate clubbings, physical dispersal and banishment of targets, and mounted charges, along with vigilante offenses conducted with police support."[51] During the 1920s, top-ranking police in Philadelphia, Los Angeles, New York City, and other cities served as public representatives of employer interests. In Michigan auto manufacturing cities such as Flint, Pontiac, and Dearborn "mass arrests, raids, and [police] collaboration with plant espionage personnel were routine."[52]

Historical information on the health and living conditions of American workers during the 1920s is scarce. A study by the Brookings Institution reported:

> Of the non-farm families as a whole, 16 million, or 74 percent did not have sufficient income in 1929 to provide an adequate diet at moderate cost. Nineteen million families, or 90 percent, were not in a position to enjoy a liberal diet. ...[53]

Since non-farm families constituted more than workers, it may be concluded that working people were even worse off. In special situations the same deprivation was evident. On cotton farms in central Texas during the 1920s, "tenants who dared to grow their own market garden products to reduce their dependence on merchants for basic foodstuffs were quickly warned they were jeopardizing their credit [with the merchants]."[54]

In 1929, over 21,000 families were evicted from their rented housing quarters in Chicago.[55] It can be assumed that nearly all were working people. In the South, "the southern slum has often been built to be a slum."[56] It did not need to devolve.

The United States was still an undeveloped country in matters of health. As Florence Kelley wrote:

> As late as 1918 our Republic was laggard in the care of mothers and young children. We were number ten among the nations when measured by our infant death rate.[57]

Between 1921 and 1929, the Federal Act for the Promotion of the Welfare and Hygiene of Maternity and Infancy was in operation. The Sheppard-Towner Act, as it was known, provided information but no medical services or benefits.

> Between 1921 and 1929, the American Medical Association waged a highly effective campaign to defeat Sheppard-Towner. The AMA's increasingly substantial political power... was used to lobby against the Act, redefining maternal and infant health as an exclusively medical problem, and labeling Sheppard-Towner as "an imported socialist scheme" of state medicine. The AMA succeeded both in excluding women (lay and professional) from the leadership role they had previously assumed in the field of maternal and infant health and in removing the national government from the business of health care.[58]

The U.S. Public Health Service supported the campaign against Sheppard-Towner in part as to establish its own priority over the U.S. Children's Bureau in obtaining federal health funds.[59]

With respect to workplace illnesses, little progress could be observed. Businesses large and small tended to deny the existence of such illnesses. They fought successfully against legal recognition of employer responsibility for disease. "By the early twentieth century," writes Alan Derickson, "the problem of disease dwarfed that of trauma [i.e., work accident]."[60] Unions advocated workmen's compensation for occupational illness but largely failed. The federal Bureau of Mines more or less ignored work illnesses as being less significant than work accidents.[61] While miners continued to suffer from coal mine dust:

> Class polarization turned many middle-class doctors, engineers, and journalists into loyal partners of the mine operators. ... In particular, physicians aligned with coal management aggressively proclaimed the innocence of underground conditions.[62]

During the 1920s,

> The U.S. Public Health Service and the U.S. Bureau of Mines made extensive epidemiological studies. ... However, because the facts uncovered in the field contradicted the prevailing interpretation, they were disregarded or made to conform to it.[63]

When federal health authorities studied miners in the field, "no one told any miner his diagnosis, and no one advised miners as a group of the discovery of a pattern of work-related disease."[64]

A few federal engineers and physicians violated the rule of silence. Daniel Harrington, a long-time engineer in the B of M, declared in a paper of February 1924 that "it is entirely probable that a much greater number of men who have worked in our coal mines die annually of bronchitis, pneumonia, miners' asthma or other diseases caused directly or indirectly from coal dust, than die from mine explosions."[65] Derickson writes of "the [Bureau of Mines] general policy of subservience to employers' interests, narrowly defined as the pursuit of productivity, with minimal interference for nonproductive activities like spraying and ventilating mines."[66] Despite this supervisory lethargy, however, by 1923 eight states provided some degree of workmen's compensation for occupational diseases.[67]

During the 1920s, the field of industrial hygiene took shape in various universities, principally Harvard. Contracts were concluded between these research centers and industrial corporations which provided that the corporation had prior rights to learn the findings and exercise some degree of control over their publication.[68] Excluded from or marginalized in conferences on industrial hygiene were representatives from workers' groups.

Mechanization, which is traditionally portrayed as an unalloyed human blessing, actually cost numerous workers their health or even their lives. Between 1910 and 1930, the proportion of coal cut by machine increased from just over half to more than four-fifths. As Derickson observes: "More rapid movement of coal and equipment contributed to keeping microscopic particles suspended in air,"[69] thus increasing the difficulty of breathing. The 1920s saw speed-ups with heightened mechanization; the cost of worker injuries also rose.

Aldrich reports that as of 1916, "fatalities which had previously cost a few hundred dollars now [under workmen's compensation] set employers back $2,000 to $3,000, while lost eyes, hands and feet cost $1,500 to $2,000 each."[70]

The Great Depression

Prosperity departed abruptly at the end of the decade. Even before the stock market crash of October 1929, economic indexes of construction started slumping. Other indicators did likewise. By the end of 1929 whistling in the dark grew more shrill. Unemployment rose sharply as a percent of total work force:[71]

1931	15.9
1932	23.6
1933	24.9

By late 1932 and early 1933, only 15 percent of the steel industry's productive capacity was in operation.[72] Very few steelworkers worked full-time. Nevertheless, "in 1932, very large U.S. corporations still were making profits."[73] Armour and Co. cut wages during 1930-1933 but showed a profit of $51 million dollars while distributing $23 million in stock dividends in those same years.[74] Meanwhile, in these early years of the Depression, exceedingly little relief was available for the unemployed and their families. For example, in the year 1932 the total private and local governmental relief in all of New York City was equal to less than one month's wage loss by the 800,000 unemployed in the city.[75] In 1932, black unemployment nationally stood at 50 percent, "even before the Great Depression, unemployment rates in northern cities were 50 to 100 percent higher for blacks than for whites"; between 1930-1 and 1936-7, the situation worsened.[76]

When Franklin D. Roosevelt first took office in March 1933 he announced among other things that "the greatest thing we have to fear is fear itself." (This was an unacknowledged rephrasing of a sentence from the eighteenth-century essayist, Michel de Montaigne: "The thing I fear most is fear."[77]) Unfortunately, unemployment was a far more serious and enduring problem than abstract fear. But unemployment also had its positive side, for employers. As Robert Margo has written, in the 1930s "the time was ripe for more careful screening of job applicants, picking and retaining the most productive workers and weeding out the rest."[78] For all practical purposes, employers were free to choose. There were no union seniority rules during the years of greatest unemployment. The sight of long lines of job applicants reminded employed workers of the tentativeness of their own jobs. Worker resistance to demands for speed-up and stretch-out ebbed.

Productivity rose by sizable steps. Between 1929 and 1937, steelworkers produced one-third more steel per hour.[79] In the industrial economy as a whole, output per manhour rose by 22 percent during 1929-1936.[80] Unit labor costs fell by one-eighth between 1929 and 1939 in from 13 to 17 industries.[81] Even in industries with substantial wage increases in 1935-1939, unit labor costs did not rise because productivity outpaced the wage increases. While "the Depression retarded overall growth in industrial research employment," nevertheless expenditures on industrial research laboratories increased 46 percent between 1931 and 1938.[82] Employment in such laboratories, however, was highly concentrated in relatively few giant firms. In general, investment in the economy as a whole lagged; in 1939 capital investment was only at 60 percent of the 1929 level while the percent unemployment was still considerable:[83]

1934	21.7	1938	19.0
1935	20.1	1939	17.2
1936	16.9	1940	14.6
1937	14.3		

Comparisons with the early and mid-1920s were striking; during the year between September 1938 and August 1939, "in manufacturing industries production... was almost a fifth greater than the average of the years 1923 to 1925, and output per man-hour was more than 50 percent greater."[84] It was during the 1920s and 1930s that technological unemployment emerged in many industries.

Scattered mass demonstrations by the unemployed had been a feature of previous depressions but now a series of coordinated actions took place on a nationwide basis, especially in industrial centers of the North and West. Radical political groups took the lead; the Communist Party, the Socialist Party, and other, smaller groups were most active. Unemployed councils, organized by the Communists, began operation early in 1930. In March, "Chicago Communists distributed 200,000 leaflets, 50,000 stickers, and 50,000 shop papers."[85] Earlier that month in New York City, a demonstration of unemployed occurred in Union Square. A *New York Times* story reported: "Hundreds of policemen and detectives, swinging nightsticks, blackjacks and bare fists, rushed into the crowd, hitting… all with whom they came in contact. … A score of men with bloody heads and faces sprawled over the square with police pummeling them."[86] Outside Detroit, near Ford plants in Highland Park and Dearborn, the Communists led a march by some 3,000 unemployed. Police used tear gas and machine guns against the marchers who were unarmed and answered with stones lying nearby. The executive committee of the Detroit American Civil Liberties League pointed out that "most of the injuries received by the paraders consisted of gunshot wounds in their sides and backs."[87] Four marchers were killed and more wounded.

Many of the demands made by demonstrators wherever they marched consisted of calls for jobs, relief, and numerous demands related to living conditions. Particularly in Chicago, housing conditions were acute. As workers lost their jobs, they were evicted from their housing. The number of court orders issued to effect evictions rose during the years 1929-1935:[88]

1929	21,589	1933	56,158
1930	28,462	1934	38,603
1931	39,184	1935	41,372
1932	56,246		

In many cases, evictees called upon the nearest Unemployed Council to send activists to move the furniture from the sidewalk back to the apartment. In one instance, during August 1931, some 2,000 persons gathered at an eviction site in the mainly black South Side of Chicago where a family had just been evicted. "The household goods were moved back into the flat. …"[89] Fighting broke out; three activists were killed, one was wounded, and three policemen injured. Private relief agencies were so swamped by requests for aid that during an 18-month period in 1932-1933 no further rent-money was distributed. Tenants remained where they were; in an effort by landlords to compel tenants to leave, gas, electric, and water were cut off; many remained under those conditions. "Some landlords finally adopted the drastic method of trying to freeze the tenants out by removing the window frames."[90] (Below-zero temperatures during winter months are not unusual in Chicago.) The decline of landlord services led to further deterioration of housing; rats became a greater menace than ever. "Families living in basements hung their food on strings as the least expensive way to protect it from the rats."[91] The head of a federal inquiry into living conditions in the South in 1938 wrote with reference to African-Americans that "this very large number of southern cities are living under subhuman conditions."[92]

Unionization grew rapidly during the Depression, from 3.1 million members in 1930 to 7.0 million members a decade later. Strikes spread as follows:[93]

1932	840	1937	4,740
1933	1,700	1938	2,500
1934	1,856	1941	4,288
1936	2,200		

Through work of the Committee on Industrial Organization (CIO) in '1936, the mass production industries became thoroughly unionized for the first time in American history. Employers large and small, however, fought unionization in their accustomed fashion. Their first resort was to violence against strikers. The geographical spread of anti-union violence was broader than ever; the casualties of the violence were as lethal as before.

Although employers and managers continued to speak of law and order, the offensive character of their armament was clear: "tear and sickening gas, shells and guns to discharge them, and, to a lesser extent, machine guns."[94] The novelist Theodore Dreiser reported on the situation in 1931: "In the present miners' strike in the central eastern section of the country, machine guns are playing a prominent part."[95] In a South Carolina textile strike, National Guardsmen "built an ominous-looking machine gun nest above the mill and aimed the weapons at the picket line."[96] Machine guns were also used by the National Steel Company in 1934; according to an account in a Pittsburgh newspaper: "The company has machine guns, sawed-off shotguns, tear and sickening gas and other paraphernalia."[97]

Eye-witness accounts frequently noted that strikers and supporters were shot in the back as they were attempting to escape. In Aliquippa, Pennsylvania in 1933, "[w]hen the shooting started, most of the men began to run. Approximately one hundred were injured, most of them shot in the back."[98] At Honea Path, South Carolina, during the General Textile Strike of 1934, a striking weaver, Thomas Rance Yarbrough, "was down there standing up with both hands up, they shot him in the back with buckshot." Another striker, R.A. Watkin Atkin, commented: "It was just like shooting a hog in a pen."[99] An historian described the contents of a documentary film made in 1937 near Chicago where steel workers were on strike: "It recorded a maniacal police riot that left ten men dead, seven of them shot in the back."[100] During a teamsters' strike in Minneapolis in 1934: "Two workers were killed and sixty-seven were wounded. Many of the casualties were shot in the back."[101]

Officers of the law at times led the violence. The Texas Rangers were accused of "incident upon incident of intimidation, unwarranted searches and seizures, killings, beatings, manslaughter, venality, blatant partisanship. ..."[102] In Memphis, Tennessee, during 1939, "the police... tried to murder black longshore leader Thomas Watkins for leading a strike of black and white river workers,"[103] A member of an official inquiry reported to the governor of California in 1933 that "our investigations... established the disconcerting fact that in the great majority of clashes between the peace officers and the strikers, the former were responsible for inciting to violence."[104] During the mid-1930s, the Black Legion, an offshoot of the Ku Klux Klan, undertook a program of armed terror against Blacks, Catholics, Communists, and unionists in Detroit. Both the city's police commissioner and the Wayne County prosecutor were members of the group. In the Detroit area, "between 1933 and 1935 the Black Legion bombed or burned... left-wing retreats, meetings halls, and bookstores, and shot two Communist labor organizers, all without police interference."[105]

Relief from the acute deprivation of the Depression depended on private and public sources. Between 1932 and 1934, the U.S. Steel Corporation spent "approximately ten cents per week [in relief payments] for every worker and family member dependent on a U.S. Steel paycheck. ... When economic conditions started to improve in 1935, U.S. Steel began to deduct from the paychecks of its workers in order to compensate for its earlier 'charity'."[106] (In the mid-1930s, a quart of milk cost ten cents in Chicago where adult fare on the street car was seven cents.) Not until the institution of federal relief programs did more ample funds become available. However, discrimination in disbursement of federal relief was widespread. In Los Angeles during 1934, for example, Mexican Americans constituted only one percent of welfare recipients while they were one-tenth of the total population.[107] Thousands of Mexicans in northern and western cities were forced to return to Mexico. "Relief payments to blacks in Atlanta averaged $19.29 per month, while white relief clients... received $32.66, nearly 70 percent more."[108] Payments under new programs such as Old Age Insurance and Aid to Dependent

Children were discriminatory against blacks. "By the late 1930s every southern state that had an ADC program awarded benefits at a rate lower than their proportion in the population. Moreover, southern states, with the exception of Tennessee, awarded smaller benefits to black children."[109] In the cotton areas of Texas, "various [federal] work-relief programs, administered by all-white county committees, often excluded Mexicans and blacks, maintaining that 'this work is for whites only'."[110] During the Thirties in South Carolina, "relief programs were... closed or reduced during the southern harvesting season," in order to eliminate any alternative source of income for workers". "Relief was usually not given without prior consultation with planters and millowners."[111]

By no means did the Depression affect the distribution of wealth and income. During 1935-1936, a period of economic recovery, a federal inquiry found that "over two-thirds of American families received less than $1,500 per year and... most of them could barely buy necessities."[112] According to a study of wealth by Robert Lampman, "the share of the richest 0.5 percent... rose somewhat—from 25.2 percent in 1933 to 28.0 percent in 1939."[113] This finding contradicted Schumpeter's rather exaggerated declaration: "To an extent which is not generally appreciated, the New Deal was able to expropriate the upper income brackets even before the war."[114] By 1940, after nearly a decade of federal relief measures, only 1.2 percent of the gross national product was being spent on direct relief, including the Aid to Dependent Children program.[115]

For the third time in American history, economic depression turned the United States into an emigrant nation, i.e., the number of emigrants outnumbered that of immigrants.[116] While this fact undoubtedly reduced the potential number of unemployed, at the same time the stream of rural migrants seeking work in the cities increased by a corresponding amount.[117] The low level of immigration largely resulted from the refusal of federal authorities to accept refugees from Nazi horrors in Europe. As Gemery points out, under the then-existing quota system, 153,879 persons were eligible to enter the United States; only 5.3 percent of this number were actually admitted.[118] European economies during the 1930s became increasingly militarized. As of 1938, a year before the outbreak of war, 23 percent of Nazi Germany's gross national product was attributable to rearmament; the corresponding figure for Great Britain was under seven percent.[119] Koistinen observes that "after 1938-1939... America began to rearm."[120] President Roosevelt, eager to build up

America's military capacity, used legislation designed for economic recovery to pay the bills. Thus, he authorized shifts of funds from the Public Works Administration to the Navy in order to finance the building of carriers, cruisers, destroyers, submarines, and airplanes.[121] According to Koistinen, "the rapid expansion [of army aircraft] for war began in 1939."[122]

The cost of the Great Depression went far beyond production and jobs, at least for the working class. As Rosner and Markowitz explain: "The exploitation of labor is measured not only in long hours of work and lost dollars but also in shortened lives, high disease rates, and painful injuries."[123]

In Pennsylvania mining communities, at times "coal companies 'dumped' dead or injured miners on the front porches of their homes."[124] Steelworkers who were employed at coke ovens served "virtual death sentences" with a high rate of lung cancers; at one location "they had to constantly chew tobacco on the job to clean their mouths of coke fumes and residues."[125] Blacks were disproportionately assigned to the coke oven. At a Ford plant in Michigan, "the foundry was regarded as the most stressful, hot, dirty, and dangerous department at the plant. ..."[126] Once again African-Americans were especially assigned there. Crowded housing and adverse working conditions in Detroit exacted a high toll of black workers: "By the early 1930s Detroit health statistics indicated that over six times as many blacks as whites in the city contracted tuberculosis."[127] In the same era, corporations hastened to separate ill workers from their premises. The Caterpillar Tractor Company "took chest x-rays of 1,400 workers in one of its foundries; six days later it dismissed 179 workers whose lungs showed signs of pneumoconiosis."[128] Workers digging tunnels through a mountainous area in West Virginia, in a project operated by the Union Carbide and Carbon Corporation, experienced unbelievable health risks. The project took two years; within five years the names of 764 victims were entered on a death list.[129] Curiously, it took a novelist whose brother was a chemist to point out in 1931 the deadly effects of asbestos on workers: "Breathing asbestos dust causes disease—pulmonary fibrosis, recognized by yellow foreign bodies in the sputum and lungs."[130] (British and European medical researchers had already identified these effects but American asbestos manufacturers denied them.) In Chicago's stockyards, "pulmonary and dermatological diseases were rampant in the yards and resulted from working conditions."[131]

All in all, health care was an expensive commodity as reported by a national Committee on Costs of Medical Care, which, in 1932 "documented... that poorer communities traditionally received less medical care and sustained a higher illness burden than more affluent communities."[132] The most noteworthy attempt to modify this situation occurred during 1937-1945 when the Farm Security Administration, part of the U.S. Department of Agriculture, organized "group prepayment medical cooperatives" for "America's poorest farmers, sharecroppers, and migrant workers."[133] Toward the end of the more prosperous wartime years, however, many cooperating physicians ceased to participate in the program. Another step forward, which lasted longer, was a provision in the Social Security Act of 1935 which made federal grants available to states to develop public health measures, including industrial hygiene.[134] Before 1936, when the Supreme Court approved the Act's constitutionality, only five state departments of health had industrial hygiene units; by 1938, the number had risen to 24, that is, half of all states. Another indicator of progress on one health front was the finding that life expectancy grew between 1929 and 1939, a fact attributed by Robert Fogel to payoffs from social investments during 1870-1930; these included the provision of sewerage and other public facilities.[135]

It must not be thought, however, that deleterious effects on health ceased during the Depression. A Pennsylvania steelworker recalled that "hamburger was six pounds for a quarter, but nobody had the quarter to buy the meat."[136] Hunger still drove many to acquire food for their families however they could manage. Roy Rosenzweig notes that "in the early '30s individual and group looting of super-markets was not an isolated phenomenon."[137] In a short story by Albert Maltz, "The Way Things Are," an unemployed worker and his 10-year-old son learn to steal bottles of milk. Jialu Wu studied the severity of the Great Depression in the Pittsburgh region and found that "compared with 1929, food consumption declined an average of 5.9 percent by value between 1930 and 1939, but consumption of meat held its own and the consumption of dairy products, including butter, declined by only 2 percent."[138] While national per capita disposable income fell by 14.3 percent during 1930-1939, the annual decline in grocery sales was not far from that level:[139]

1930	- 1.9%	1932	- 7.8%
1931	- 1.7%	1933	- 9.7%

A somewhat helpful factor was the decline in food prices between October 1929 and February 1933:[140]

October 1929	100	December 1932	65
December 1930	90	February 1933	57
December 1931	72		

Government relief and help by relatives and friends helped bridge the gap. A much bleaker picture was reported by the federal inquiry conducted in the South in 1938: "Even in southern cities from 60 to 88 percent of the families of low incomes are spending for food less than enough to purchase an adequate diet."[141]

Mexican-American workers in Los Angeles experienced the worst living conditions. "As in other American cities, in Los Angeles the jobless soon became homeless and the homeless soon went hungry." As late as 1944, nearly twice as many "Latin Americans" as whites died of tuberculosis while by the same year infant-mortality rates of both groups were nearly equal. It may well be that the improvement in both regards resulted from selective migration to Mexico forced upon Mexican Americans by U.S. government and other authorities. The poorest tended to have the worst health conditions.[142] (Many of those "repatriated" to Mexico were children born in the United States.)

During the 1930s, silicosis became a national issue, in part because of heightened concern by the new industrial unions composing the CIO. Growing industrialization brought with it multiplication of foundries—a major source of silicosis in industry. When, in 1931, the National Safety Council commissioned medical study of foundries, the resulting report highlighted the grave danger to workers' health caused by sandblasting, a common practice in foundries: The operation, "when taken into the lungs, causes silicosis and predisposes towards tuberculosis."[143] Industrialists who financed the work of the Council attacked the study with the result that the original study was never published. Instead, the name of the senior investigator was dropped and a revised study was published which did not mention the threat of silicosis and tuberculosis. Authors of the original study published their own report; however, it saw the light of day only in a medical journal published in Germany.[144]

The suppression of scientific findings contributed to a general impression by many physicians that silicosis was, at most, a very minor affliction. A similar censorship role was played by the U.S. Public

Health Service, which ignored its own findings in the 1920s of the deadliness of silicosis in industry. As Alan Derickson observes: "The federal public health officials... not only failed to make available all extant information relevant to the subject but also selectively recalled work that could be manipulated to buttress the conventional interpretation."[145] The U.S. Bureau of Mines involved itself in these matters in the role of management consultant to individual companies; it reported its findings only in the form of communications with the firm's heads. No public record was made of its findings.[146] On the other hand, the U.S. Department of Labor declared straightforwardly —and publicly—"all coal dust is hazardous, and workers should be protected against breathing excessive amounts."[147] Unfortunately, however, the Labor Department had no standing as a "medical" authority. Thus, "even in the heyday of the liberal New Deal... [the United Mine Workers union] certainly could not rely on governmental health expertise to protect its members' wellbeing."[148]

Because African-American workers tended to be placed on jobs that were more dangerous or illness-producing than average, discriminatory placement practices ensured greater illness and loss of life by blacks in industry.

In September 1941 a U.S. Government survey found that of almost 300,000 job openings, over half were restricted to whites. In Indiana, Ohio, and Illinois, 80% of the openings were thus restricted.[149]

By no means were "white" jobs necessarily "safe" or "healthy" ones.

World War II

The long-sought recovery from the Great Depression finally materialized during 1941-1945, as the United States entered World War II. Its first order of business was to organize a military machine out of the quiescent American economy. Henry Stimson, the Secretary of War, cautioned in his diary: "If you are going to try to go to war, prepare for war in a capitalist country, you have got to let business make money out of the process, or business won't work."[150] Further, the managers of American large-scale industry insisted that economic direction of the American war-effort be lodged largely in their hands. This was done. Specific legislation and administrative regulations embodied the obligations of government while leaving those of business somewhat indistinct. As the war progressed, the military and business leadership drew closer together and cooperated increasingly in isolating labor unions from critical areas of government policy. At nearly every juncture, labor was forced to take a subordinate role.

Even before Pearl Harbor, defense spending increased from $2.2 billion dollars in 1940 to $13.7 billion the next year.[151] At the same time, these expenditures stimulated the growth of non-defense spending as well. As production rose, unemployment declined—finally. By the winter of 1942, full employment was reached.[152] During the longer period 1940-1943, the number of unemployed fell to one million from over eight million.[153] In 1944, unemployed men aged 20 to 64 numbered only 250,000.[154] In recently industrialized areas, unemployment tended to persist: "The number of lines in the 'Help Wanted' section of the *Seattle Times* jumped from 28,631 during the first nine months of 1940 to 225,515 during the same period in 1943."[155]

The American West profited greatly from wartime financing by the federal government. During the four war years, military bases and productive plant and equipment costing some $70 billion in federal funds was expended in the West.[156] During the same years, the Federal government provided "about 90 percent of the investment capital available in the West. ..."[157] Western factories producing aluminum, magnesium, aircraft, and steel were first built by federal financing during the war years.[158] Richard White observes that "at its wartime peak in 1944, Boeing's sales were over $600 million — nearly ten times all of Seattle's manufacturing in 1939."[159] When, however, federal expenditures slumped at war's end, its sales fell from $600 million in 1944 to $14 million in 1946.[160]

During the late 1930s, industrialists were meticulous in approaching the issue of rearmament. They remembered all too well idle factories and unsold inventories, and wanted to avoid adding to them, especially at their own expense. They wanted also to stay clear of low-profit contracts for government orders. Special war taxes were also a concern. All these, as well as other matters, had to be resolved before industrialists could be expected to cooperate. This, after all, was in line with the Stimson Doctrine, above.

Over the years, the federal government had used competitive bidding for military contracts. Also, however, it also resorted to negotiated contracts when it had a longer-term interest than immediate acquisition of combat materiel. During the early 1930s, for example, contracts with aircraft companies were not competitively awarded to lowest bidders because the government was also encouraging the development of an aircraft industry that would survive and be available to the military for a long time.[161] During the

World War II crisis, negotiated contracts became the norm. In addition, company remuneration often came in the form of cost-plus features, which guaranteed company profit from the contract. Large corporations were the principal beneficiaries of negotiated contracts.

The scale of federal wartime expenditures was immense, far exceeding total spending on all New Deal programs of the 1930s. Between 1939 and mid-1945, writes Robert Higgs, "the size of the armed forces, as measured by active-duty personnel, grew more than 36-fold... and the annual rate of military spending grew almost 60-fold!"[162] The U.S. Treasury became the dominant source of capital investment during the war; between 1940 and 1943, it supplied two-thirds of industrial investment in contrast to five percent in 1940.[163] From 70 to 100 percent of financing for combat vehicles, aircraft and ships, and explosives came from this source.[164] All this did not diminish the economic power of private industry, which in 1945 controlled 66.5 percent of all industrial assets as compared to 65.4 percent in 1939.[165] Much of the financing for this expansion derived from exceedingly large wartime profits and depreciation reserves.

The Second Revenue Act of 1940 contained an additional bonanza for industry: accelerated depreciation. Before the change brought about by this act, a firm that had invested in plant or equipment could deduct annually, from its tax liability, 5 to 10 percent of the total cost. Obviously, the larger the deduction, the lower the taxes. The 1940 law doubled the rate of depreciation, which is to say, doubled the size of the deduction to 20 percent per year. This act of generosity was an undisguised bonus in corporate profits.[166] At war's end, many of the privately-built plants and equipment had been fully depreciated and were sold; this provided an extra profit at public expense.

Taxes on corporations grew to levels higher than ever during World War II. The same could be said of after-tax corporate profits also, (in billions of dollars):[167]

	Before Taxes	*After Taxes*
1941	16.6	9.5
1942	23.3	11.1
1943	28.0	12.2
1944	26.5	11.7
1945	21.2	10.5

At the same time, however, wealthy corporate owners and managers were subject to high personal income taxes. As Richard White observed of World War II: "The graduated income tax, which had existed more in principle than in practice, now for the first time in American history levied substantial payments from the rich."[168] The result was "a moderate shift in income distribution in the direction of greater equality."[169] This trend, however, was of small proportions and was not without countervailing tendencies. For example, during the war years, many workers became income tax payers for the first time; in 1943, their tax payment was made subject to withholding. Between 1941 and 1945, the number of tax returns rose from 17.5 million to 42.7 million.[170] During a slightly different period, 1940-1944, "the ratio of total revenues from the individual income tax to the total from the corporate income tax jumped from 85 percent... to 134 percent. ..."[171] The American tax system was well on its way to becoming "firmly grounded in... heavily emphasizing the taxation of wage and salary incomes."[172]

Money wages rose fitfully during the war but much of its benefit was lost to a rising cost of living. The latter increased as follows:[173]

1941	157	*1944*	178
1942	168	*1945*	173
1943	175		

The main material benefit for workers during the war derived from low unemployment. By agreeing not to strike, however, unionists removed their strongest weapon. Nevertheless, many strikes did, in fact, occur. James Atleson reports that during the war's duration, "over fourteen thousand strikes occurred involving over six and a half million workers."[174] National officers of many unions opposed such strikes but unyielding grassroots pressures continued to produce them.

The Roosevelt administration attacked strikes and strikers but workers were unrelenting: "Three times as many strikes were waged in 1943 than in 1942. ..."[175] The military was deeply anti-union, especially by 1943 and after.[176] Atleson cites a number of specific instances of such actions.[177] In September 1944, the Navy suspended union contracts in San Francisco area machine shops in retaliation for shop actions. Organizers of wartime strikes were drafted. The War Labor Board punished local unions for striking. Striking coal-miners were subjected to criminal indictments. In 1943, Roosevelt vetoed the severely anti-union Smith-Connally bill, but his veto was subsequently overridden by Congress.

Both the War Labor Board and the Supreme Court invoked "a zone of managerial exclusivity," a clutch of ill-defined rights in which unions were denied any voice.[178] Under existing labor law (or employer law), management need not bargain collectively on matters over which it had undivided authority. Union efforts to deny or moderate the doctrine were rejected by courts and administrative bodies during the war and afterwards.

Economic aspects of the war lay under control of the armed forces high command and presidentially appointed administrative boards. The latter were directed almost wholly by top executives of the country's largest corporations who cooperated closely with military leaders. Labor representatives were rarely consulted on important matters. As a result, business had pretty much its own way. In addition, big business and government continued as was customary to repress radicals in the labor movement. Legislation against dissenters swept the states. As Robert Goldstein wrote: "By virtually any measure, World War II was pretty much of a disaster for civil liberties."[179]

More important to business than heightened profit and ideological uniformity was the governmental power that now resided in the hand of corporate leaders. During the last third of the 19th century, manufacturers of isolated machines of war developed close cooperation occasionally with armed services representatives. By the first world war, the outlines of an industrial-military complex could be discerned. Now, however, a well-developed cooperative structure had emerged. Based on mutual advantage, a conception of national interest arose that was increasingly consistent with the basic needs of both the military and business.

Two further features characterized the new relationships. One was a world scale of state policy; the other the centrality of state expenditure.

SUMMARY

(a) *The 1920s*: Severe declines were recorded for union membership, unit labor costs, per worker earnings in steel and meatpacking, and capacity utilization (in later years). Sharp increases occurred in capital invested per worker, productivity, profitivity, and rate of profits (especially for large firms). At most, modest or no sizable increases occurred in real wages and family incomes. Worker benefits were marginal, including pensions. Employer-managed racism thrived. Tear gas joined anti-labor weaponry. Numerous striking workers and sympathizers were shot in the back. Workplace illnesses festered but employers succeeded in blocking legislative remedies in workmen's compensation for non-accidents. Federal health agencies were subservient to employer-interests.

(b) *The Great Depression*: By 1933, nearly ¼ of the workforce was unemployed while ½ of black workers had lost their jobs. Productivity rose, goaded by fear of unemployment; unit labor costs fell. By 1937, idled workers fell to one-seventh but within a year the figure was on the rise again. Unemployed workers organized to demand work and welfare but were met with police violence. Jobless workers were evicted from rental housing. In Chicago, the number of evictees rose from over 39,000 in 1931 to more than 56,000 the following year. Workers resumed joining and forming unions and resorted frequently to strikes—where they were attacked by police and hired anti-labor forces. The share of top wealth-holders increased between 1933 and 1939. Blacks and Mexican Americans were denied equal welfare, even when federally financed.

(c) *World War II*: Management of the economic side of the war was left in the hands of large-scale industry. Labor was allowed only a subordinate role. Unemployment dropped from eight million in 1940 to one million in 1943. Federal investment funds financed new plant and equipment, especially in the West. Competitive bidding for war contracts was replaced by directly negotiated contracts, to the delight of industry. Various financial measures were enacted to sweeten the pot for large-scale enterprises (accelerated depreciation). National labor policy increasingly penalized unions for striking, thus weakening collective bargaining. Presidentially-appointed boards and the armed forces high command controlled economic aspects of the war. The boards were directed almost wholly by top executives of the country's largest corporations who cooperated closely with military leaders. A conception of national interest arose that was increasingly consistent with the basic needs of both the military and corporate business.

In each of the three subperiods of 1920-1945, American capitalists confronted a different test. During the 1920s, corporate business pretty well had its own way in economic and political affairs. Governmental policies were largely responsive to corporate interest, tax legislation favored the rich, in just about every major industry unionization was slight. Federal and state courts were deeply anti-labor. Yet, corporate America proved unable to maintain these conditions in the face of the economic decline of the Great Depression. During the slumping economy, the capitalist class lost some of its luster, but little of its wealth. It also yielded somewhat of its political power while retaining a good deal of its voice in moderating New Deal policies. Altogether, a mixed bag. It was, however, during wartime that American capitalism passed a most consequential test: It more than recovered its leadership role of the 1920s. In addition, it became a major factor in military and foreign policy as well as a paramount element in the making of domestic economic policy. A half-century later, capitalist considerations were still dominant.

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Chapter 10

THE FADING TRIUMPHS OFAMERICAN CAPITALISM 1945-2000

American industry entered the postwar period under highly favorable conditions, most of them direct consequences of the war. Large-scale control of the economy was broadened, wartime profits facilitated payment of corporate debt, and many new plants and machines were obtained in postwar government surplus sales. Wartime taxes were quickly repealed and numerous firms received refunds achieved by balancing wartime and postwar earnings. Federal surplus supplies of industrial materials and machinery were disposed of with careful regard for the economic interests of industry. Not least important, industry links with federal governmental bodies were not dismantled. The emergence of the Pentagon in postwar policy-making depended in part upon strengthened industrial cooperation. This extended to the realm of foreign policy as well.

The Cold War matured during five years after the end of World War II. American influence in Europe was extended by the Marshall Plan (1948-1952) which assured the U.S. access to European markets and thereby minimized the possibility of an economic slump in the U.S. economy. In addition, exclusion of communist and other left-leaning elements from European governments was exacted as part of the price for Marshall aid. At first, Marshall funds were not to be used for rearming recipient countries. By 1950, however, the U.S. had reversed itself: rearmament became the central core of its European policy.[1]

In 1950, the U.S. National Security Council delivered to President Truman a comprehensive statement on foreign policy he had requested. Titled NSC-68, it defined the outlines of American policy for years to come.[2] Fundamental conflict with the Soviet Union was regarded as ultimate reality, and rearmament of the U.S. and its allies was named as the basic means adopted to meet the threat as viewed by NSC-68. American military spending rose rapidly. As Michael Hogan writes: "During the first two decades of the Cold War the federal government invested $776 billion in national defense, an amount equal to more than 60 percent of the federal budget, and more if indirect defense and war-related expenditures are included."[3]

The scope of defense spending was enormous. As the following compilation shows, defense employment as a percentage of total durable goods employment between 1939 and 1969 expanded greatly because of the adoption of a rearmament policy in the early 1950s:[4]

Year	%	*Year*	%
1939	3	1959	17
1945	17	1960	16
1947	5	1961	16
1950	5	1962	16
1951	6	1963	16
1952	9	1964	15
1953	9	1965	15
1954	10	1966	16
1955	9	1967	17
1956	10	1968	17
1957	11	1969	16
1958	15		

During the late 1960s, U.S. defense expenditures in durable goods were at the same level as in 1945, a World War II year. The level had been at 15-17 percent between 1958 and 1969, in part the period of the Vietnam War. This followed a near-doubling during the Korean War (1950-1955). The Cold War was also a time of hot war. Rearmament proceeded in both cases.

To the writers of NSC-68, defense production promised to counteract economic slumps. During the immediate past, they cautioned:

> Industrial production declined by 10 percent between the first quarter of 1948 and the last quarter of 1949, and by approximately one-fourth between 1944 and 1949. In March 1950 there were approximately 4,750,000 unemployed, as compared to 1,070,000 in 1943 and 670,000 in 1944. The gross national product declined slowly in 1949 from the peak reached in 1949 ($262 billion in 1948 to an annual rate of $256 billion in the last six months of 1949) ...[5]

The new policy of rearmament was as much an economic, as a political and military, measure. On the eve of a recession it proved persuasive. Between 1945 and around 1986, "the United States employed military force across its borders more than 200 times."[6]

Rearmament was welcomed by many large enterprises. "Between 1947 and 1963 the top two hundred industrial corporations boosted by defense business, increased their share of total value added in the economy from 30% to 41%."[7] Many lucrative contracts were awarded without bidding. There being no civilian market for most defense goods, defense producers did not constitute competition to non-defense producers. Political connections were critical. In the absence of these, it would be difficult to discern whether a particular defense producer was a pioneer "in solid rocket work or just a firecracker factory with a long fuse into the Pentagon."[8]

Increasing federal support for research and development (R & D) contained commercial subsidies in disguise. As Mowery and Rosenberg point out:

> Most R & D expenditures are devoted to product design and testing, redesign, improvements in manufacturing processes, and so forth. Most R &D has not been science, whether basic or applied.[9]

We may add: whether financed by government or business.

In one way or another, federal patronage through research subventions or outright purchase proved decisive to the future of numerous critical products. This was especially the case in the electronic revolution after World War II. The transistor, a key innovation that emerged from the Bell Telephone Laboratories, and the integrated circuit, a product of Texas Instruments, were both non-military in origin. "Although the military market for IC's was rapidly overtaken by commercial demand, military demand spurred early industry growth and price reductions that eventually would create a large commercial market . ..."[10] Similarly, "federal spending during the late 1950s and 1960s from military and nonmilitary sources provided an important basic research and educational infrastructure for the development of this new industry."[11]

Without federal sponsorship, the nuclear power industry could not have enjoyed even its short-lived success. Federal subsidies included the following: "Subsidy of uranium exploration and nuclear fuel enrichment, partial public assumption of uranium mining and fuel reprocessing waste disposal costs, extensive Export-Import Bank nuclear subsidies, government-guaranteed markets for plutonium production and fuel processing, government assumption of liability for serious nuclear accidents (Price-Anderson Act), and deferment of nuclear waste disposal costs."[12] Between 1954 and 1979, development subsidies for nuclear power equaled $29 billion in 1987 dollars.[13] Around the mid-1950s, when U.S. military planners were advocating the adoption of programmable automation in the machine tool industry, "the government had still to expend millions of dollars and actually create and guarantee a market for numerical control before wary industrialists would take the gamble."[14]

Increasingly, as the U.S. machine tool industry became consumed with specialized military and aerospace work, foreign producers (Japanese and West German) gained a large share of the U.S. market:

> Between 1960 and 1975, U.S. imports of machine tools increased 300 percent. By 1978, the U.S. had become a net importer of machine tools.[15]

As Oskar Morgenstern explained nearly a half-century ago:

> The most interesting things in science at present are done only if they are related to war and war preparation . ... Society will not support research and enormously expensive experimentation on other grounds.[16]

The passage of time has only moderated such a perspective. This envelopment by military considerations has left some ordinary non-military industries in the United States far behind in the world market. Gregory Hooks stresses that the "threat within the defense industries is ... that the defense program will push U.S. firms into esoteric production with few civilian applications."[17] The years since the 1950s and 1960s have seen few spillovers from military to non-military commodities. (What are the peacetime uses of torpedoes or missiles? Compare these with computers and transistors.)

During the long period 1914-1975, "productivity growth was much faster than before or after."[18] After the mid 1970s, average productivity fell by half from two percent to one percent near century's end. During much of the immediate postwar years (1945-1960) "invested capital per worker increased, in constant prices, at the rate of about 3.5 percent a year . ..."[19] This robust growth provided the setting for the rise in productivity. Much of it, however, was economic shadow-boxing. As we saw above, a considerable part of the nation's production was war-spending, "the capitalization of war, death and destruction."[20] High productivity in this area did not alter its uselessness to final consumers. Nor did it diminish in the least many social problems that festered during these years. (See Chapter 11.)

Once the Korean War ended in 1955, the economy began to slump.[21] In manufacturing, writes Robert Brenner, "output grew at an average annual rate of only 1.4 percent between 1955 and 1961, compared to 5.1 percent between 1950 and 1955." Unemployment rose during 1950-1963: "During the second half of the ... [50s], the average rate of unemployment increased by more than one-third, compared to the first half (5.5 percent for 1956-61, 4.0 percent for 1950-55) and as late as 1963 remained at 5.7 percent." Between 1950 and 1958, "labor productivity in manufacturing grew at an average annual rate of 1.85 percent — compared to 5.5 percent between 1946 and 1950." During the same period of the 1950s, real wages in manufacturing rose annually by 3.6 percent. As a result, the rate of profit in manufacturing fell by 41 percent. Large U.S. manufacturing firms started investing heavily in foreign, especially European, factories in an attempt to increase profitability. At the same time, U.S. producers "unleashed a powerful across-the-board assault on [American] workers and their institutions, and achieved what turned out to be a fundamental shift of the balance of class power and in the character of management-labor relations." The anti-labor period paid off handsomely: "Between 1958 and 1965, profitability in manufacturing rose by no less than 80 percent . ..."

The 1965 peak in manufacturing profitability soon led to a decline in profitability from 1965 to 1973. During this period the rate of profit in manufacturing dropped by 40.9 percent.[22] The slump reflected growing competition in manufacturing exports from Japan and Germany. Increasingly, U.S. manufacturers were unable to match the relatively low unit labor costs in those two countries.[23] The west European economies had undergone greater development during 1950-1973 than the United States. This was true regardless of political ideology: "Authoritarian governments, both right and left wing, achieved spectacular results during 1950-73 . ..."[24] (The Marshall Plan played a very minor role in these developments.) In addition, European economic growth was accompanied by greater economic equality.[25] The opposite was the case in the United States and England.

A special factor, operative primarily in the United States, was the growing prevalence of stock options in corporate executive compensation. They began spreading during the 1950s. In one study, covering 1955-1963, stock options made up one-third of executive after-tax compensation.[26] As stock market prices rose during between 1940 and 1970, so, too, did the attractiveness of stock options. The reverse was also true: when stock prices fell, executives tended to depend for their compensation more on salary and related payments.

Lewellen studied changes in compensation of five top executives during 1950-1953 and 1960-1963. He found that stock ownership (via stock options) had risen from 76 percent of compensation income to 434 percent of compensation. In other words, they derived 20 times as much income from selling the optioned stocks (at rising prices) as they did from collecting dividends on those stocks.[27] Thus, corporate executives were becoming far more concerned with short-run strategies on the stock market than they had ever been. The larger the profit that could be shown on their company's quarterly reports, the higher the stock market valued their (optioned) stocks, and the higher the executive income from sale of their stock. Where, however, did this leave the issue of developing long-range strategies for the development of their lines of business? As options became more important, the executives' attention was more deeply concerned with improving the sales potential of their stock. In the context of the mid-1970s and after, when U.S. manufacturing underwent heightened competition, was executives' attention less fixed on high stock prices — a short-term problem — than on enduring concerns of their firms — a long-term perspective? As Lazonick points out: "There are no stock options in Japan, and even if the manager owns shares, his membership in the organization means the shares are not for sale."[28]

By 1945, American unions reached their highest level, 15 million members or 35 percent of the non-farm work force. Toward century's end membership stood at 13 million members or 10-11 percent of the non-farm work force.[29] At the peak, strikes were widespread: "The 1946 strike wave was, in terms of number of strikes (4,985), number of strikers (4,6 million), and number of days of work lost (116 million), the largest that this country has ever seen."[30] The closing years of the century, however, saw a level of union membership that was lower than before the Great Depression.[31]

The relative decline of American labor occurred in the context of unceasing attacks by industrialists whose political power did not flag: legislation, court decisions, and administrative rulings were brought to bear. American capitalists were a far more unified force at the end of the period, and they seemed not to have forgotten any trick which had been effective in the past. If employer violence receded somewhat, it was replaced by other approaches. None of these was completely new but they were more effective than earlier. Following is one example.

During times of business slumps, corporate firms increasingly demanded that unions agree to concessions or givebacks to companies. Targets of the changes were provisions in union-company collective-bargaining contracts negotiated in earlier periods. They included wage reductions, easing of work rules that would increase productivity, freezing of cost-of-living raises, early renegotiation of contracts, and other devices. Frequently, employers threatened alternatives of sweeping layoffs, plant closings, or even bankruptcies. It was under such circumstances that wages were cut in unionized garment and textile plants just after the Korean War (1950-1955). During the early 1960s, "decisions not to increase union wages were quite common."[32] In 1960, the International Longshoremen Workers Union and the Pacific Maritime Association agreed to install automation and the handling of containerized freight. "The agreement ... yielded large increases in productivity and [labor] cost savings."[33] The ILWU had earlier resisted pressures for such a turn of events but retreated under threats of widespread layoffs which would have penalized its older members. During the recession of 1979-1982, employers stepped up calls for givebacks.[34] Economists pointed to heightened competition that was leading to pressures on profits in several deregulated industries and also to increasing foreign competition. James Duesenberry referred to a sharp drop in average hourly earnings late in 1981 and early 1982.[35] The policy of givebacks was costing workers dearly.

In the steel industry, seven domestic integrated producers dominated the market. Harry and Linda DeAngelo studied how givebacks in the industry were affected by changes in managerial compensation, financial reporting, and corporate dividend policy.[36] Between 1980 and 1988, the total wage bill for all seven major producers fell to $8.6 billion from $16.1 billion. This almost 50 percent drop in wages was accompanied by a 62.9 percent cut in jobs, from 512,941 to 190,238 between 1979 and 1988. Unit labor costs, computed on those workers who remained employed, declined by some 31.9 percent.[37] "Managers," write the DeAngelos, "used the threatened and actual layoffs and plant closings to back up their claims that labor concessions were essential."[38] Meanwhile, during actual union negotiations "managers systematically depressed reported [company] earnings. ..."[39] Certain charges against profits were postponed or hastened so as to fall into periods of union negotiations, thereby accentuating the appearance of drops in profits. In addition, managers timed reductions in their own pay so that executive compensation was "significantly lower during union negotiations than for the same firms in non-negotiation years."[40] The payment of dividends to stockholders was also affected: "All seven firms reduced dividends during their financial difficulties, and ... all except U.S. Steel eventually omitted dividends altogether."[41]

Neither managerial compensation declines nor dividend reductions anywhere near matched the increase of corporate cash flow that resulted from worker wage reductions and consequent cuts in unit labor costs. By exaggerating the "material sacrifices" of executives and shareholders, it was hoped "to encourage organized labor to make (in the aggregate, much larger) concessions of their own."[42] In the main, the strategy worked. It was, however, much more a response to threats of unemployment, hunger, and family deprivation than gullibility. Similar threats had become realities since the earliest days of industrial capitalism in the United States. (See chapters 4 and 6.)

Another avenue to lower costs of production in one industry after another was expansion of capital investment and technological change. The American copper industry was a prime example of this.

During the late 1960s and early 1970s, foreign-owned copper properties in Chile, Zaire, Zambia, and Peru were nationalized; a number of these had been owned by American companies. Anaconda, one of the largest of the American firms, lost 30 percent of its net worth by the Chilean nationalization.[43] During the late 1970s and into the 1980s, profits dropped sharply. The entire U.S. industry was in a depression. Lowering of production costs was seen by the industry as the way out.

> Cost savings ... [were] obtained by closure of high-cost mines, productivity improvements through modernization of equipment and mining techniques, enhancement of ore grades by exploitation of better deposits, and lowering of labor costs . ... Computerization and a drastic thinning of management and staff ranks . ... [44]

From management's viewpoint, the program was highly successful.

Between 1986 and 1992, the cost of producing a single ton of finished copper by Phelps-Dodge fell to $1,235 from $1,874.[45] The productivity of Arizona's copper mines and plants rose by 150 percent.[46] In 1986 alone, at the Magma plants, wages were cut by 20 percent and cost-of-living adjustments in wages were eliminated. A bitter strike in 1983 against Phelps-Dodge was lost by workers; the next year members voted to decertify the union. During the years 1988-1994, Phelps-Dodge earned an average annual profit of $311 million. Employment in Arizona's copper production fell by half between 1981 and 1992. The burden of these 13,000 lost jobs fell heavily on Mexican American and American Indian workers. A standard economic work on the copper industry hailed the seven biggest firms for their "marked industrial courage" for having "been ... relentless in actions necessary to cut labor costs."[47]

The 1980s witnessed a sharp decrease in strikes over the entire country, falling by more than half since the preceding decade.[48] Many union contracts were simply extended without a strike and, presumably, lacked any union-requested changes.[49] A study of the years 1984-1988 found that permanent strikebreakers were employed in nearly one-sixth of all strikes analyzed; in New York, the sample rose to nearly one-quarter.[50] Temporary strikebreakers were employed less often, six and ten percent respectively. Cynthia Gramm observed that "the willingness of employers to hire permanent replacements ... increased during the 1980s."[51] This shift in employer policy documented a sharp decline in worker rights. Workers' readiness to strike ebbed further. "On March 8, 1995, President Clinton signed an executive order banning the federal government from doing business with firms that use permanent replacements."[52] The next year, a panel of the District of Columbia Court of Appeals struck down the presidential order. In 1999, the International Confederation of Free Trade Unions cited U.S. employers' use of permanent replacement workers during strikes as a denial of the right to bargain collectively.[53]

Job stability in the private economy was severely weakened during much of the last third of the 20th century. Layoffs were higher for blacks, workers recently hired, and workers in operative and construction jobs.[54] During 1984-1992, Fairlie and Kletzer found, "black men experienced rates of job displacement that were 30 percent higher and reemployment rates that were 30 percent lower than the corresponding rates for white men."[55] Samuel Farber found that upon reemployment, workers received wages about 13 percent lower than in their former jobs.[56] Not only did such workers suffer wage losses, but also many also lost accumulated seniority and thus certain employee benefits such as pensions, vacations, health insurance, and others.[57]

Jacobson and others studied long-term losses of high tenure manufacturing workers in Pennsylvania over a period of thirteen years (52 quarters). Even five or six years after the initial job loss, these workers were earning only three-quarters of their predisplacement pay.[58] The researchers observe that "there is little evidence that displaced workers' earnings will ever return to their expected levels."[59]

Daniel Polsky, studying two periods (1976-81 and 1986-91), found a new factor at work:

> In the 1986-91 period it became much more difficult for workers who lost a professional or managerial job to become reemployed relative to those in service occupations: their mean probability of reemployment dropped from .78 to .65 between the two periods.[60]

Polsky also reported that workers who lost jobs experienced less real-wage growth in the second than in the first period. All in all, Swinnerton and Wial conclude that increasing job instability had become the rule by the mid-1990s.[61] Robert Valletta, in a separate study, "identified a long-run trend toward declining job security that probably continued through 1996."[62] In a second study, Valletta, writing in 1998, declares that despite low unemployment:

> The duration of unemployment spells has remained long compared to typical durations during previous expansions . ... Moreover, the structure of unemployment by season during the 1990s expansion has remained heavily weighted towards permanent job loss rather than voluntary job search and labor force entry decisions.[63]

Between 1976 and 1998, Valletta continues, "the expected duration of unemployment was 17 weeks for permanent job losers and 12 weeks for all unemployed."[64] In Puerto Rico, joblessness during 1990 for men aged 20-29 rose to 24% from 7% in 1970; for women similarly aged the respective percentages were 29% and 8%.[65]

Real family income boomed during the earlier postwar years. Between 1949 and 1973, for example, it rose at an annual average rate of 3.2 percent. During the next period, 1973 to 1996, however, it slumped to 0.3 percent per year — a drop of more than 90 percent.[66] Productivity in the nonfarm business sector also slumped from 2.2 percent annually in 1948-1973 to 1.0 percent in 1973-1996.[67] This lag between real income and productivity grew larger during the second period. Perhaps nowhere in the economy did this gap widen as in mining. As Madeline Zavdny notes: During the years 1977-1996, "productivity in the mining sector increased 65 percent while compensation rose about 8 percent in real terms, resulting in productivity increases that far outpaced real compensation gains."[68] As we saw above, these were the years that copper mining underwent enormous growth in profitivity. The gap was smaller in unionized industries.

Only in 1996 did wages begin to outstrip the rate of inflation— a trend that had last occurred in the early 1970s.[69] In that same year—1996—Congress raised the minimum wage which by 1999 stood at $5.15 an hour—far lower in purchasing power than in 1968 when it was worth $7.49 per hour in 1999 dollars.[70] Low-skilled workers' earnings dropped by 13 percent per year during 1979-1989.[71] Low-skilled immigrant workers fared worst: "The proportion of [such] ... workers living in poverty grew from 21 percent in 1980 to 36 percent in 1990.[72] A study by the U.S. Department of Labor found that "a growing number of workers at the bottom of the pay scale have lost access to key employer-provided benefits."[73] A former Secretary of Labor wrote that "most workers — knowing how easily they can be replaced by technology or global 'outsourcing' were their wages to rise — dare not demand raises."[74]

Since the 1960s, two world-wide economic developments have impacted American wages: foreign trade and international investment.

Taking the electronics industry as an example, in 1972 there were 46,000 workers in 350 plants on the Mexican border; two years later, the figures were 83,000 and 527. All but a few of the plants were American-owned. In Taiwan, plants producing for U.S. electronics manufacturers began with single components but in time put out complete units. Between 1969 and 1973, electrical apparatus imports from developing countries rose from $339 million to $1.7 billion. Partial relief was afforded by passage of the Trade Expansion Act of 1962 which offered workers adjustment assistance as well as relocation allowances if increased imports were the cause of the unemployment.

Awards of aid to affected workers were administered by the U.S. Tariff Commission as Trade Adjustment Assistance (TAA). In fact, however, "the ... Commission rejected all worker petitions through fiscal year 1969, and less than 50,000 workers won benefits between then and 1974."[75] The Carter administration increased TAA funds eight-fold, from $200 million to $1.6 billion in fiscal 1980. The program was cut sharply by the Reagan administration. A new chapter in this old story was written in 1992 with the signing of the North American Foreign Trade Agreement (NAFTA). The result was a further departure of relatively high-wage jobs to Mexico where they were transformed into comparatively low-wage jobs and high rates of profitivity for American and Mexican employers.

An entirely different outcome was experienced by aluminum workers who were members of a steelworkers' union in Ravenswood, West Virginia.[76] In November 1990, when a union contract with the Ravenswood Aluminum Corporation expired, the company proclaimed a lockout which lasted until June 1992. In 1989, when new owners bought the plant:

> Almost immediately, RAC management instigated new work rules and a speedup of production, dissolved joint management-union safety programs, and combined several employment categories to eliminate nearly a hundred jobs. During the following 18 months five workers were killed and several others injured in accidents at the plant.[77]

Workers deeply resented this turn of events. During the 1980s, they had rejected tentative contracts negotiated by union leaders that contained givebacks they had earlier won. Solidarity was the keynote of their local organization. Of 1700 members, only one percent failed to respect picket lines during the 1990-1992 lockout.[78]

Instead, however, of simply picketing and intermittently bargaining with RAC, the union undertook a novel strategy: RAC was owned by Marc Rich, an American whose world-wide plants controlled about a third of the world aluminum market and who was a fugitive from U.S. law-enforcement authorities on various charges. The heart of Rich's empire was located in Switzerland where the RAC local union and its parent United Steelworkers Union sent representatives to pressure the Swiss legislature and Swiss unions into supporting their cause. The campaign extended into Czechoslovakia, Romania, Bulgaria, Russia, Jamaica, and Venezuela. Altogether Rich's properties in 28 countries felt the impact of the campaign. By April 1992, RAC had lost so much business that it was compelled to end the lockout. In addition, the local union filed a formal complaint with OSHA, a federal health agency, against RAC. Near the end of 1991, OSHA found RAC guilty of 231 safety and health violations and required the company to pay a fine of $604,500. A new contract was negotiated with the union, which embodied a number of workers' demands.

The years 1979-1994 have been called "undoubtedly the most turbulent period in U.S. banking history since the Great Depression."[79] Industry assets experienced a fundamental redistribution between banks of under and over $100 billion in assets; the former called "small", the latter "megabanks". At the beginning of the period, the former represented 13.9% of industry assets, and only 7.0 percent at the end; the figures for the former were 9.4% and 18.8%. Berger and his colleagues note that "at the beginning ... there were typically fewer than ten [bank] failures per year, but ... by the end of the 1980s, more than two hundred banks were failing annually—a twentyfold increase. ..."[80] Economic slumps and regional difficulties explained part of these failures. Another part, little discussed, was due to fraud and related events.

With respect to national banks, the Office of the Comptroller of the Currency (OCC) found:

> Insider abuse and fraud were significant factors in the decline of more than a third of the failed and problem banks the OCC evaluated. Much of that insider abuse or fraud involved directors, senior management, or principal shareholders or was related to their failure to provide adequate oversight and controls.[81]

The OCC also observed that "about a quarter of the banks with significant insider abuse also had significant problems involving material fraud."[82] Of 3,596 defendants indicted or charged by U.S. attorneys, 2,243 pled guilty.[83] The Department of Justice "convicted 2,603 defendants in major bank and thrift fraud cases."[84] The Federal Deposit Insurance Corporation (FDIC) reported that charges of alleged criminal fraud by "former directors, officers, or principal shareholders were made involving nearly half of banks that failed in 1990 and 1991."[85] The Federal Bureau of Investigation (FBI) investigated possible fraud or insider abuse into the early 1990s. In 1987, there were 11,555 investigations and 21,607 four years later, an increase of 87 percent.[86]

Staffing levels of the federal banking regulatory agencies were inadequate to examine the financial soundness of banks under their supervision. Between 1980 and 1985, there was a five-fold increase in the numbers of problem banks in FDIC's jurisdiction. But by 1985, 25 percent of FDIC vacancies were unfilled. Fewer banks could be examined: "Between 1979 and 1986, the mean examination interval in days for all commercial and savings banks increased dramatically from 379 to 609."[87] Bank examiners unable to maintain current schedules of examinations were forced to depend on outdated information. As FDIC discovered later, "overall, 565 banks, or approximately 36 percent of those banks that eventually failed, held a satisfactory 1 or 2 rating [out of 5] two years before failure."[88]

In retrospect, it was learned that many failed banks, eager to earn profits, lent money all too readily to finance unnecessary or questionable projects. This was especially the case in commercial and industrial building. By 1990, "Manhattan ... [had] 25 million square feet of vacant office space . ..."[89] In 1985, "Dallas had 34 million square feet of unleased office space — more than the total office space in Miami."[90] In Harris County (Houston): "In some communities, foreclosure rates were in excess of 60 percent."[91] In many cases, the overbuilding of commercial and industrial properties was caused by defective appraisal policies: "Flawed and fraudulent appraisals were often used by federally insured financial institutions, both banks and savings and loan associations."[92] A Congressional committee "found widespread evidence of incompetence and fraud with appraisal practices, primarily at thrift institutions but to some extent at commercial banks."[93]

During the 1960s through the 1980s a movement gained strength to compel banks to make mortgage money available in communities in which banks were located. Not until the 1990s, however, did "community reinvestment" become a significant movement. Thus, "more than 350 agreements totaling over $397 billion had been signed by banks and community organizations by the end of the first quarter of 1998, ninety-five percent of the total since 1992."[94] Between 1991 and 1995, "conventional home-purchase loans to whites increased by two-thirds, loans to blacks tripled and those to Hispanics more than doubled."[95]

A large-scale wave of bank mergers and acquisitions occurred during the last five years of the century. Megabanks were the dominant movers in this wave. During the 1980s, the average number of such mergers per year was 385; during 1990-1998, the figure rose to about 510.[96] Behind this movement lay not only an attempt to increase market control but also to obtain the blessings of deposit insurance without bearing the full cost. In order to avoid the failure of larger megabanks, authorities decided that such banks were "too big to fail". Therefore, deposit insurance was extended to depositors even though deposits exceeded the upper limit of $100,000 per account. Such banks did not have to pay insurance premiums to the FDIC.[97]

During the years 1980-1994, there were 1,617 bank failures. In the quarter preceding failure total assets of these banks were over $316 billion.[98] In 1999, the *New York Times* estimated editorially that "the bill for cleaning up the savings and loan mess ... [was] already at $480 billion."[99] This sum far exceeded the total of deposit insurance paid by covered banks. The remainder was provided from federal revenues paid by the general public. In 1999, the nation's eighth largest bank, Bankers Trust Corporation of New York "pleaded guilty ... to criminal charges of illegally diverting $19.1 million in cash and other assets that the law requires to be turned over to states."[100] This may be compared to the previous year's case of the Bank of America Corporation agreeing to pay $187.5 million "to settle California charges that it had mishandled hundreds of millions of dollars over more than 15 years."[101] Bankers Trust was ultimately acquired by a German bank, while Bank of America—one of the nation's largest—tripped merrily on.

Between 1927 and 1956, according to Victor Perlo, the percentage of the U.S. population that were stockholders ranged from 3.4 to 8.9.[102] He found further that "stock ownership is still occasional, rather than typical, for workers, and rare for industrial workers."[103] Concentration of shareholding was extreme at the other end in 1952: "Less than one percent of all American families owned over four-fifths of all publicly held stocks owned by individuals."[104] Perlo estimated that about 10 percent of Americans owned stock. By 1998, nearly a half-century later, 85 percent of all stock was owned by the top 10 percent of the population[105] and forty-three percent of the people owned some stock.

A survey in 1999 found that the typical owner of stock and other equity instruments

> has household income of $60,000 and household financial assets of $85,000. Most ... are college graduates.[106]

Stockholdings were highly concentrated.

> A large number of equity owners hold small-to-moderate amounts while a small number hold exceptionally high levels of equity assets ... 7 percent of household owners have equity assets of $500,000 or more. In contrast, 30 percent have less than $25,000 invested in equities.[107]

Except for a small number of stockholders who owned large amounts of stock, very few could support their customary level of living with dividend income alone from stockholdings. During the late 1950s, for example, a person who owned about $1,000 worth of stocks might expect dividend income of about $40 per year, or the equal of wages for two days' work.[108] For most small stockholders, owning stock constituted a marginal recreational enterprise. In 1952, individuals and families owned 92 percent of corporate equity but by 1994 only 48 percent; pension funds and mutual funds had increased their shares of corporate equity to make up the difference.[109]

An expanding stock market meant little to the corporations whose stock was traded on the market, especially in relation to their funds for capital investment. These funds were obtained from the corporations' accumulated profits, depreciation reserves, and long-term bonds issued by the corporations. (Together, profits and depreciation were known as "retained earnings". In other words, they were derived from internal sources of the corporation.) Unlike a half-century or so ago, individual corporations were not dependent on banks and other financial institutions for their capital funds. During 1921-1929, internal funds of 84 large manufacturing corporations were just enough to cover all their fixed capital expenditures. During the years 1970-1985, retained earnings provided 86 percent of net capital funds for non-financial corporations.[110] U.S. corporations endured and succeeded handsomely in a financial sense. At the same time, many neglected the task of innovation, and as a consequence by the 1980s a number failed to compete effectively in world markets:

> During the three-year period beginning in 1980, Ford Motor Company lost $3.3 billion, an amount equal to 43 percent of its total net worth. These were the largest losses ever by a U.S. corporation . ... In 1991 ... [the Big Three] lost a total of $10 billion in their North American businesses.[111]

Volume of trading on the New York Stock Exchange in 1950 was puny by later standards: "Trading volume for all of 1950 totaled 525 billion shares, equal to about two average days' trading in 1993, and a vigorous day in 1996."[112] By century's end, *daily* volume was double that of the *annual* 1950 total.

In 1992, as the stock market registered enormous gains, Louis Lowenstein, a professor of both law and finance at Columbia University, wrote in the *Columbia Law Review*: "The stock market ... is now, and, has always been a hotbed of manic-depressive pricing, manipulation, and outright fraud."[113] To what degree did the rising market of the 1990s resemble Lowenstein's "hotbed"?

An axiom of financial reporting is that "stocks soar on good news, no matter how expensive they already are."[114] No news is almost as good, but bad news must be avoided altogether. When Procter & Gamble's profit dropped only moderately, the stock lost $40 billion in market value.[115] To managers of stock funds of various sorts, profit drops and consequent stock price drops are simply unacceptable. In the 1990s, this pressure on corporations, stock brokers, and others led some to claim success even when this was contrary to the facts. There was outright falsification or various invented versions of reality.

The chief accountant of the Securities and Exchange Commission warned against "trying to put a better spin on "numbers that may be in fact misleading."[116] She noted that "more than half of the cases of financial reporting fraud involved an overstatement of revenue."[117] S.E.C. chairman Arthur Levitt declared that "too many corporate managers, auditors and analysts are participants in a game of nods and winks."[118] He labeled some corporate revenues as "fictional". Baruch Lev, professor of accounting at New York University, stated that "there is no doubt that, on average, reported profits are overstated."[119] The editor of *The Technology Review* comments on "the remarkable degeneration in the quality of earnings reporting that we have seen in the last two or three years."[120] Warren Buffett, a large-scale finance capitalist, attacked CEO's for having "worked purposefully at manipulating numbers and deceiving investors."[121]

Financial writer Gretchen Morgenson reports that "there is growing concern among some accounting professionals that many companies are relying on financial alchemy to burnish their results."[122] A veteran bank stock analyst comments: "There have always been companies willing to do this, but the practice is now more widespread and is being seen at even the most respected of firms. The actions are getting more desperate."[123] The *New York Times* declared editorially: "Investors lost a lot of money, in part because they relied on fraudulent or misleading financial reports issued by companies and certified by their auditors."[124]

Two extremely large cases of stock fraud were concluded in the year 2000.

One concerned CUC International which had been purchased earlier by Cendant Corporation. Cendant soon discovered that CUC's earlier financial reports had been falsified for a number of years. Over a period of three years, "more than $640 million in profits ... had been fictional."[125] In the words of a report by the S.E.C.:

> For more than 12 years … certain members of CUC's senior and middle management devised and operated a systematic scheme to inflate operating income at CUC. The scheme was driven by senior management's determination that CUC would always meet earnings expectations of Wall Street analysts and fueled by a disregard for any obligation that the earnings reported needed to be "real".[126]

Three top managers pleaded guilty to criminal fraud. Investors had lost $19 billion in the form of stock prices that fell after discovery of the falsification. Cendant agreed to pay a $2.85 billion settlement of a lawsuit by stockholders against the company.

Ernst & Young, one of the world's largest accounting firms, which had served as Cendant's auditor, was the object of another lawsuit. It was settled as follows: "Ernst & Young agreed … to pay $335 million to settle accusations that it failed in its responsibilities when it certified financial statements that fraudulently inflated the earnings of the Cendant Corporation. …"[127]

Another case of stock fraud concerned Centennial Technologies. Its C.E.O., Emanuel Pinez, was sentenced to five years in federal prison and directed to make restitution of nearly $150 million. In 1996, Centennial had been the leading stock on the New York Stock Exchange. Pinez and two other officials of the firm "had 'cooked the books', creating a phony list of receivables."[128]

The country's leading drug wholesaler, McKesson HBOC, announced that it had unknowingly recorded higher earnings than were warranted over the past three years via the former HBO firm which it had acquired. McKesson stated it would reduce its operating income for the past three years by $191.5 million. Upon this announcement, McKesson's stock fell by 48%. Apparently, the earnings problem emerged during a regular audit by Deloitte & Touche.[129]

Following are several more examples of problematic corporate treatments of profits:

> Rite Aid disclosed that its profits for 1998 and 1999 had been overstated by more than $1 billion . … Rite Aid acknowledged that it had overstated profits in numerous ways. … [Rite Aid's new C.E.O. as of December 1999] declined to say whether he thought fraud was involved, saying he would leave that to the government investigation underway.[130]

> [Micro Strategy Inc.] said its auditors had forced it to defer a quarter

> of the $205.4 million in revenue it had reported for 1999. ... [Its stock fell by] 62 percent in NASDAQ trading. The plunge wiped out nearly $12 billion in market value for the company.[131]

> American Online agreed to pay a fine of $3.5 million and to restate its books from 1995 and 1996 ... after the Securities and Exchange Commission charged that the company had improperly inflated profits by hundreds of millions of dollars.[132]

> Four executives, including the chief executive and chief financial officer, at Aurora [Foods] resigned as the company said it would start an investigation into its internal accounting practices . ... The company said ... that it had reduced its earnings for the first three quarters of 1999 by $43.3 million and reduced its 1998 third—and fourth—quarter earnings by $38.3 million.[133]

Organized crime in New York was found to be behind a $50 million stock fraud "led by the Bonanno and Colombo families with cooperation from the Genovese, Gambino and Luchese families."[134] Personnel of the scheme included "57 licensed and unlicensed stockbrokers, 12 stock promoters, 30 officers or other executives of firms issuing stocks involved in the frauds, three recruiters of corrupt brokers, two accountants, an attorney, an investment adviser, and a hedge fund manager."

As Louis Lowenstein warned in 1992, manipulation and fraud were rife in the contemporary stock market. So, too, were they in banks and savings and loan associations during the 1980s and into the 1990s. Where were the thousands of governmental regulators while these conditions were maturing? The rate of fraud and other crime in the banking field during the 1980s possibly matched robbery and burglary in other more conventional places and times.

Recessions of varying severity made up one-fifth of the post-World War II years. Writing in 1992, Vatter and Walker state that "there have been no extended periods of rapid economic growth in this century without rapid growth in government purchases."[135] In the 1980s, when the U.S. machine tool industry experienced a 60 percent drop in sales,"U.S. military orders [for machine tools] rose 65 percent, thus taking up a large part of the slack owing to collapse of civilian markets."[136]

During the Carter-Reagan era (1977-1987), defense purchases in constant dollars rose from $180 to $292 billion or from 5.3 to 6.5

percent of gross domestic production (GDP).[137] Such defense spending created 2.1 million private jobs.[138] Peak defense funding under Reagan was reached in 1987, the approximate "end" of the Cold War. During the next seven years, defense spending dropped 36 percent.[139] By 1998, the military procurement budget was "effectively 69 percent lower ... than in 1985."[140] As Leslie Wayne indicated, however, "the 1998 military budget of $255 billion — with around $100 billion a year for procurement and research — makes the Pentagon one of the biggest customers around."[141]

With falling military budgets, jobs related to defense production also declined:

> In 1996, defense-related employment was responsible for 255,000 fewer jobs than the previous post-Vietnam War low in 1977. Of the decline in employment, 42 percent, or 1 million jobs, was in Government — including the Armed Forces, and civilians in the Department of Defense and nondefense agencies. The remainder of the decline in employment (1.5 million jobs) occurred in the private sector.[142]

Compared with defense spending in Russia, American reductions were comparatively shallow:"The annual rates of defense expenditure cuts in Russia have been 6.5 to 9 times greater than in the United States."[143] By 1999, however, the Clinton administration and its Congressional allies were projecting "the first major increase in military spending since the mid-1980s."[144] Weapons procurement was to rise from $53 billion in fiscal 2000 to $75.1 billion in fiscal 2005.[145]

Over one-third of California's unemployment during 1990-1993 was attributable to cuts in defense procurement and research and development contracts.[146] Between 1987 and 1991, employment in the aerospace industry of metropolitan Los Angeles fell by one-seventh. ("Los Angeles, not Detroit ... is the biggest manufacturing center in the United States.")[147]

When the modern federal income tax was initiated in 1916, it was intended to apply primarily to the country's rich. It was thus a largely progressive tax. As late as 1940, barely one-quarter of the country's workers filed income tax returns.[148] When, however, in 1943, during World War II, the income tax was extended to the population at large, "political elites [were] enabled ... to reduce tax rates on high income groups."[149] Income tax rates on corporations were eased, especially after the Korean War (1950-1955).[150] By 1956, the corporate income tax constituted 28 percent of all federal tax revenues, but 30 years later the figure had declined to only eight percent.[151] Even when corporate rates were raised—which happened from time to time—the companies increased prices to protect their profits.[152] Stockholders, who were primarily upper middle-class, were taxed heavily in theory but only moderately in practice. In 1963, for example: "The nominal tax rate for families with incomes of $280,000 … was 72.76 percent, but the effective rate for families with incomes of $280,000 or more was only 42.53 percent.".[153]

Taxing by ability to pay changed over the years:

> Progressivity rose dramatically during World War I, dropped in the years following that war, rose sharply during the Great Depression and early years of World War II, and then declined gradually, with only relatively minor fluctuations in recent decades. By 1982, the difference between the effective income tax rates paid by moderate income families and very high income families had fallen to 25.10 percent, its lowest point in five decades.[154]

Allen and Campbell, in their review of tax policy in the years 1916-1986, observe:"The ideological differences between Republicans and Democrats regarding tax policy are more a matter of partisan rhetoric than substantive policy preferences."[155] At the same time, "political elites [of both parties] try to satisfy the demands of special interest groups while providing symbolic assurances that placate the general public."[156] After their detailed examination of the 70-year period Allen and Campbell concluded that "it is not clear that the Democratic Party is any more inclined than the Republican Party to tax capital."[157]

According to an Internal Revenue Service (IRS) audit in 1988, "about 40 percent of U.S. households underpaid their taxes for that year."[158] IRS audits are the primary avenue to recapture omitted tax payments and overall they are highly successful in attaining their goal. Among farmers and sole proprietors of businesses, understatements of taxes are "substantially more than other taxpayers."[159] In 1965, the rate at which individual returns were audited was 4.75 percent.[160] Starting in 1968, the rate of audits for corporate returns started to diminish; by 1990, it had plummeted to 0.8 percent.[161] Similarly, in 1986, the IRS audited 21 percent of all estate tax returns, paid mostly by the very rich. By 1995, the figure was only 14 percent.[162]

As the stock market sped upwards in the second half of the 1990s, the tax position of the very rich eased greatly. "Since 1998," reported the *New York Times* in 2000, "audit rates for the poor have increased by a third, from 1.03 percent, while falling 90 percent for the wealthiest Americans, from 11.4 percent."[163] The newspaper also reported that "among the largest corporations, those with more than $250 million of assets, the audit rate was 34.5 percent . . . [in 1999], down from 54.6 percent in 1992."[164]

Meanwhile, the poor were being squeezed by the tax burden. Between 1975 and 1985, poverty expanded to 16.7 percent from 11.4 percent. In the earlier year personal taxes made up 1.3 percent of poor persons' income. A decade later, the figure had risen to 10.5 percent.[165] Danziger and Gottschalk note that the increase "offset the value of any food stamps the family might have received."[166] Another study, embracing local and state taxes, found that in 1988, "the average burden of taxation on poor families and individuals was 15.3 percent in Massachusetts and 18 percent in New York."[167] When, in 1986, Congress actually reduced the federal tax burden of the poor, state and local governments did not follow suit.

Political mobilization of corporate business paid high dividends. As Cathie Jo Martin put it:

> Political leadership has become excessively dependent on corporate allies. Private sector/groups have assumed many state functions such as drafting legislation, acting as legislative liaisons, and generating legitimation . ... Business coalitions have become almost a part of the state apparatus . ... Business mobilization strategies have accelerated the appropriation of state power for private ambitions and aggravated the lopsided balance of class power.[168]

This trend, which had reached previously unattained heights at the end of World War II, now, a half-century later, swept to new, higher altitudes.

SUMMARY

Foreign economic policy became a major safeguard against a repetition of the Great Depression. By 1950, a new policy of rearmament led to extraordinary levels of defense spending which were viewed as an anti-depression factor. Federal sponsorship of nuclear power and other expensive technical innovations were disguised subsidies. Military applications became crucial in a number of industries with the result that the U.S. was overtaken by Germany and Japan in peacetime products such as machine tools. Productivity was at high levels. The growth of stock options in American industry led to less interest among executives in meeting foreign competition. Unionization reached new heights by 1945 and strikes were widespread. Within a few years, however, the labor movement started to ebb. During the early 1980s, industry was increasingly able to enforce a policy of union givebacks or concessions. Particularly in the steel industry givebacks bulged large. In the same period, some industries – copper, especially – initiated programs of automation and other new technology that undermined wage standards. Unionization stalled.

Job stability was severely weakened during much of the last third of the 20th Century. Between 1973 and 1996, real family income rose by only 0.3 percent per year – a drop of over 90 percent from the average of 1949-1973. Wages lagged behind inflation between the mid-1970s and the mid-1990s. Trends in foreign trade and investment affected U.S. wages negatively. The years 1979-1994 were "the most turbulent period in U.S. banking history since the Great Depression." Insider abuse and outright fraud produced many bank failures, numbering 1,617 in the years 1980-1994. The cost of savings and loan failures neared half a trillion dollars. The expansion of the stock market since the early 1980s also stimulated manipulation and fraud. This included large-scale misrepresentations of the level of profits reported by large corporations. Defense expenditures slumped from the 1980s onward but remained quite massive.

Federal income taxes were eased especially for the very rich with both major parties waging rhetorical rather than substantive attacks on the wealthiest. The frequency of I.R.S. audits was reduced for the richest and for the largest corporations.

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168. Cathy Jo Martin, "American Business and the Taxing State: Alliances for Growth in the Postwar Period," pp. 405-406 in W. Elliot Brownlee, ed., *Funding the Modern American State, 1941-1995. The Rise and Fall of the Era of Easy Finance* (Cambridge University Press, 1996).

Chapter 11

HUMAN COSTS OF AMERICAN CAPITALISM, 1945-2000

As American capitalism developed, the standard of living gave way increasingly to the standard of dying, especially in the lower reaches of American society. As early as 1850, Dr. Edward Jarvis analyzed death by occupation in a developing capitalist America. (See chapter 6.) A century and a half later, the class nature of death was even more sweepingly present.

In 1973, Evelyn Kitagawa and Philip Hauser wrote the first comprehensive book-length study of the socioeconomics of mortality, under the auspices of the American Public Health Association.[1] Their principal interest was "the achievement of equal opportunity for survival."[2] Socioeconomic differentials such as occupation, income, and education were inversely related to mortality in the U.S. On a world scale, the United States stood no higher than 16th in life expectancy at birth.[3] The authors' research dealt almost wholly with whites since this population record was relatively complete over the years 1930-1960, the study period. During those years "the age-adjusted death rate (over all ages combined) of nonwhite males was 20 percent greater than white, and that of nonwhite females 34 percent greater than white."[4] Disparities both racial and socioeconomic indicated that "the biomedical knowledge already available is not effectively within the grasp of the lower socioeconomic components of the population of the nation."[5]

Disparities in mortality were enormous in some dimensions. For example, "white males 25 to 64 of lower education (less than five years of school) experienced mortality 64 percent above that of men with high education (four years of college)."[6] For women it was 105 percent.

Kitagawa and Hauser were among the earliest users of the concept of "excess mortality". By this, they meant the effect on a group's mortality level "if the mortality level of white men (or women) of high socioeconomic status had prevailed among all men (or women)."[7] Thus, in the United States of 1960, 292,000 deaths could be regarded as "excess". Of this total, 92,000 were males and 200,000 female, constituting 11 percent of all male and 30 percent of all female deaths.[8] In Chicago during the study period, "there was no significant decrease in excess mortality among white adults throughout ... 1930-1960 ... and excess mortality among nonwhites ... was still 41 to 46 percent of all deaths."[9]

Gregory Pappas and his colleagues completed a replication of the Kitagawa-Hauser study, covering the years 1960-1986.[10] Their overall finding was as follows:

> Poor or poorly educated persons have higher death rates than wealthier or better educated persons, and these differences increased from 1960 through 1986. The disparity in death rates among adults 25 to 64 years of age has widened in relation to income and educational level.[11]

White men of the lowest educational level had a mortality rate two and a half times greater than whites on the highest level. Income differences had effects not very distant from these. At the same time, during 1960-1986, death rates for the upper-educated group fell by 50 percent but for the lower group by only 15 percent.[12] Pappas and colleagues observe that "Medicaid ... appears to have been insufficient to equalize the chances for survival among the poorest and least educated."[13] The researchers remark that a possible explanation of rich-poor differences may lie in the area of life styles. In conclusion they state that "the results of this study raise serious questions about disparities in opportunity and equity in our nation."[14]

A further study by Eugene Rogot and associates concluded "much the same" as Kitagawa and Hauser, that "at age 25, white men at the low end of the scale, those with family incomes of less than $5,000 could expect to live on the average about 44 more years compared to 54 more years for those with family incomes of $50,000 or more."[15] The study covered 1979-1985. Moore and Hayward studied the role of occupations in life expectancy but noted that previous investigators—including Kitagawa and Hauser—had ascribed only a single occupation to each subject in their studies. Upon further research they discovered that "ignoring prior occupational exposure will result in understatements of the effect of hazardous working conditions, insofar as these effects develop insidiously over time."[16]

A team of researchers led by George Kaplan studied inequality of income and mortality in the various states of the United States during the 1980s.

> Strikingly, declines in mortality in the 1980s, experienced by all states, were smaller in states that had greater inequalities in income at the beginning of the decade. When changes in income inequality were examined with respect to the worst off 10% of households in each state, increasing income inequality was associated with smaller declines in mortality over the decade.[17]

An examination of mortality and inequality of income by metropolitan areas in the United States during 1989-1991 was done by John Lynch and colleagues. "It is not only the absolute amount of income that is important for health," they wrote, "but also the relative disparity with which income is distributed in a population."[18] Applying the concept of excess mortality to the metropolitan data, the Lynch group found mortality rates ranged from 642.5 to 1092.9 per 100,000 over the various metropolitan areas; the average rate was 849.6. By calculating "the difference in mortality rates between high and low income inequality quartiles" the scope of "the disease burden associated with differences in income inequality" became clear.[19] If mortality experience in all areas was equalized to that in the most favorable areas, average mortality would fall from 849.6 to 709.8 per 100,000. "This mortality difference," the Lynch group notes, "exceeds the combined loss of life from lung cancer, diabetes, motor vehicle crashes, HIV infection, suicide, and homicide in 1995."[20]

Two further studies of excess mortality concerned African-American populations in New York City and Chicago. The first study, conducted by McCord and Freeman, dealt with Central Harlem during 1979-1981. The second was done by a team led by Avery Guest and focused on areas of greatest socioeconomic distress in Chicago during the years 1989-1991.[21]

In Harlem, as compared with New York City at large, "the rate of hospital admissions is 26 percent higher, the use of emergency rooms is 73 percent higher, the use of hospital outpatient departments is 134 percent higher, and the number of primary care physicians per 1000 people is 74 percent lower."[22] Mortality rates in Harlem for persons under 65 years of age were nearly three times those for white males in the city and somewhat less than that for white females; the highest rates were for women 25 to 34 years of age (more than six times the white rate) and for men 35 to 44 years of age (just under six times).[23] "If the death rate among U.S. whites had applied to this community, there would have been only 3,994 deaths [rather than 6,415 deaths in 1979-1981.]"[24] Living styles in Harlem contributed to the high mortality: "Cirrhosis, homicide, accidents, drug dependency, and alcohol use were considered the most important underlying causes of death in 35 percent of all deaths among people under 65. ..."[25]

In Chicago, "the average death rate of black males in the prime working ages [of 25-54 years] is almost three times that of nonblack males and over six times that of nonblack females."[26] More of these high death rates was explained by varying degrees of unemployment than of education. (Kitagawa and Hauser had not considered unemployment when they studied the Chicago experience.) "The mortality rate for black males aged 35-44 living in Chicago communities with the highest unemployment is more than triple the rate for U.S. black males aged 35-44, and more than nine times the rate for U.S. white males aged 35-44. ..."[27] Guest and associates also studied infant-death rates in Chicago and found that in both black and white areas, "socioeconomic status has negative effects on infant mortality." In addition, they reported that "infants in the most economically distressed black areas of Chicago are three times more likely to die than are those born in the most affluent nonblack neighborhoods."[28]

Both in Harlem and in Chicago, the researchers observed that black males between 5 and 65 had higher mortality rates than their counterparts in Bangladesh—one of the poorest countries in the world.[29] Indeed, death rates of black males aged 35-44 in Chicago were more than five times the rate for Bangladeshi counterparts.[30] Guest and associates generalized beyond that single country: "Chicago communities with the highest levels of socioeconomic distress experience mortality rates far exceeding those found in some developing countries."[31]

In the year 2000, the World Health Organization published its first of a series of reports on worldwide health conditions. Excess mortality was presented as a serious problem: "In 1990, 70% of all deaths and fully 92% of deaths from communicable diseases in the poorest quintile [of the world population] were 'excess' compared to the mortality that would have occurred at the death rates of the richest quintile."[32] The report continued:

> The denial of access to basic health care is fundamentally linked to poverty—the greatest blight on humanity's landscape. For all their achievements and good intentions, health systems have failed globally to narrow the health divide between rich and poor in the last 100 years. In fact, the gap is actually widening.[33]

Dr. Gro Harlem Brundtland, director-general of WHO, declares that "the impact of this failure is borne disproportionately by the poor."[34] Further, the report itself stresses that "inequalities in life expectancy persist, and are strongly associated with socioeconomic class, even in countries that enjoy an average of quite good health."[35] It should be noted that WHO is not voicing a hope for the sudden end of all poor health. By "preventable deaths" they mean "deaths due to causes amenable to medical care."[36] More specifically, "the health system ... has the responsibility to try to reduce inequalities by preferentially improving the health of the worse-off, wherever the inequalities are caused by conditions amenable to [medical] intervention."[37] This was what Kitagawa and Hauser meant in their prescient work of 1973.

As indicated above, in the early 1970s the United States ranked no higher than 16th in the world with respect to life expectancy at birth. In 1999, according to WHO, the U.S. had declined to 29th (males) and 26th (females).[38]

A special characteristic of official U.S. mortality and morbidity (sickness) statistics is the presence of racial categories and the absence of class categories.[39] Yet, as between racial and class differentials in mortality and morbidity, the latter is the larger.[40] During 1985-1987, for example, the average annual percentage of persons with limitation of activity due to chronic conditions, by race, age, and family income was as follows:[41]

Family Income		*Less than $20,000*	*$20,000 or more*
Black	[14.5]	18.3	7.3
White	[13.9]	21.4	9.7

As explained by Vicente Navarro:

> Morbidity rates for blacks making less than $20,000 were much closer to those for whites in the same income group than to those for blacks in income groups greater than $20,000. Similarly, morbidity rates for whites below $20,000 were closer to those of blacks in the same income group than to those of whites in income groups over $20,000.[42]

Navarro also reports that "class differentials in mortality in the U.S. ... are ... increasing rather than declining."[43]

In 1992, according to a careful count by Paul Leigh and colleagues, 66,800 workers died from workplace accidents and illnesses while another 14,057,500 workers experienced non-fatal workplace accidents and illnesses.[44] Fatal diseases outnumbered fatal accidents by nearly 10 to 1, while non-fatal accidents outnumbered workplace illnesses by a ratio of over 9 to 1. All the sources of information used by the researchers had shortcomings; over 214 sources were examined. The Leigh group considers the estimates at which they arrived to be on the conservative side. One reason for this is the great likelihood that both workplace accidents and illnesses are underreported. Nevertheless, they estimate that "the total cost of occupational injuries and illnesses appears to be considerably larger than those for Alzheimer's disease and of the same magnitude as those of cancer, of all circulatory disease, and of all musculoskeletal conditions."[45]

ESTIMATED NUMBER OF WORKPLACE INJURIES AND ILLNESSES IN THE UNITED STATES, 1992

	Injuries	*Illnesses*	*Total*
Deaths	6,500	60,300	66,800
Non-Fatalities	13,206,500	857,500	14,057,500
Totals	13,213,000	917,800	14,124,300

Source: J. Paul Leigh and others, "Occupational Injury and Illness in the United States. Estimates of Costs, Morbidity, and Mortality," *Archives of Internal Medicine*, 157 (July 28, 1997), p. 1564.

Until the late 1960s, "business-funded institutions were the only organized constituency in occupational safety and health. ..."[46] The situation at Harvard Medical School was not atypical: "The class of 1968 ... received only one lecture on the subject [of occupational health and safety] in four years of training, compared to twelve lectures in 1949. ..."[47] Two national surveys of medical schools produced the following findings:

> Occupational health was specifically taught to medical students in only 50% (1977-78) and 66% (1982-83) of medical schools. Occupational health was part of the required core curriculum in 30% (1977-78) and 54% (1982-83) of the schools. The required median time devoted to occupational health was only 4 hours [a year] in both surveys.[48]

In 1991-92, another survey of 127 medical schools was made.

Occupational health was taught in 68 percent of the schools and it was a required course in 60 percent of the institutions. The median number of hours in instruction per year was six hours.[49] Overall, very little substantive change was reported. Burstein and Levy suggest this resulted from the failure of the field of study to generate income comparable to other hospital-based specialties such as surgery and internal medicine.

In the workplaces of the nation, however, endangerments to workers' lives grew. Between 1968 and 1986 injury rates rose.[50] While injury rates for black men fell, they remained half again as high as those for white men. At the same time, rates for black women rose. James Robinson concludes that "rates of work-related injuries are high and are not falling." "Occupational safety appears to be the neglected step child of an occupational health policy focused primarily on chronic disease and of injury prevention policies focused primarily on the home and the highway."[51]

Injury frequency rates fell sharply during 1945-1955. According to David Fairris, the rates "decreased most rapidly ... in those manufacturing industries where workers possessed the greatest shopfloor power."[52] Recall that the decade marked the peak of the numerical strength of American unions. Also, factory workers had staked out a series of traditional practices and rights which gave them power in the workplace beyond the strict letter of the contracts with employers. When workers felt in control, the workshop became a safer place to work. In the late 1950s and early 1960s, however, new winds began to blow through the shops. Employers, to some degree in concert, began to establish—or re-establish—their control.

> Employers began systematically to reduce the scope of informal custom and practice in the determination of shopfloor conditions, centralize management decision-making over such matters, and interpret labor's rights more narrowly as those contained in collective bargaining agreements.[53]

Throughout industry productivity began to rise again, not through new technology so much as through speeding up of the machinery. So did injury rates head upwards. Workers responded with unauthorized strikes, heightened absenteeism, and deliberate slowdowns by working to rule. Productivity declined. Into the 1990s, with advances in lean production, manufacturing industries experienced a deteriorating health and safety record.[54]

During the early to mid-1990s, according to the Bureau of Labor Statistics, "the proportion of lost-workday injuries and illnesses that involved days away from work dropped from 76.9 percent in 1992 to 64.7 percent in 1996."[55] The increasing job insecurity during those years explained, at least in part, the hesitation among workers to endanger their jobs by excessive absenteeism. A survey reported in 1998 found that clauses in union contracts "requiring local-level labor-management safety and health committees were found in 29.4 percent of all contracts reviewed, a figure that was up from 26.5 percent 20 years earlier."[56] Less than a three-percent advance over two decades could hardly be regarded as genuine growth, especially during a period of rising workplace injuries and illnesses. In addition, as Rosner and Markowitz put it;

> In the conservative political climate of the cold war and McCarthy period, nearly all unions sought to win wage and benefit packages for their membership and to leave issues of workplace control to management. ... Unions bargained for financial support of welfare funds and Blue Cross or private health insurance coverage rather than prevention of disease at the workplace.[57]

This was true even in industries in which workplace illnesses were very serious.

In 1969, a California state Department of Health report declared that "of the 774 [farm] workers examined, 548 or 71 percent displayed one or more symptoms of pesticide poisoning."[58] Thirty years earlier, only 32 pesticide products were registered with the federal government while by 1989 "there were 729 active ingredient pesticide chemicals formulated into 22,000 commercial products."[59] "Workers in agriculture face an average risk of skin disease four times higher than workers in other industries."[60] Not every labor union was sensitive to this issue. In California, for example, while the United Farm Workers stipulated in its contracts that use of the deadliest pesticides was forbidden, the International Brotherhood of Teamsters permitted any farm employer to use whatever pesticide they wished, regardless of its effect on farmworkers.[61] Throughout the economy, beyond agriculture, "10% to 33% of all types of lung cancer in men are attributable to occupational exposures."[62] With reference to the pollutant dioxin, which is widely present in common sources, a federal agency in 2000 announced that "the chemical is 10 times more likely to cause cancer than previously estimated."[63] Among the sources of the new report are "studies of industrial workers."

Industry suppression of research results that demonstrated the lethal effects of asbestos, widely used in the United States, was practiced as recently as the 1960s.[64] In December 1934, "outright deception began."[65] In 1950, K. Smith, the medical director of Canadian Johns-Manville, wrote in a letter to company officials:

> I know of two hazards in our operations which may lead to pulmonary malignancy, namely asbestos and silica. There is ever increasing evidence in the medical literature today that these materials lead to lung cancer.[66]

This information was not made public; in fact, it contradicted the company's public denials of cancer effects of asbestos. The company's deception notwithstanding, however, in the 1960s medical researchers such as Selikoff and Wagner established the asbestos-cancer tie. "The findings were quickly appreciated by the general medical community. The industry was in a compromised position."[67] Lilienfeld wrote in 1991 that "despite the disclosures of suppression and fraud, no mechanisms have been implemented to prevent future such occurrences."[68] The leading firms in the industry had been implicated but their very prominence seemed to protect them from the clear responsibility involved.

By the year 2000, the National Institute of Environmental Health Sciences released a report listing "218 substances known or suspected to cause cancer in people."[69] These substances included a number that had significant industrial uses in mining, the manufacture of alcohol, lead batteries, phosphate fertilizers, soap and detergents, synthetic ethanol, synthetic rubber, coating and plating, plastic and synthetic products and alloy, sterilization of medical devices, and diesel exhaust particulates.

The 1950s saw the passage of federal laws concerning occupational disability of miners that resulted in significant increases in beneficiaries: "Between 1957 and 1975, the number of beneficiaries increased from 149,850 to 4,264,092; expenditures went from a monthly average of $10,940,000 to $665,684,000.[70] Many of these changes were brought about by concerted social movements." At critical junctures in the political contest over medical ideas, confrontational collective action accomplished what careful scientific investigation and subtle private negotiation could not."[71] More happily, not only has new legislation emerged but "the prevalence of dust disease has declined markedly over the past quarter century, as has the incidence of new cases."[72]

At the same time, new scientific knowledge was emerging toward the end of the 20th century that implied the existence of new endangerments at the workplace. The Environmental Endocrine Hypothesis asserted that

> a diverse group of industrial and agricultural chemicals in contact with humans and wildlife have the capacity to mimic or obstruct hormone function — not simply disrupting the endocrine system like foreign matter in a watchworks, but fooling it into accepting new instructions that distort the normal development of the organism. Mostly synthetic organic chemicals, these compounds have been implicated in more than two dozen human and animal disorders, including reproductive and developmental abnormalities, immune dysfunction, cognitive and behavioral pathologies, and cancer.[73]

Krimsky notes that the growing incidence of breast cancer gives support to the endocrine hypothesis: "Between 1973 and 1989 the incidence of breast cancer increased by 21 percent, almost 1 percent annually. … The lifetime risk of breast cancer has climbed from 1 in 20 at the end of World War II to 1 in 8 by the mid-1990s — more than doubling the risk."[74] The chemical industry, by the 1990s, "had launched an ideological offensive against the use of scientific hypotheses implicating chemicals in human disease."[75]

While toward the close of the 20th century more government power was placed in the service of protecting workers in the workplace, often workers continued to be subjected to employer influence. Thus, in 1969, farmworkers, probably the least protected in the country, filed a series of requests with the Occupational Safety and Health Administration (OSHA). These included elementary necessities such as "toilets and drinking water to reduce heat-induced injuries, infectious diseases, and pesticide poisoning." They waited 18 years for OSHA action.[76] In 1990, six years after promulgation of the OSHA field sanitation standards, a survey in North Carolina discovered that "only about 4 percent of the farms complied with the requirements for toilets, potable drinking water, and hand-washing facilities."[77] In many other cases, individual workers who complained about unsafe working conditions were discharged from their jobs. This was especially the case in non-unionized places. Even when federal laws required certain employer action, the laws were frequently violated. Thus, in 2000, "Congressional investigators say thousands of employers are violating a federal law that requires the level of insurance coverage for mental illness to be similar to that for physical illness."[78]

Business organizations were nearly unanimous in opposing bills benefitting workers who were endangered by workplace conditions.

> In the 100th Congress (1987-1988), the Chamber of Commerce, National Association of Manufacturers, National Federation of Business and other business lobbies cooperated with the Reagan administration to defeat the High Risk Disease Notification and Prevention Act. The purpose of the measure was to establish a twenty-five-million-dollar federal program to identify, notify, and provide medical monitoring of workers who have been exposed to toxic substances in the workplace. The federal government would bear the responsibility for notifying at-risk employees, and employers would be obliged to pay for the monitoring of employees who were exposed to toxic chemicals on the job.[79]

A filibuster in the Senate, led by Senators Orrin Hatch (Utah) and Dan Quayle (Indiana), defeated the proposed law. Company officials were apparently not to be required to heed federal investigators' warnings about dangerous conditions in workplaces. W.R. Grace and Company operated a tremolite mine in Libby, Montana. "Grace's own files — that show state and federal agencies warned the company often, and as early as the 1960s, that conditions at the Libby mine, the transport center and Grace's processing plant posed health hazards."[80]

J. Robert Oppenheimer, director of the atomic bomb center at Los Alamos, New Mexico, "kept a tight rein on information that might reveal health problems or suggest that Los Alamos was contaminating his beloved desert."[81] After World War II the federal government employed companies to operate many federal weapons facilities, both nuclear and otherwise. "For years the contractors, on orders from the Energy Department or the Atomic Energy Commission that preceded it, routinely fought all claims of injury."[82] There followed "five decades of denying that anyone had received enough [radiation or other] exposure to be hurt."[83] Only in 2000 did the federal government finally concede that serious disabilities or deaths may have occurred to some 3,000 weapons workers and that they or their survivors would be granted "a lump-sum payment or reimbursement of all medical costs and partial compensation for lost wages."[84] The entire episode was strongly reminiscent of the experiences of numerous private corporations in the lead, coal mining, and asbestos industries. Initially, denials of corporate responsibility were standard. Claims of workers were denied as unwarranted in the light of existing, scientific knowledge. As independent evidence piled up, however, it became more difficult to continue the customary stance. Only then did the companies relent. Of course, they made as little recompense as possible, as did the federal government when only partial compensation of lost wages was awarded.[85]

At the close of the 1990s, over 43 million Americans lacked health insurance. The figure had increased steadily over the decade. How did these and especially poor persons meet their medical needs? In addition, how well were those needs met by persons with insurance?

Addressing the quality of health care in the United States, a recent study found that "whether the care is preventive, acute, or chronic, it frequently does not meet professional standards."[86] Schuster and colleagues specified:

> A simple average of the findings of preventive care studies shows that about 50 percent of people received recommended care. ... An average of 70 percent of patients received recommended acute care and 30 percent received contraindicated acute care. ... For chronic conditions, 60 percent received recommended care and 20 percent received contraindicated care.[87]

A study of negligent care for uninsured, minority, and poor populations was conducted in New York State in 1984. Some 31,000 medical records were reviewed. The central finding of the research was that "the uninsured are systematically at higher risk for poor-quality care."[88] This research "revealed that more negligent injuries among the uninsured happened in emergency departments, compared with patients with sources of insurance."[89]

Between 1982 and 1986, access to physician care declined for poor, minorities, and uninsured persons, "particularly for those in poor health."[90] During those same years, a time when persons who were not poor and were in poor health increased their visits to physicians by 42 percent, "physician visit rates for low-income individuals in poorer health declined by 8 percent. ..."[91] This trend reversed gains made over the previous two decades. A separate study of the health of African-Americans found that between 1980 and 1991, the number of excess deaths among them increased to 66,000 from 60,000.[92]

In the municipal hospitals of New York City, designed especially to accommodate the city's poor—nearly half the city population—"all of the poor had access to a higher level of care in 1995 than they had in 1965."[93] However, adds the team that made this study: "It would be difficult to conclude there was a significant narrowing of the gap between the services available to the Medicaid population and the privately insured."[94] Even more broadly, they conclude that all previous positive measures on behalf of the poor "left them short, even far short, of the health care services available to the affluent."[95]

One of the most calamitous developments in post-World War II health care was the substitution of jails for mental hospitals. Linda A. Teplin, a professor of psychiatry at Northwestern University Medical School, has stated that "on an average day ... 9 percent of men and 18.5 percent of women in local jails—about 56,000 people, are severely mentally ill."[96] A U.S. Department of Justice report declared: "Unconstitutional conditions exist at the Los Angeles County Jail, including a deliberate indifference to the inmates' serious mental health needs."[97] "95 percent of those who commit suicide in jail or prison have a diagnosed mental disorder, a study in the *American Journal of Psychiatry* found."[98]

Some concentrations of ill-health and excess deaths can be accurately described as "disaster areas". Thus, "in 1977 Jenkins *et al.* pointed out that the number of excess deaths recorded each year in the areas of worst health care in Boston was considerably larger than the number of deaths in places that the U.S. government had designated as natural disaster areas."[99] The Wallaces have examined a similar process at work in the Bronx, New York City, during 1970-1980:

> The Health Areas of the South-Central Bronx lost between 55% and 81% of their housing units. ... Housing loss of such intensity in so short a time must be counted as a catastrophe of a magnitude rarely experienced outside of war or protracted civil conflict.[100]

They list six other parts of New York City which were struck by "similar catastrophes."

Beginning in about 1970, according to the Wallaces, the city's fire department adopted a policy of service reduction in areas they viewed as "sick neighborhoods". One out of ten fire companies were closed down. There followed "a contagious fire epidemic". People who could afford to move elsewhere did so while the poorest remained in the now greatly overcrowded housing. "By 1990, the number of extremely overcrowded housing units had reached about double the 1970 number, the initial condition of the fire epidemic."[101] "Epidemics of contagious disease and contagious behavior problems arose; these included tuberculosis, measles, substance abuse, AIDS, low-weight births, and violence." "Life expectancy of elderly blacks declined between 1970 and 1980 after decades of increase and in contrast to that of elderly whites which increased uninterruptedly."[102] In 1979, after nearly a decade of community destruction, the New York Department of Health warned about a large increase in TB levels and pointed to "impacts similar to famine or war on the population."[103] The Wallaces explain that medical measures alone would prove inadequate to meet the challenge. It was necessary to apply new strategies "including significant improvements in the living and working conditions of the poor."[104]

A federal government initiative for U.S. public health called "Healthy People 2000" was established around 1980. It was based on a series of health objectives or targets to be achieved by the year 2000. In 1999, the *New York Times* reported the latest annual progress report:

> The United States has met only about 15 percent of its health goals for the year 2000, set 20 years ago ... but progress has been made on 44 percent. For about 20 percent of the objectives, the nation is getting less healthy and is moving away from the goals. ...[105]

One of the more astonishing backward trends was "mothers who die in childbirth: it was 6.6 per 100,000 live births in 1987; it rose to 7.5 in 1997. The goal is 3.3."[106] A social-work journal observed:

> The most troubling revelations in "Healthy People 2000" are the persistence of enormous disparities by socioeconomic status, race, and ethnicity. The proportion of key indicators that are not progressing is considerably greater for ethnic minority groups. ... Committed as they are to health promotion, risk reduction, and disease prevention, public health advocates with social good objectives are no match for the uneven, racist, and raw forces of capitalism that form the foundation of the U.S. health care system.[107]

Excess death continues to be built into America's public health programs.

Wealth in the United States during 1953 continued to be highly concentrated, if somewhat less so than in the preceding two centuries. Arranging wealth by quintiles or fifths, it was as follows that year:[108]

Ranking in Quintile	*Percent of Wealth*
Top	71
Second	17
Third	7
Fourth	4
Bottom	1

The top fifth of adults owned over 70 percent of the entire wealth of the country. The bottom three-fifths together owned only about one-sixth as much. The bottom fifth owned practically nothing.

During the 1950s-1970s, governmental statistical agencies were extremely reluctant to facilitate publication of statistics of the very wealthy. Historian Carole Shammas writes that "between the 1950s and 1980, the amount of statistics on the wealthy the government compiled and made public dropped dramatically."[109] In 1977, economist James Smith testified before Congress:

> Most of what we have learned about the distribution of wealth ... has come about ... through the rather energetic support of studies of the distribution of wealth and income by the National Science Foundation, in opposition to a rather enormous effort of the Internal Revenue Service to prevent such studies, and, I might add, some other agencies of Government.[110]

With reference to the Bureau of the Census, Smith added, "it has really shied away from measuring anything that you could call important wealth information."[111] Another witness, economist James Morgan, declared that "interpretation of wealth distributions and understanding of the [economic] system depend on data so that we do not rely on unsupported currently rampant theories about the importance of background, luck, success, or thrift."[112] A Treasury Department official testified that in a 1966-1967 survey for the Office of Economic Opportunity "all families with larger amounts of wealth evidently underreported their holdings."[113] He mused aloud: "Sometimes we think that we should have prepared for our work by taking courses in creative writing rather than in statistics and economics."[114] Confession is good for the soul.

The years of depression and World War II were times of "massive government intervention in the marketplace," during which the wealth distribution became more equal.[115] Judging by the top one percent of wealthholders, concentration reached a record low in the years 1972-1976, while in the following five years, it recovered somewhat. During the mid-1970s, while concentration receded, the very richest Americans nevertheless maintained a tight hold on the nation's wealth. Referring to the top one percent and one-half of one-percent, Smith and Franklin point out the concentration of stock ownership in 1972: "The superrich who own 66.7 percent of it, potentially control all corporate assets. ... There is a certain amount of block control by virtue of the fact that many of the superrich are married to each other."[116] Trusts, the most concentrated of all forms of wealth, were virtually all — i.e., 93% — in the hands of "the richest 1 percent in 1965."[117] Between 1976 and 1989, "the degree of wealth inequality appears to have almost doubled ... and it was 17 percent higher in 1992 than in 1972."[118] By 1995, "the top 1 percent of families as ranked by net worth [i.e., assets minus liabilities] owned almost 39 percent of total household wealth; the top 20 percent of households held 84 percent."[119]

At the other end of the wealth scale, poorest Americans registered deterioration. "The bottom 40 percent of all households have only about 1 percent of all the wealth in the nation."[120] Some sources differ but the entire magnitude is in any case quite tiny. During 1983-1992, "the poorest 20 percent have no net worth as a whole" — that is, no assets after liabilities are deducted.[121] More specifically, "households with negative net worth [i.e., liabilities exceed assets] account for about 25 percent of the [lowest wealth quintile] ... in 1983 and 1992, and about 38 percent in 1989 — 5 to 8 percent of all households."[122] In the recession years of 1989-1992, the proportion of whites in the lowest wealth quintile increased while that of blacks declined. "The percentage of households reporting zero or negative net worth increased from 15.5 percent in 1983 to 18.5 percent in 1995."[123] In 1995, respondents were asked how many months their financial reserves could be used to live on. (These figures exclude the value of owner-occupied housing.)

	Months
Top quintile	19.0
Fourth quintile	3.5
Middle quintile	1.2
Second quintile	1.1
Bottom quintile	0.0[124]

Some light is thrown upon the preceding when one reads a statement by Shammas in 1987: "Current estimates are that over half of households headed by someone sixty-five or older have no wealth. ..."[125] Black wealth holding was between 17 and 12 percent of white wealth holding.[126]

The distribution of income was less concentrated than that of wealth. It was nevertheless quite lopsided. Based on a study of unpublished 1949 census data for New York State by Daniel Creamer, the author defined low income as "the cost of a standard minimum budget necessary for the maintenance of health and decency."[127] About 30 percent of New York's non-institutional population qualified as low-income. However, "50 percent of all low-income families and 69 percent of all low-income individuals were impoverished in 1949."[128] Nearly 85% of all the low-income families were white and 15% were non-white. At the same time, the incidence of low-income among New York City non-whites was 79% greater than among white families. Creamer stressed that low-incomes were more the result of low wages than of any lack of workers in families.

The years 1950-1978 saw significant improvements in family incomes over the entire country and through the entire range of incomes. A completely different experience was recorded in the following years, 1979-1995. The listing below indicates the percentage growth or decline in family incomes during both periods:[129]

	1950-1978	*1979-1995*
Bottom fifth	+ 138	- 9
Second fifth	+ 98	- 3
Middle fifth	+ 106	+ 1
Fourth fifth	+ 111	+ 7
Top fifth	+ 99	+ 26

Referring especially to the later period, "young families and workers stuck at the bottom have suffered the equivalent of an economic depression."[130] Those years contained many depressive trends: "Average income of families in the bottom 60 percent of the income distribution was actually lower in 1996 than in 1979."[131] Over the years 1973-1993, Lynn Karoly writes, "the bottom four-tenths of the population is worse off in real terms than similarly situated persons 20 years earlier."[132]

Income trends are not directly translatable to well-being. As Mayer and Jencks explain: "Federal statistical agencies have made relatively little effort to track changes in the quality of poor people's food intake, housing conditions, medical care, education, or health."[133] Poor people tend to consume more goods and services than seem to be purchasable by the cash incomes they report to investigators. Borrowing, charity, and underreporting may account for the difference. The Mayer-Jencks studies were made in Chicago. A century ago, studies of standards of living in the U.S. almost always included material on budgets (i.e., expenditures) and did not depend merely on cash-income figures. As techniques of inquiry have become more sophisticated, less attention is paid to actual consumption patterns.

Special situations explained many examples of income experience during the period of depressed earnings. Thus, for example, "the only category of families who actually raised their median income between 1970 and 1987 were those in which both spouses were employed."[134] In an international study of 18 countries including the United States, children of wealthy American families had higher living standards than wealthy children in the other countries. At the same time, children in poorer U.S. families had lower standards of living than poorer children in nearly all the other countries studied.[135] The rewards and penalties of the American standard of living were reproduced on an international scale. From 1986 through 1997, the real after-tax income of the top one percent of Americans rose by 89 percent while that of the bottom 90 percent barely increased by 1.6 percent.[136]

Late in 1998, Louis Uchitelle analyzed what was then called the longest run of economic growth in American history. He approached it from the viewpoint of an entire business cycle rather than as an uninterrupted series of years:

> But despite the surge [of 1996] economic growth measured over the entire [business] cycle makes the expansion of the 1990s the weakest since World War II. Americans, for the most part, have been running in place for 25 years. ... Economic growth in ... [the 1960s] averaged 4.7 percent a year, almost double the performance in the 1990s. ... For a century ... until 1973, the economy expanded at a 3 percent annual rate, or more, most of the time. ... The pie, in effect, has grown more slowly than in the past, and the 1990s expansion has failed to break this pattern.[137]

The 1990s expansion *was* the longest but also the weakest since 1945. This may be part of the reason why the expansion's benefits failed to extend to the larger working class. (See below for discussion of wages.)

Minority workers saw their incomes suffer during these years. In 1998, the Annual Economic Report of the President referred to the black-white income gap as being as large as 30 years before.[138] Marcus Alexis found the same.[139] Michael Weinstein cites a relevant study by Sheldon Danziger of the years 1969-1997:

> The earnings of these less skilled white workers fell so far that they earned less in 1997 than their black counterparts, a notoriously underpaid group, had earned almost 30 years earlier. And those black male high school graduates fared almost as badly. From 1969 to 1997, their inflation-adjusted earnings fell by 25 percent.[140]

Mike Davis traced the fortunes of Hispanic workers:

> U.S.-born Mexican men ... have seen their median incomes decline from 81 percent of non-Hispanic white men in 1959 to 61 percent in 1990. (For male Mexican immigrants, the fall was from 66 percent to 39 percent; for immigrant females, as compared to white women, from 81 percent to 51 percent.[141]

Poverty rates for Puerto Ricans in New York City rose to 48 percent in 1988 from 28 percent in 1970.[142] Between 1979 and 1989, the income ratio of Native American men to white men fell some 12 percent; for women, the ratio fell from 77.0 percent to 69.8 percent.[143]

"It is shameful that 'prisoner' is just about the fastest-growing 'occupation' in the United States, the 'trade' of more than 2 percent of American men."[144]

Spreading automation was a basic factor underlying the deterioration of labor conditions throughout the economy: "In establishments of 500 or more employees, 83 percent used computer-aided design (CAD) or computer-aided engineering (CAE), 70 percent used numerically controlled or computer numerically controlled machines, 36 percent used flexible manufacturing cells or systems, and 43 percent used robots."[145] These figures relate to 1987 and help explain why manufacturing productivity in the 1980s "rose ... 40 percent faster than in the previous twenty years."[146] A sizable portion of the increase was associated with rising military expenditures under Reagan. Nevertheless, the decade of the '80s remained a period of low worker income, depressed wages, and destabilized employment conditions. Profitivity was at high levels because of rising productivity that accrued overwhelmingly to the benefit of employers. These conditions continued to operate in the following decade. Between

1959 and 1995, "average weekly earnings of American workers in the private sector fell (in 1982 dollars) from a level of $260.86 ... to $255.90. ..."[147] Writing in 1999, Ethan Kapstein reported that "some 30 percent of American workers earn poverty-level wages, up from 24 percent in 1979."[148] Between 1988 and the late 1990s, profits rose by nearly 50 percent.[149] Meanwhile, while in 1975 three-quarters of the unemployed received unemployment insurance, by 1995, the figure fell to 36 percent.[150] At the end of 1994, real wages were back to their level of the late 1950s.[151]

Economist Lester Thurow seemed astonished by the great and growing inequality in the American economy of the 1990s. In 1996 he wrote: "No country not experiencing a revolution or a military defeat with a subsequent occupation has probably ever had as rapid or as widespread an increase in inequality as has occurred in the United States in the past two decades."[152] At the same time, he warns: "It is fair to surmise that if capitalism does not deliver rising real wages for a majority of its participants in a period when the total economic pie is expanding, it will not for long hold on to the political allegiance of a majority of the population."[153] But American capitalism remained resistant to such forewarnings. The early 1990s continued to witness declines in real wages; 1996 and 1997 finally saw a reversal; but in the year 2000, the first eight months saw a resumption of real-wage decline.[154]

At the mention of the word "poverty," the speaker often has in mind a penniless beggar who is unemployed. But in post-World War II America, an increasing number of people were in poverty even though they were full-time, year-round workers. During the long-term economic boom, 1961-1969, significant numbers of such poor dropped out of poverty. During the even longer boom period of the 1990s, however, there was no diminution in the number of working poor. Writing in 2000, Linda Barrington observed that "the poverty rate among full-time workers is higher now than it was during the last recession [1989-1991]."[155] In the Midwest, poverty among ethnic minorities is rising while that among minorities in the South is declining slowly. The working poor among ethnic minorities find themselves more frequently in and out of poverty. Overall, "the number of full-time workers in poverty has doubled since the late 1970s from about 1.5 million to almost 3 million by 1998."[156] Adding in dependents makes a total of between four and five million Americans.[157] "A non-white full-time worker today is ... one-and-a-half times more likely to be poor than is a full-time worker in the population at large."[158] For whatever reason, "poverty among Western, white, full-time, year round workers has experienced a distinct upward climb since the 1970s."[159]

The persistence of poverty among full-time workers is in large part related to structural changes in the economy. This is illustrated by the following trends of employment between 1963 and 1998:[160]

By Percent	*1963*	*1998*
High-paying industries	28	21
Middle-paying industries	37	16
Low-paying industries	35	63

"Between 1965 and 1998," writes Barrington, "combined employment in the retail and service sectors—the two lowest paying sectors, on average—increased from 30 to 48 percent of all production and non-supervisory employment."[161] In the earlier year—1965—a cashier in a supermarket had to punch into the cash register the price of every item. Now, prices are entered by an optical scanner when the cashier moves each item over a small glass plate. The scanner reads the barcode printed on each package, looks up the current price of the item in a central computer, and adds it to the bill. At the same time, the products, identified from the bar codes, are deducted from an inventory record. Information about customer purchase statistics and trends, including items purchased at the same time, can also be compiled automatically and sent to a central office instantly.

Between the years 1967 and 1993, child poverty in the United States rose steadily. Compared with 17 other industrialized countries, the U.S. had the highest rate.[162] The average in western Europe is less than half the U.S. rate of 20 percent. The poorest children in the United States have a smaller income than their counterparts in the other 17 countries while the richest children in the U.S. have higher incomes than almost all other counterparts elsewhere. This feature of the American standard of living is its most distinguishing characteristic. The United States is the most favorable location in which to be rich but it is the least favorable rich place in which to be poor.

> Over an 18 year period, from 1969 to 1986, the child poverty rate increased ... in the United States from 13.1 percent to 22.9 percent, before falling to 21.5 percent in 1991. All of the Scandinavian

> countries have been able to have kept child poverty below five percent. ...[163]

The American "war" on poverty seems to be staffed by pacifists.

In 1992, the rural poverty rate was higher than that of the nation as a whole. On the Mississippi Delta the poverty rate was 44 percent, "but 64 percent of residents are African-American, and for them the poverty rate is at least 60%."[164] New factories arose near El Paso and Ciudad Juarez areas. Ironically, this [industrial] expansion ... has been followed by a significant increase in local poverty rates, due primarily to depressed wages caused by an excess labor supply, which in turn results from increasing immigration from Mexico.[165] Growing numbers of fruit and vegetable workers continue to stream to the Northwest and the Plains "where growers have not moved towards mechanization but towards Mexicanization."[166]

Poverty rates among African Americans and Hispanics drifted somewhat lower but overall "the poverty rate ... is still above the rate for any year in the 1970s."[167] Blacks are still in poverty at 2½ times the rate for whites.[168]

During the last quarter of the 20th century, consumer debt became a significant prop supporting the American economy. Previously—as in the 1920s—consumer debt in the form of installment buying supported a significant if still modest sector of the economy. Now, however, new financial institutions and practices emerged to promote the growth of consumer debt. Very rapidly these became major factors on the financial scene.

At the end of 1995, four major credit cards (Visa, Master Card, Discover, and American Express) represented over $358 billion in outstanding credit. Another $77.6 billion was represented by a number of cards issued by oil companies and retail stores. A trade journal referred to "the extranormal profitability of credit card lending."[169] In the years 1971-1982 the profit rate on credit cards was in the vicinity of 16.67 percent return on equity. Starting in 1983, however, the profitability rate "jumped" to around *seventy-five* percent.[170] A U.S. Supreme Court ruling in 1978[171] facilitated repeal of state usury ceilings, in effect permitting credit card operators to move their facilities to states with the least regulation of permissible interest rates on credit cards. Since over 80 percent of card issuers' profits come from interest payments by card-holders, the interest rate was for all practical purposes deregulated; card issuers' profits soared, as indicated above.[172] No wonder that "the return on assets on credit cards equaled roughly four times the return on banking activities generally."[173] Over the year of 1995, "more than one in eight poor households had credit card debt greater than twice their monthly income, and more than one in six had credit card debt as large as their monthly income or larger."[174]

Consumer debt was by no means the result merely of thoughtless overreaching. "Many middle-class and poor families," reports Lisa Keister, "are forced to take loans for daily survival and thus erode the small amount of wealth they may have accumulated."[175] In 1995, for example, nonwhite families owned only $425 more than their debts; this sum could be pressed down to zero or less with one spell of unemployment.[176] "Debt ownership was one reason that the poor grew poorer during the 1980s and 1990s."[177] In 1962, in an era called the 'Golden Age' by many writers and economists, "the bottom 40 percent of the population actually owned negative financial wealth."[178] In popular parlance, they were "in hock". (Financial wealth is the total of savings readily available, not including owner-occupied housing. Negative financial wealth indicates that their liabilities exceed their readily usable assets.)

Mass layoffs including plant shutdowns and downsizing affected millions of industrial workers during the years 1984-1998, even when unemployment was reportedly very low. An authoritative count is difficult to find but a compilation by Teresa Sullivan and colleagues gives a good idea of the scope of the layoffs.[179]

1984-1986	600,000 mid- and upper level executives laid off
1987-1990	1,987,553 separations in mass layoffs
1990	586,690 laid-off workers
1992	5,600,000 displaced workers
1994	4,500,000 (28% through downsizing)
1995-1997	*3,600,000* displaced workers
TOTAL	16,874,243

+1,200,000 temporary layoffs = 18,079,243

In addition, some 4.5 million workers were on part-time work for economic reasons, not their choice. Another 12.5 million workers were in non-permanent jobs as follows:[180]

8,500,000	independent contractors
2,000,000	"on-call" workers
1,300,000	temporary help agencies
809,000	
12,609,000	TOTAL

Sullivan also refers to the closing of uncounted small businesses which had been supporting families. It should be emphasized that all the foregoing figures are incomplete.

Many of the unemployed resorted to credit cards and ultimately to personal bankruptcy. As Sullivan puts it, "the middle-class way of life can be maintained for quite a while with smoke and mirrors — and many credit cards."[181] Personal bankruptcies more than quadrupled between 1979 and 1997; a number were, indeed, workers, but most were solidly in the middle class. Nevertheless, in a sample population, "a full 32.4 percent of the [bankrupt] debtors fell below the poverty rate, more than two and a half times the national average."[182] Banks that issued credit cards continued their profitable ways, despite multiplying personal bankruptcies:

> Between 1980 and 1992, the rate at which banks borrow money fell from 13.4 percent to 3.5 percent. During the same time, the average credit card interest rate rose from 17.3 percent to 17.8 percent.[183]

Some card issuers, however, were not content with such widening profitability. Two cases are relevant.

In 1999, Sears, Roebuck, whose credit cards were held by 63 million persons, pleaded guilty to one count of bankruptcy fraud. "The investigation began [in April 1997] after Sears admitted that since the 1980s it had illegally been collecting from bankrupt Sears card holders debt that had been wiped off the books" in a legal bankruptcy court proceeding.[184] U.S. Attorney Donald Stern said:

> This was not the haphazard action of a few employees. It represented an outrageous company policy, carried out by those responsible for debt collection, which plainly violated the law.[185]

"Sears agreed to pay $36 million in cash and issue store coupons worth $118 million to [credit] card holders."[186]

A second case concerned Providian Financial Corporation, a bank and the country's sixth largest issuer of credit cards. In 2000, it reached an agreement with the federal Office of the Comptroller General to settle "accusations that it had misled customers about rates and fees, changed rates without notice and delayed posting payments to accounts to generate late fees."[187] Providian agreed to reimburse three million cardholders with $300 million dollars, pay the City of San Francisco $3.5 million, and pay $1.6 million to consumers in the state of Connecticut.[188] (The payment of reimbursement is tax-deductible and thus will not be recorded as a loss in bank company reports.)

Housing

During the years 1940-1998, the percentage of Americans who were homeowners was as follows:[189]

1940	44.0	1990	65.0
1960	60.0	1992	63.9
1970	63.0	1994	63.5
1980	65.8	1995	64.7
1989	60.1	1998	66.6

The period of greatest growth was 1940-1960; the 1980 high point was overtaken only in another 18 years, and then by less than one percentage point; between 1990 and 1995, the rate of homeownership declined.

These listed percentages relate to the entire population. The picture is greatly altered when we examine figures for specific groups. In 1998, for example, 72.5 percent of whites were homeowners but only 45.3 and 43.9 percent of African Americans and Hispanics, respectively, owned their homes.[190] On the other hand, "home ownership fell for families with less than $25,000 of income and for families headed by those aged 45 to 54."[191] Uchitelle reports:

> The homeownership rate among blacks ... has risen to 45.8 percent from 42 percent in 1993. ... But black households have recovered only the ground lost since 1983, when the rate was 45.6 percent.[192]

According to Gyourko, "the least-well educated households are owning at systematically lower rates than in the past."[193] He notes, too, that "virtually no new housing is being produced that is of low enough quality to be affordable to low skill households who want to own."[194] Indeed, Gyourko adds, "a comparison of the unadjusted and constant quality prices of lower-income homes ... suggests a marked deterioration in the quality of such housing since the mid-1970s."[195] Blank and Rosen write that "the incidence of homeownership among the poor has decreased. ..."[196]

Rental housing for poorer Americans was becoming less available.

> The supply of low-cost housing units that aren't government-subsidized is decreasing. Significant amounts of public housing are being demolished.[197]

The federal Department of Housing and Urban Development (HUD) reported in 2000 that "5.4 million low-income families were paying more than half their income for housing or living in dilapidated units, a rise of 12 percent since the economic expansion began in 1991."[198] Based on his studies in Philadelphia and New York City, University of Pennsylvania professor Dennis Culhane found that "most poor families are paying 60 percent and 70 percent of their income on rent, twice what it was 25 years ago."[199] Blank and Rosen observed that "the proportion of income spent on housing has been growing, especially among low-income families."[200] Between 1991 and 1995, "the number of low-cost apartments decreased by 900,000 ... while the number of 'very-low income' families ... grew by 370,000."[201] Families that were paying rentals equal to half or more of their incomes numbered 5.32 million or nearly one-seventh of all family renters.[202] Over the next three years, 1995-1997, such families increased to 8.9 million, according to HUD.[203] Nationwide, during 1997-1998, the number of applicant families for public housing in 40 big cities" showed waiting-list increases of 10 percent to 25 percent. ..."[204] In New York City alone, where some 116,000 people are on waiting lists, the wait is for eight years.[205]

Federal housing vouchers are eagerly sought by poor families. Late in 1999, 1.4 million families were using vouchers. This enabled them to pay an average monthly rent of $623 of which $400 was covered by the voucher.[206] In Spring 1999, some 600,000 families were on waiting lists for vouchers. "The wait for vouchers has stretched to 10 years in Newark and Los Angeles, 7 years in Houston, and 5 years in Chicago and Memphis. ..."[207] During 1995-1998, Congress refused to provide any additional vouchers. In 1999-2000, however, 110,000 new vouchers were authorized by Congress.[208]

The Urban Institute found that about 3.5 million people were homeless at least once a year. "About 65 percent more Americans had an episode of homelessness annually in 1996, during a sustained boom, than in 1987. ..."[209] Almost every tenth child experiences homelessness at least once a year. Two months earlier, a report by HUD, based on census data, found:

> The homeless were deeply impoverished and most were ill. Two-thirds were suffering from chronic or infectious diseases, not counting AIDS, 55 percent lacked health insurance, and 39 percent had signs of mental illness.[210]

Mentally ill homeless persons did have an alternative to shelters: jails.

Urban rents rose in the 1970s-1990s; aggravating difficulties standing in the way of urban residence, including homelessness. Nevertheless, a process of segregation directed more of the poor toward cities in the same years. Following is a table illustrating the percentage of geographical bunching-up of the poor in the United States:[211]

Places	*1970*	*1980*	*1990*
Non-metropolitan areas	44	31	28
Central cities	34	39	43
Suburbs	22	30	29

Within the central cities, the poor were distributed among the following neighborhood types:[212]

Neighborhood type	*1970*	*1980*	*1990*
Not poor	45	36	31
Poor	38	41	41
Very poor	17	23	28

Over 20 years, the urban poor increased their residences from 55 percent to 69 percent. Douglas Massey observes: "Whether one looks south, north, east, or west, or at whites, blacks, Hispanics, or Asians, America became a more class-segregated society during the 1970s and 1980s."[213] To the question is the average American living in an increasingly class-dominated society, Massey replies: "Averages tell you little when all the movement is toward the extremes."[214]

SUMMARY

Death and illness are closely linked with class in capitalist America. In 1960, 292,000 deaths were regarded as "excess", i.e., they were attributable to factors that did not prevail among persons of high socio-economic status. During 1960-1986, higher death rates for poorer or less educated persons widened. Medicaid had not equalized "the chances for survival among the poorest and least educated." This was true for whites and blacks. During the 1980s, it was found that inequality of income within states of the U.S. tended to limit declines in mortality. In 1989-1991, excess mortality in metropolitan areas averaged 849.6 per 100,000. In extremely poor areas of black Harlem and Chicago, mortality rates for males aged 5-65 were higher than their counterparts in Bangladesh – one of the poorest countries in the world. According to the World Health Organization, "70% of all deaths and fully 92% of deaths from communicable disease in the poorest quintile were 'excess' compared to the mortality that would have occurred at the death rates of the richest quintile." This gap widened during the last century. In 1992, 66,800 workers died from workplace illnesses and accidents – more than those who died in U.S. armed forces in the entire Vietnam War. Farm workers remained probably the least-protected from workplace injury and illness.

Suppression of research results on lethal effects of asbestos by industry postponed remedial and preventive action for years. It took 18 years, punctuated by industry resistance, to get the federal government to provide farm workers with toilets, drinking water, and hand-washing facilities. Over 43 million Americans are without health insurance. They continue to receive inferior medical attention. Failures like these rise to the seriousness of natural disasters.

Wealth is highly concentrated with the top fifth of adults owning over 70 percent of the entire wealth of the country. Government has been reluctant to conduct and publicize results of research on wealth. During the 1990s, most Americans did not have enough savings to live on more than a month or so; the bottom fifth had no savings. The economic expansion of the 1990s was "the weakest since World War II" even though there was a widely-shared mis-impression to the contrary. Incomes of the poorest workers and minorities suffered extensive reductions which extended into the 1990s. "At the end of 1994, real wages were back to their level of the late 1950s." Nearly three million year-round workers did not even earn poverty-level wages in the decade of the 1990s. The United States is the most favorable location in which to be rich but the least favorable rich place in which to be poor. Middle class and worker families incurred increasing debt to buy necessaries.

Home ownership stalled during the 1960s and rose slightly thereafter. Affordable housing for rent became less available over the years. Public housing was subject to long waiting lists. Federal housing vouchers also required long waits. The number of homeless ran around 3.5 million people in a year. Increasingly, American society was becoming more class-segregated.

NOTES

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Chapter 12

CONCLUSION

Nearly all the preceding chapters deal with subject matter within five time periods. Now we shift to aspects of this history extending beyond a single period. Our purpose is to raise questions of a more general nature that throw light on matters of historical interest that go beyond the strictly economic. I would be pleased to learn that readers were moved to investigate further any question raised in this chapter.

1. Racism and violence have long characterized American history. To an extraordinary degree, slavery embodied both trends. As capitalism developed, neither violence nor racism receded. Indeed, they grew. As we have seen, industrial and farm corporations employed extremely violent methods to oppose unions. And they consciously encouraged racism among their workers to weaken working-class solidarity. Nowhere in the United States—North or South—did organized capitalism take a leading role in opposing racism or violence against labor. Instead, it frequently played the foremost role in promoting them.

At no time was this a secret. Rather, corporations frequently expressed their racial or ethnic preferences when advertising in newspapers for workers. In one industrial community after another, it was common knowledge that unions would be resisted by every means available, including those that were lethal. Workers who challenged corporate rules on racial or labor issues were discharged, while those who embraced such rules could look forward to continued employment. During most of the history of American capitalism, no government power was available to protect workers from extreme employer power, including violence and racism.

2. Much of America's industrial leadership rested on disadvantages of labor. Low American costs of production expressed high productivity and slow growth of real wages. Before the Civil War,

enslaved workers produced raw-cotton for American and foreign mills. During the 20th Century retarded unionization in the U.S. depressed wages. American employers met worker demands for various welfare legislation with objections that these measures would increase costs of production. Meanwhile, capitalist producers in England and Germany, direct competitors of American industry, initiated such enactments and still competed effectively. At a time when the American working-class electorate was shrinking, and national legislation favorable to labor was disappearing, workers in other industrial countries were gaining the vote. A social-security system was in place in Germany nearly a half-century before the American system. Even today, the United States remains the only major industrial country lacking a national health system; over 43 million Americans, mostly workers, do not even have individual or family health insurance.

3. Good and bad times in American capitalism are measured by the welfare of the ruling class. The long-term stability of wealth and income in the United States means that the ruling class has succeeded in safeguarding its economic position. During periods of general economic adversity, needy ruling class members are succored by their families or classmates. Earmarks of good times include the emergence of new sources of profit; rising rates of profit; increasing numbers of millionaires and billionaires; emergence of novel forms of luxury spending; and, rising standards of living of the already rich. The continuance of good times so defined, however, is said to be threatened by slumps in profit yields, increases in real wage growth, and drops in unemployment.

4. American capitalism has grown more profitable but less productive. Increasing quantities of labor and capital are employed in the output of goods and services that do not contribute to constructive social ends. Military expenditures are the foremost example. Another is pornography, a $10 billion industry. General Motors, AT&T Corporation, Time Warner, and other industrial giants sell hundreds of millions of dollars of graphic sex films each year. (See *New York Times*, October 23, 2000, p. 1.) Military and pornography expenditures thus form part of the Gross National Product and annual profit reports, even if they are not precisely labeled for what they are. The great proliferation of financial speculation is another example of

less productive economic activity. This includes the stock market preeminently but also other speculative fields that create enormous amounts of profit.

5. Few, if any, economic historians concern themselves with the history of exploitation. Nevertheless, exploitation has been a reality throughout the history of American capitalism. Based on the creation of workplace advantage for employers, exploitation characterized colonial tobacco production and textile mills, as it did the increasingly automated factories of the end of the 20th century. Profitivity is a rough measure of exploitation; it grows during periods of weakening of union organization and of governmental protection of worker rights. The threat of discharge spurs workers to a faster pace of work (speed-up) and an extension of worker responsibility (stretch-out). Economic historians, however, have not measured the operation of these factors throughout long periods of time It seems quite likely that exploitation in whatever form is accentuated during periods of general unemployment.

6. The core characteristics of American capitalism have not changed in a century. These are (1) private ownership of the means of production, (2) a social class structure of private owners and free wage earners which is organized to facilitate expanding accumulation of profit by private owners, and (3) the production of commodities for sale. Publicly-owned means of production such as plant and equipment constitutes a very minor part of productive capital in the United States. Land, much of it not very productive, makes up a great deal of publicly-owned capital. Through a long process of privatization and government subsidies, title to ownership of governmentally-owned property has been transferred to private persons and organizations. That process continues. In addition, certain products and services such as child care, once provided by the family or community, have now become commodities. This adds further urgency to seeking wage-work.

In addition to the above core characteristics, certain conditioning elements are present. Divisions of labor are created along lines of race and sex, which facilitate capitalist development. Labor supplies are assured through compulsions to work when labor incomes of one family member are insufficient to support family needs. At present, in about half of all families, husband and wife work full-time. Sources of capital to finance new machinery are developed by new industries such as venture capital and policies of existing financial institutions. National and other elections become avenues for translating economic into political power by election-campaign contributions. This facilitates strengthening of laws protective of private property. Government policies on education and training direct and redirect trained labor to emerging fields.

7. Progressively fewer persons are self-subsistent, outside the capitalist economy. To do so, they need to possess their own means of production and consume a minimum of commodities that are purchased from others. They are neither wage-workers nor employers. Small numbers of people live by begging. Their numbers are exceeded by institutionalized individuals, those who live in jails and prisons. About one in fifty American adults are prisoners. A lesser number are in the armed forces, and in a real sense, can be regarded as workers rather than as self-sustaining. Persons who are too ill or young or who care for other members of their families may receive support from governmental bodies. Their number is falling drastically as such programs are severely reduced. Around one-fifth of all children live in poverty; many do not have health or dental insurance. Growing numbers lack regular shelter or access to meals or schooling. More than a century ago, when American Indians were suffering the loss of their lands, they received reservations as a consolation. Today's poverty-stricken children, owning no lands or other assets that today's elites can acquire, lack reservations and dwell unconsoled.

8. Exceedingly few American students are taught the history of capitalism. Instead, textbooks devote a page or two to John D. Rockefeller, J.P. Morgan, Andrew Carnegie, and others. No mention is made of the emergence of a powerful capitalist class, which came to dominate—and still dominates—the American economy. The personal foibles of these robber barons receive a great deal of attention. Little or no mention, however, is made of the ways in which the barons and other capitalists initiated violence against their workers who wished to organize unions, or that they deliberately fomented racial and ethnic conflict among workers. This kind of "class warfare from above" is ignored. Only class warfare waged by workers is labeled as such. Apparently, the capitalist class is to be forgiven any form of social irresponsibility when acting in its own financial interest.

9. Racism has stabilized capitalism in the United States in two ways. First, it provided individual capitalist businesses with short-run solutions to worker movements for unionization. Second, it stimulated white workers to imagine that they shared class interests with white employers. In neither case did employer stratagems include the granting of genuine equality of bargaining with white workers. The purpose of racist artifice was not to award concessions to fellow whites but to create or perpetuate disunity among workers of different racial or ethnic groups. Employers sought to pay the lowest price possible for this advantage.

10. During the last quarter of the 20th century, the economic status of American workers deteriorated seriously. Family incomes, real wages, uncompensated productivity, unionization, fringe benefits, and others moved in directions disadvantageous to workers. An entire range of employment conditions destabilized: large-scale layoffs, longer spells of unemployment, less coverage of unemployment insurance, re-employment at lower rates of compensation, weakening of seniority rights, increase in strikebreaking through replacements, and crippling of affirmative action.

Most serious, however, was the worsening of a number of trends in the health of workers. These included the expansion in the number of workers not covered by health insurance. Excess deaths became more common among both minority and white workers. During most of the post-1945 years, the industrial accident rate rose. Trade unions constituted the single most consistent force for industrial safety and health. Corporate industry mounted effective offensives against legislative health proposals that would increase financial costs of production.

American industry continued its historic role of being among the least safe and healthful in all modern countries. It played a paramount role in defeating universal health insurance. At the workplace, the medical profession generally supported owners and managers of industry; physicians were employees of corporations and did not normally challenge their employers. Only isolated medical professionals and researchers acted otherwise but the force of their examples was far from negligible. Many medical researchers invested money in corporate health stock or received grants from companies in which they were stockholders. Relatively few medical journals required authors of research articles to state whether they had a financial stake in the company whose product was being researched.

11. Health and housing of poor and working Americans deteriorated over the last third of the 20th century. Many of these persons did not participate in the rising stock market of the 1980s and 1990s. Their real wages and family incomes lagged seriously in the same period. Even when unemployment dropped it did not make up for the deficits of previous years. People whose health and housing are deteriorating and whose incomes are dropping cannot be said to be living in "good times," no matter how well off others are or how much production has increased in their place of employment. Years of slender profits can be compensated by years of success; years of life lost to sickness, or early death, are final and irretrievable.