

*A Short History of American Capitalism*

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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 pre-eminently 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 unconsolated.

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 does—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 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.