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Aboloshing 21st Century Enslavement: Capitalism's Pattern of Labor Abuse During Economic Shifts and Restructuring (1840-Present), A Thematic Paper for the “Politics of Getting Labor to Support the Abolition of Capitalism” Session

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ABOLISHING 21st CENTURY ENSLAVEMENT: CAPITALISM'S PATTERN OF LABOR ABUSE DURING ECONOMIC SHIFTS AND RESTRUCTURING (1840-PRESENT)

A Thematic Paper for the "Politics of Getting Labor to Support the Abolition of Capitalism" Session
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I. INTRODUCTION

This paper re-examines and updates a controversial historical economic analysis, presented almost 45 years ago by Robert William Fogel[1] and Stanley L. Engerman in their "Time on the Cross: The Economics of American Negro Slavery (1974)." The authors purported their work has two main objectives: 1) to revise an erroneous, "traditional" characterization of the slave economy and myths about black slaves themselves and 2) to apply rapid advances in economics, quantitative statistics, applied mathematics and the availability of high-speed computers to analyze large data sets, to re-examine and better understand the institution of slavery.

While some academics initially hailed this work as the long-overdue application of the scientific methods of economics in the study of history, many critics assailed the methodologies, analyses, findings and conclusions.[2] Herbert Gutman, in "Slavery and the Numbers Game (1975)," challenged their use of limited data, incomplete and faulty assumptions, incorrect mathematics and insufficient measurements. Similarly and perhaps more importantly, Peter Kolchin in "American Slavery" (1993), states the economists did not fully consider the totality of costs (monetized and non-monetized) of slavery. As such, he concluded that while their work introducing more quantitative economic emphases into historical research was welcome and

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[1] Robert William Fogel received his Ph.d. from Johns Hopkins University and M.A. from Columbia University in Economics. He was an associate professor at the University of Chicago from 1964 until 1975, during which time he completed his most famous and controversial work, "Time on the Cross" in collaboration with Stanley Engerman, before leaving to join the Harvard faculty and work as associate researcher for the Nation Bureau of Economic Research in Cambridge, MA.

In 1993, Fogel received the Nobel Memorial prize in Economic Sciences "for having renewed research in economic history by applying economic theory and quantitative methods in order to explain economic and institutional change." In addition to his historical economic analysis of slavery in the U.S., he also employed similar quantitative methodologies in examining the impacts of railroads on economic growth, religious evangelicalism on egalitarianism and rapid technological change on human physiology, health and general well-being.

[2] Haskell, Thomas L. "The True and Tragic History of 'Time on the Cross.'" The New York Review of Books, Oct 2, 1975.

important, their book was a greatly limited and flawed, “flash in the pan, a bold but now discredited work.”

The harshest and loudest criticisms and protests of “Time” however, came from academics, civil- rights activists and racial-equality advocates, who viewed the work as an outrageous act of revisionism, deprecation of the horrors and a new justification of the institution of slavery and racial prejudice. Fogel and Engerman, however, argued that their findings merely showed that the “traditional” view of slavery, one written by mostly southern historians, was incorrect.

They asserted that the slave-based economic system was actually more economically efficient, productive and profitable than “free man” agriculture; and that slavery had reciprocal economic benefits for both slave owners and slaves. Their quantitative findings, they claimed, showed that owners expropriated far less than presumed, and that a slave received approximately 90% of the income they produced, if the value of the housing, food and other benefits received, were part of the calculations. Overall, they concluded, slaves lived as well or better in material terms, than did free farmers or urban laborers.

While Fogel’s findings and conclusions were at the time reviled, as providing an economic rationalization for the benefits of slavery, by demonstrating superior or favorable comparisons with rural and urban wage labor, our research orientation has a different emphasis. Rather than focusing on how relatively “good” living conditions and outcomes were for slave laborers, we view the findings more as an indictment of just how “bad” or even horrific, were the conditions for free wage workers under the 19th century capitalist system in the U.S.

Our working paper will use the above analyses and criticisms of Fogel’s study 45 years ago, as a “jumping-off” point to examine the relative economic outcomes and living conditions of today's 21st century "working and middle-class" persons and disadvantaged minority groups. In our current era of continuously-growing income and wealth inequality, we believe a comparison of 19th through 21st century laborer outcomes and conditions (based on Fogel's initial measures of well-being),[3] would be worthwhile and perhaps reveal certain patterns in capitalism that are not fully-recognized. Such patterns and may be revealing and important in developing new political and policy initiatives, especially in the context of the "abolitionist" theme of 2018 SSSP annual meeting.

When more than 50% of all persons in the advanced economies of the U.S. and Europe, essentially have either zero or negative assets (net worth),[4] a crucial, basic research question we pose and will attempt to answer, is, "Are most laborers and wage-earning persons today, actually caught and enslaved in an intentional system of perpetual class exploitation?" It is our hope that our findings will be useful, as scholars and the broader society envisions and considers, ways to not only ameliorate, but to actually abolish poverty and the myriad, related social problems that continue to plague all of mankind.

ORGANIZATION OF THIS REPORT

Chapter II presents an overview of the political-economic context and important outcomes of U.S. capitalism, focusing primarily on the 20th century through the present day. This discussion of outcomes will also include a brief summary of current social-problems, living conditions and well-being, based on <u>comparisons</u> of the <u>critical measures of changes in outcomes</u>

[3] The comparisons of Fogel's 19th century findings with current living conditions and economic outcomes, will make use of findings in our working paper presented at last year's SSSP annual meeting, entitled, "A 'Not-So-Radical' Urban Political-Economic Narrative." Our research examined 90 economic, living condition and well-being variables and outcome measures, making longitudinal comparisons between 1977 and 2017.

[4] Piketty, T., & Goldhammer, A. (2014). Capital in the *Twenty-First Century.* Cambridge Massachusetts: The Belknap Press of Harvard University Press.

for poverty and other related urban crises between 1977 and 2017.

In Chapter III, Section A, we re-examine Fogel and Engerman's (1974) comparison of slave and free-market labor conditions and outcomes, focusing primarily on changes resulting from the post-Civil War economic shift and restructuring, that occurred as the U.S. transitioned from an agricultural to a manufacturing economy. In Section B, we conduct a similar examination and analysis of modern labor conditions and outcomes, as the U.S. transitions from a manufacturing to a services-based economy during the 20th century through the present day.

In Section C, we make comparisons of the two major shifts and restructurings of the U.S. economy presented in the previous sections. As part of our analyses, we seek to determine whether there are discernable patterns present in both great shifts in the capitalist system of production, and the impacts they have had, and continue to have on workers, their families and communities.

Finally, we make recommendations of changes and actions to improve the conditions and outcomes for workers, especially to ameliorate or eliminate, the most negative impacts produced by the operation of the U.S. capitalist economy.

II. POLITICAL-ECONOMIC CONTEXT OF WORSENING U.S. SOCIAL PROBLEMS

In our working paper prepared for last year's SSSP annual meeting, "A 'Not-So Radical' Urban Political-Economic Narrative: Transforming Failed Liberal and Conservative Approaches to Poverty and Related Social Problems," our principal research findings showed an overall major worsening of social-problem conditions in the U.S. between 1977 and 2017. In looking more closely at these findings, we determined that the deteriorating conditions were especially prominent in the areas of poverty, education, health and well-being, unemployment and housing/neighborhood conditions and segregation.

Perhaps more importantly, we also discerned a pattern that the most important problem areas were those related to growing socio-economic disparities in income and wealth in the U.S. In this chapter, Section A provides a summary of our longitudinal variables, comparisons and outcome measures. In Section B, we identify the long-term socio-economic disparity trends that create and exacerbate poverty and the related social problems we face today. Finally, in Section C, we employ our findings and evidence to determine the most valid political-economic theoretical narrative (conservative, liberal or "radical"), by which to address existing social crises and problems most effectively.

A. Summary of Socio-Economic Conditions and Social Problems 1977-2017

The main purpose of our working-paper was to provide evidence to help determine the relative validity of liberal, conservative and (what was then termed) "radical" theoretical, political-economic narratives, as described by author and researcher David M. Gordon in 1977.[5] To do so, we re-examined and made 40-year longitudinal comparisons of the most-important 60 socio-economic variables and outcome measures that Gordon had used in his work.

[5] See "Problems in Political Economy: An Urban Perspective," by David M. Gordon (1977).

Our longitudinal comparisons were grouped into the following seven (7) major categories: poverty, health-care and well-being, employment, racial and class disparity, education, crime and mass incarceration and housing, neighborhood and living conditions. Based on the detailed analyses of these broad data sets, we then determined whether the comparisons showed positive or negative changes for each variable, and whether the magnitude of the change was either "major" or "modest."

As one might expect in an examination of such a broad range of variables covering seven different social-problem areas, we obtained mixed results. Overall, however, the totals reveal and major worsening of socio-economic conditions and outcomes during the past 40 years, as shown in Table 1.

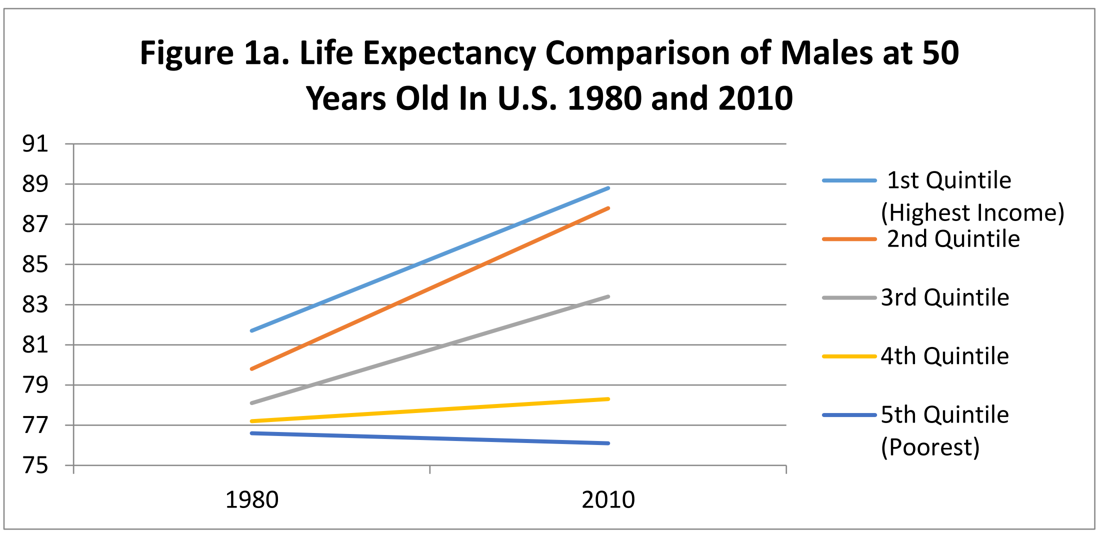
Table 1. Social-Problem Variables/Outcomes: Positive, Negative or No Change 1970s-2010s

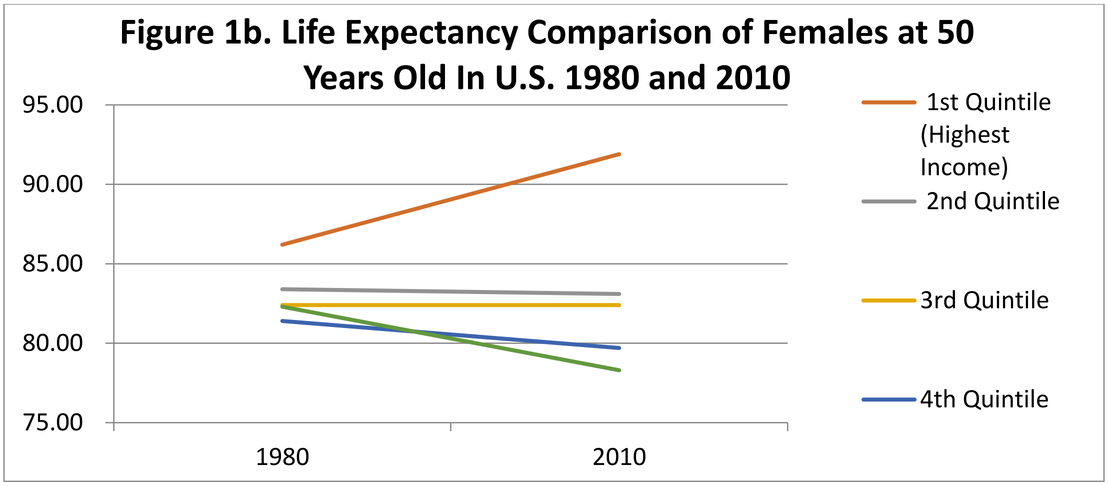
Magnitude of Change	Positive or Improving (+) Conditions	Negative or Worsening (–) Conditions	No Significant Change (∅)	Net Total Change
Modest Change or No Change (+, –, ∅)	**14 (+)**	**16 (-)**	**5 (∅)**	**2 (-)**
Major Changes (++, --)	**7 (++)**	**18 (--)**	**n/a**	**11 (--)**

Source: R. K. Piper & Minshuai Ding. *A 'Not-So Radical' Urban Political-Economic Narrative: Transforming Failed Liberal and Conservative Approaches to Poverty and Related Social Problems.* Working paper, 2017.

Detailed descriptions of the 60 variables and outcome measures were presented in last year's paper, but here below (for the sake of clarity and brevity) we provide three examples from that examination, of some of the most-compelling evidence of deteriorating conditions and worsening social problems identified, especially those impacted by increasing income and wealth inequality.

1. Health-care and Well-Being. Despite narrowing race gaps in health outcomes, the gap between social, income and wealth classes is widening significantly, and sometimes dramatically, according to the latest data provided in the recent government report, "The Growing Gap in Life Expectancy by Income: Implications for Federal Programs and Policy Responses." As shown in Figure 1a. below, from 1980 to 2010, male life expectancy at age 50 of the poorest quintile decreased by 0.5 years (76.6 vs. 76.1), while the richest quintile grew by 7.1 years (81.7 vs. 88.8). The gap between first and last income quintiles of males grew from 5.1 years (81.7 vs. 76.6) to 12.7 years (88.8 vs. 76.1).





Source: National Center for Health Statistics, *Natio*nal Vital Statistics Reports; and Home, C. P. O. P., Mission, C. P. O. P., & Staff, C. P. O. P. (2015), *The growing gap in life expectancy by income: Implications for federal programs and policy responses*.

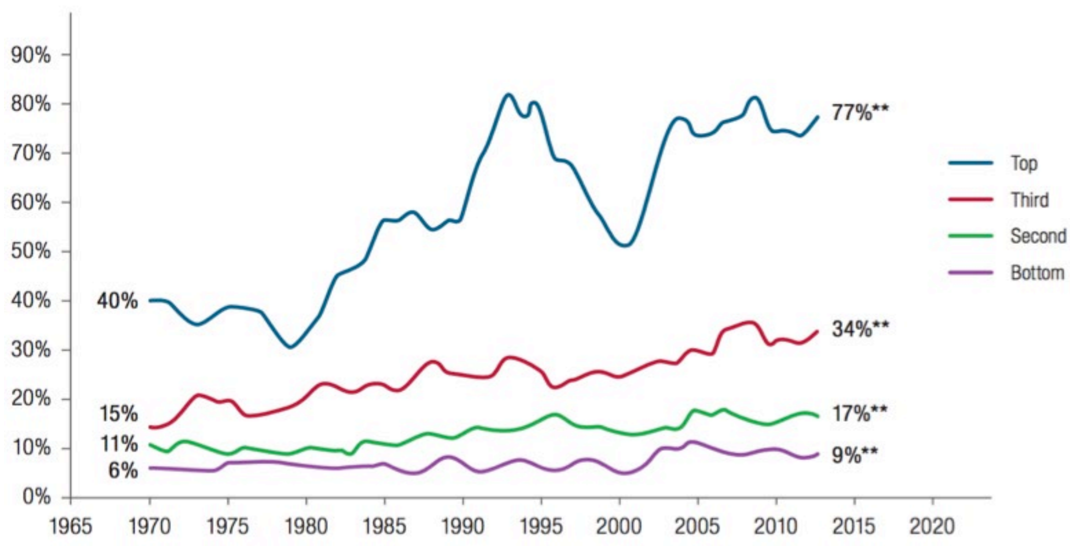
During the same period (see Figure 1b below), female life expectancy at age 50 of the poorest quintile decreased by 4 years (82.3 vs. 78.3), while the richest quintile grew by 5.7 years (86.2 vs. 91.9). The gap between first and last income quintiles for females grew from 3.9 years (86.2 vs. 82.3) to 13.6 years (91.9 vs. 78.3). This pattern was not exclusive to differences between just the richest and poorest segments of the population, as shown in both Figures 1a and 1b, the life expectancy gaps between virtually all quintiles, both males and female, expanded and increased in favor of the higher income group over the next lower.

2. Education Outcomes. In Gordon's era, the educational gap between the races in America was actually a canyon. According to U.S. Department of Commerce, Bureau of the Census, even in 1980, 71.9% white people had completed high school or higher, while only 51.4% of blacks and 44.5% Hispanics had done so. In the same year, 18.4% whites had four (4) or more years of college education, while only 7.9% Blacks and 7.6% Hispanics had reached the same level.

By 2014 however, the racial education achievement gap at the high school and higher level has significantly narrowed. Today, 88.8% of whites and 85.8% of blacks have completed high school or higher. In higher education, however, wide racial and ethnic achievement gaps remain. Despite some racial gap improvement since 1980, by 2014 almost one-third (32.3%) of whites completed four (4) or more years of college, while only 22.2% of blacks and 15.2% of Hispanics had reached the same level.

As shown in Figure 2, the educational gaps between socio-economic class strata are much more pronounced and widening. According to a report by The Pell Institute (2013), individuals

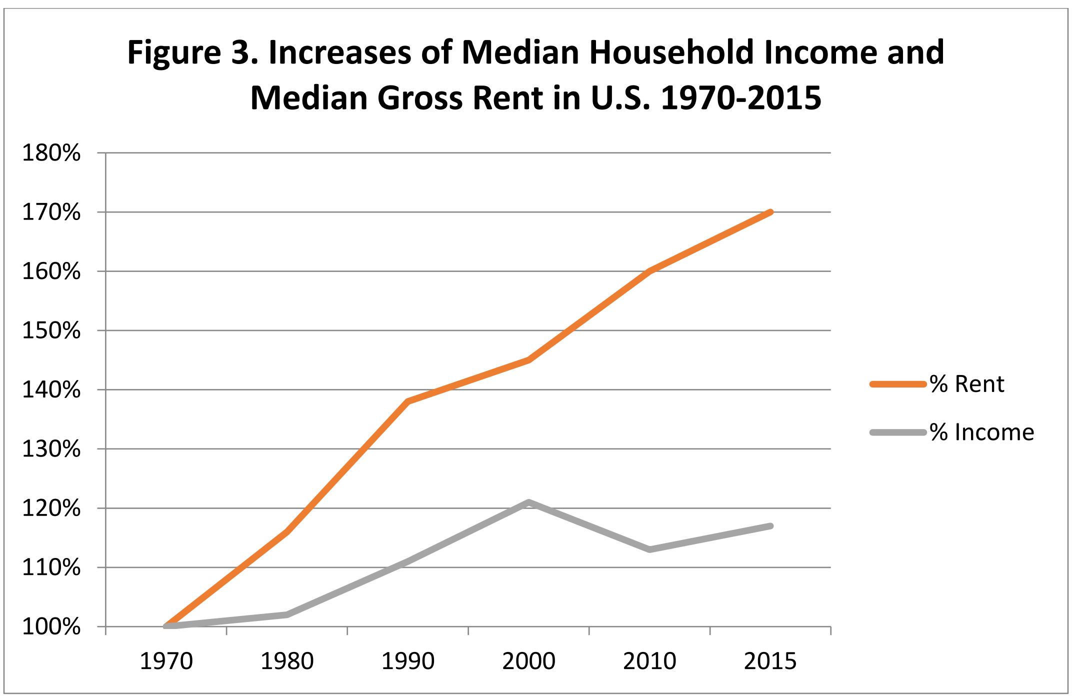
Figure 2. College Degree Attainment by Income Class



Source: Cahalan M, Perna L. *Indicators of Higher Education Equity in the United States: 45 Year Trend Report*, Pell Institute for the Study of Opportunity in Higher Education, 2015.

from the highest-income quartile families were more than eight times (8+ x) more likely than individuals from lowest-income quartile families to obtain a bachelor's degree by age 24 (77% vs. 9%). This huge income gap among the parents of those who obtain bachelor's degrees is not only quite large (68 percentage points!), but is also, surprisingly, greater than it was 43 years ago. In 1970, students from highest-income quartile families were "only" 6 times (6x) more likely than those from lowest quartile families to have earned a bachelor's degree by age 24 (40 percent vs. 6 percent, while today those proportions have grown to 77% to 9% respectively).

3. Housing, Neighborhood and Segregation Outcomes. In 2017, black homeownership ratio is only 59.5% of white levels, meaning that the white-black homeownership gap has slightly widened since 1970, when the black rate was 62.3% (black 41.6% vs. white 66.8% in 1970) of the white rate. As for affordability, during the past four decades, the growth in rent costs has far exceeded stagnant income growth. According to the authors' calculation based on the Bureau of Census data from 1970-2015, as shown in Figure 3 below, the median gross rents in the U.S. have grown by 70%, while the median household income increased a paltry 17%.

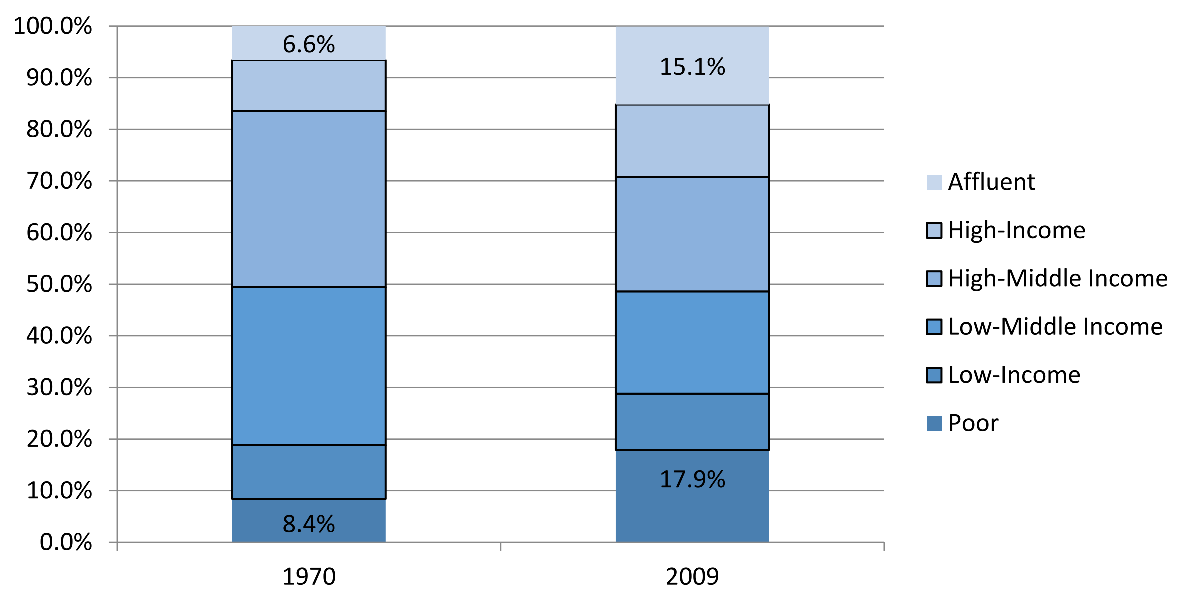


Source: U.S. Census Bureau. Census of Income and Housing 1970, 1980, 1990, 2010, and 2015.

While the racial gaps in housing remain wide, the gaps between and among income classes in urban and suburban neighborhoods have shifted significantly, according to a recent report by researchers of Russell Sage Foundation. The report found a steady decrease in the proportion of families living in middle-income neighborhoods during the period 1970-2009. Interestingly and significantly, the researchers also found corresponding increase in the number of families in neighborhoods at the extremes of the neighborhood income distribution.[6]

In 1970, almost two-thirds (64.7%) of all families lived in middle-income neighborhoods (neighborhoods in the two middle categories depicted in Figure 4 below); but by 2009, only 42.0% families lived in such neighborhoods. Alarmingly, middle-income neighborhoods had shrank by over a third (about 35%).

Figure 4 . Proportion of Families in Income Neighborhood, 1970-2009, 117 Metropolitan Areas with Population > 500,000



Source: Bischoff, Kendra, and Sean F. Reardon. "Residential segregation by income, 1970-2009." *Diversity and disparities: America enters a new century* 43 (2014).

During the same period, the proportion of families living in affluent neighborhoods more

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[6]The study, "Residential segregation by income, 1970-2009," examined neighborhood family distribution by income groupings in 117 U.S. metropolitan areas with populations greater than 500,000.

than doubled from 7% in 1970 to 15% in 2009. Likewise, the proportion of families in poor neighborhoods also doubled, from 8% to 18%. In other words, in 1970 only 15% families lived in the one of the two extreme types (either rich or poor) of neighborhoods; by 2009 that number had more than doubled to 33% of all families.

B. Income and Wealth Inequality Impacts on Social Problems

In chapter 1 of his book, Gordon notes the extremely stable pattern of distribution of total income in the U.S., to a pyramid-shaped population of Americans with a few owners at the top and multitudes of workers at the bottom. As generally accepted by economists in Gordon's era and beyond, this pattern occurred in generation after generation during the past 200 years. In this cycle, the top 10% of the population has historically received about one-third (30-40%) of the total national income, while the bottom 90% comprised of middle and lower income workers, split the remaining two-thirds (65%) share in wages (Hymer, Roosevelt, 1972).

This "traditional" proportionality held true for the top 10%, Gordon observed, who received 32.69% of all income in 1977, but that by today (2015) their share has grown to about half (48.79%), while the bottom 90% of the population only received the other half (51.21%)!

Important new findings, by economist Thomas Piketty (2014)[7] however, show that the generally accepted, centuries old split of two-thirds (67%) for wage laborers at the bottom and one-third (33%) for capital owners at the top, has actually varied widely, especially during the 20th century. As Figure 5 below shows, the share of income going to the top 10% rose from over 40% in 1910 to almost 50% in 1929, just before the stock market crash that marked the beginning of the 1930s Great Depression.

[7] The more-accurate data employed by Piketty in his "Capital in the 21st Century" rely on actual tax-records, rather than survey data such as that collected and used by the U.S. Census bureau to compile income information.

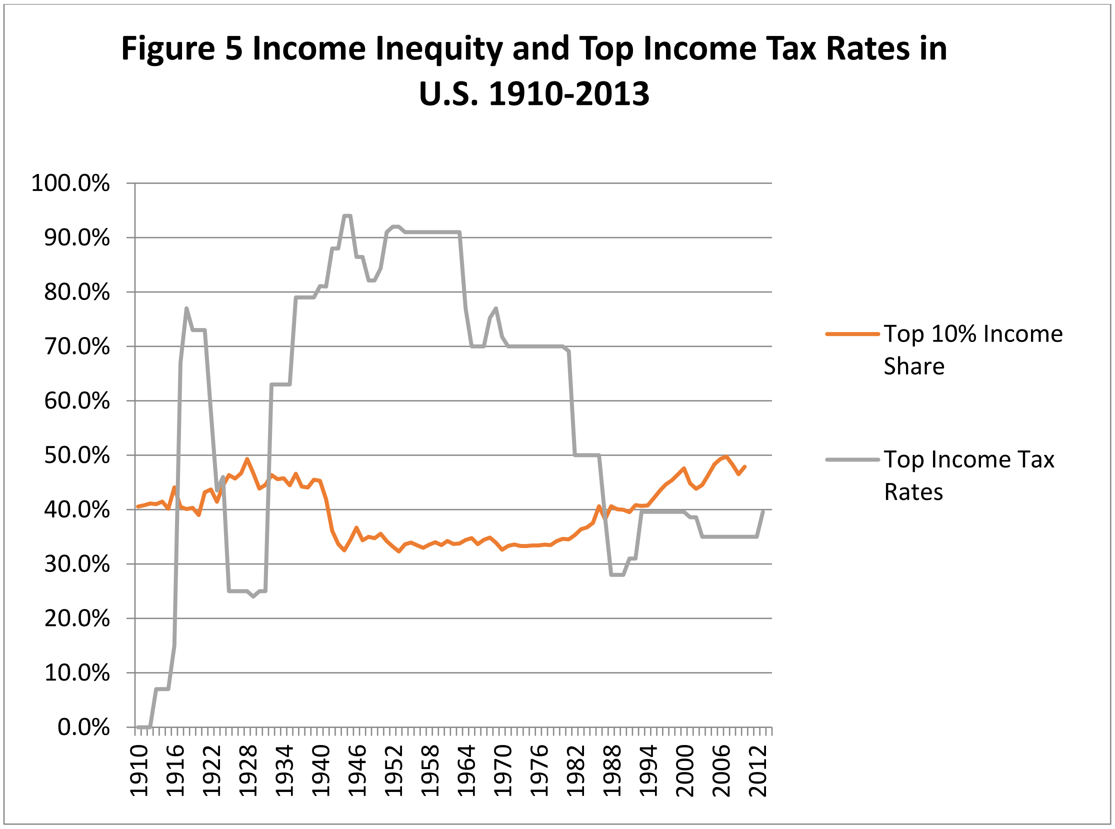


Figure 5 Income Inequity and Top Income Tax Rates in U.S. 1910-2013

Source: R. K. Piper & Minshuai Ding. *A 'Not-So Radical' Urban Political-Economic Narrative: Transforming Failed Liberal and Conservative Approaches to Poverty and Related Social Problems.* Working paper, 2017.

Most importantly for our analyses, we see that during a period following World War II from 1947 to about 1980, the share of income going to the top 10%, remained relatively low, below 35%. Since 1980 however, due primarily to large tax decreases on capital gains and the favored treatment for the highest earners instituted by President Ronald Reagan's "Conservative Revolution," the share of income for the top 10% has continued to rise precipitously through the present day. In fact, this continuing rise in incomes for the highest earners in the U.S. has actually exceeded that of 1929, when in 2008 it soared to over the 50% mark! It is important to note here, that both times the total income level of the top 10% neared or exceeded the 50% level, the major economic collapses of the Great Depression and Great Recession immediately followed!

The declines in the incomes of the wealthy, starting in 1929, were partially the result of the crash in profits, capital devaluation, dividends and interest coinciding with the financial market collapse, but were also a result of a return in the U.S., to a highly-progressive federal income tax. This tax increase was imposed on the highest brackets to deal with the catastrophe of the Depression, for which, most Americans blamed the wealthy (and rightly so) and their speculative schemes to accumulate vast shares of "unearned" income.[8] As also shown in Figure 5, the marginal tax rates on the highest incomes rose from 8% in 1914 to 78% in 1918, to cover the costs of World War I (and then retreated to 25%), until the advent of the Great Depression.

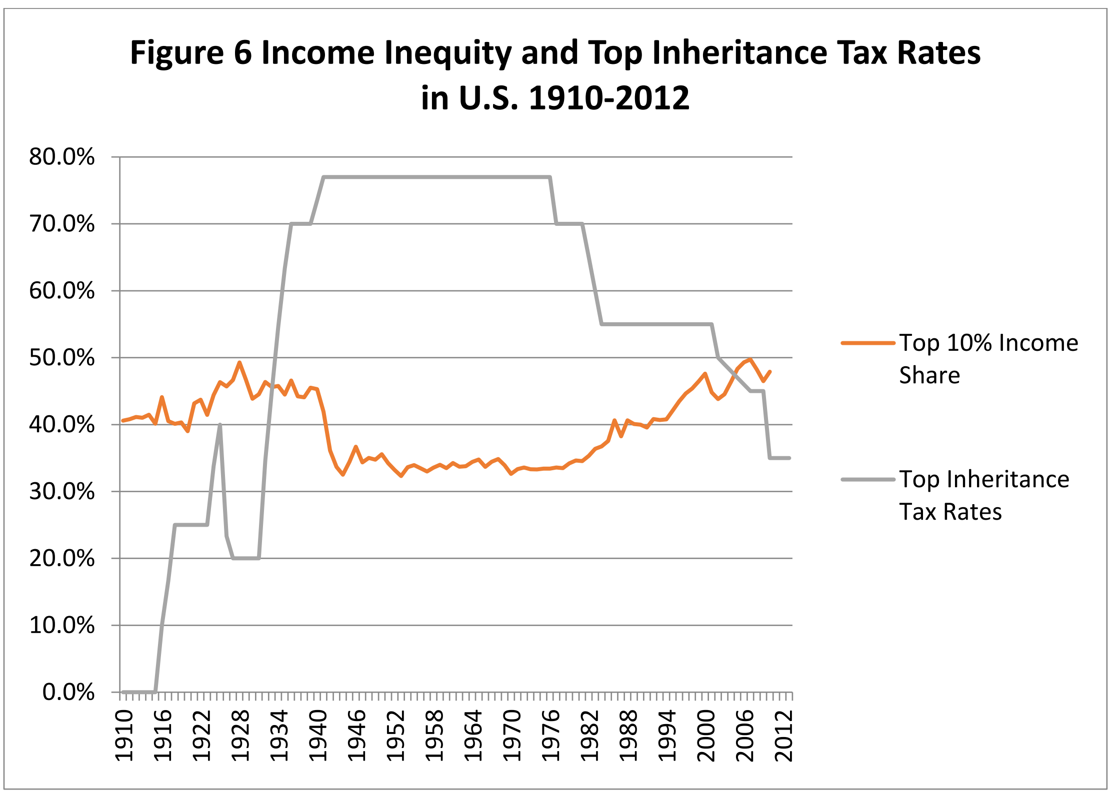
At this point, President Franklin Roosevelt increased income taxes on the wealthy several times once again, to 79% in 1936 and once more to 96% to cover the costs of World War II. The rates on the highest earners remained between 80 and 90% for the remainder of the 1940s, 1950s and mid-1960s, when lowered to about 70%. They remained at this level until 1982, when conservative President Ronald Reagan cut them to 50% and then eventually lowered even farther by his conservative successor during the term of the George H.W. Bush administration, to only 28% in 1988. Finally, neo-liberal President Bill Clinton raised them to about 40% where, with a few downs and ups, they remained, until President Trump and the Republican-controlled congress lowered them to a paltry and dangerous 22% rate in 2018.

1. Wealth Inequality Trends. Just as pertinent as income disparity, in terms of impacts on social outcomes, is the massive inequality in total aggregate wealth[9] in the U.S. The total wealth share of the top decile was about two-thirds (67.2%) in 1977, which proportion has now

[8] Unearned income refers to income derived from the ownership of capital (dividends, interest, capital gains, etc.), as opposed to incomes earned from paid labor.
[9] Total aggregate wealth or net worth refers to the total value of all capital and other assets (including cash, savings, ownership of homes and any other properties, businesses, stocks, bonds, retirement accounts, etc.).

grown to over three-quarters (77.2%). Correspondingly, the share of wealth by the bottom 90% of the population in the U.S. has dropped from a third (32.8%) in 1977 to, shockingly, less than one-quarter (22.8%) today!

Here once again, Piketty's research shows that the historical patterns of the wealthiest 10% owning the majority of all wealth in society has been the norm, at the start of the 19th, 20th and 21st centuries. The top 10% controlled between 60% of all wealth and assets in the U.S in 1810 up to an astounding 80% in 1910, declining once again during the period of the Great Depression and the two world wars to just over 60% by 1970. Since then, the wealth share of the wealthiest again (as with their incomes), has continuously been on the rise, to its current level of over 70% (77.2% as of 2012).



Source: R. K. Piper & Minshuai Ding. *A 'Not-So Radical' Urban Political-Economic Narrative: Transforming Failed Liberal and Conservative Approaches to Poverty and Related Social Problems.* Working paper, 2017.

As was also true with their incomes, the proportions of the ownership of wealth by the elite decile also steeply declined in the 20th century. These declines, once more, were primarily due to losses in the value of capital and the highly progressive inheritance taxation of estates, which were also necessary to deal with the catastrophic societal failures of the Great Depression and two world wars. Figure 6 (previous page) details the inverted U-shape of the progressive top inheritance tax rates, which grew from only about 2% in 1916 to almost 80% from 1942 until the late 1970s, when they began a long slide that had them at only about 35%, prior to the latest Trump cuts.

2. The Role of Income and Wealth in Creating Social Disparities. The relationship and distinction between income and wealth are of prime importance to furthering our understanding of how they are likely to be, influencing social-problem outcomes. Piketty's (2014) research begins an explanation by stating that, "….the inequalities with respect to capital [wealth/net worth] are always extreme." Specifically, while to top 10% of income earners generally receive about 35% of total income, the top 10% of the wealth distribution usually owns about 60% of all wealth.

Even more importantly, while the bottom 50% of wage earners always receive a significant share of total income (usually around one-third 33%), the bottom 50% of the wealth distribution owns virtually nothing, nothing at all or is in debt (i.e., has negative wealth) (0-5%).[10] In the U.S., which Piketty refers to as a "high inequality" country, the proportions are even worse, where the top 10% own over 70% (77.2% as of 2012) of all wealth and the bottom 50% only receives 25% of total income.

The massive advantage that the upper class (top 10% now owns over 70% of all wealth) has over both the middle-class (middle 40% owns <25%) and the lower class (bottom 50% owns

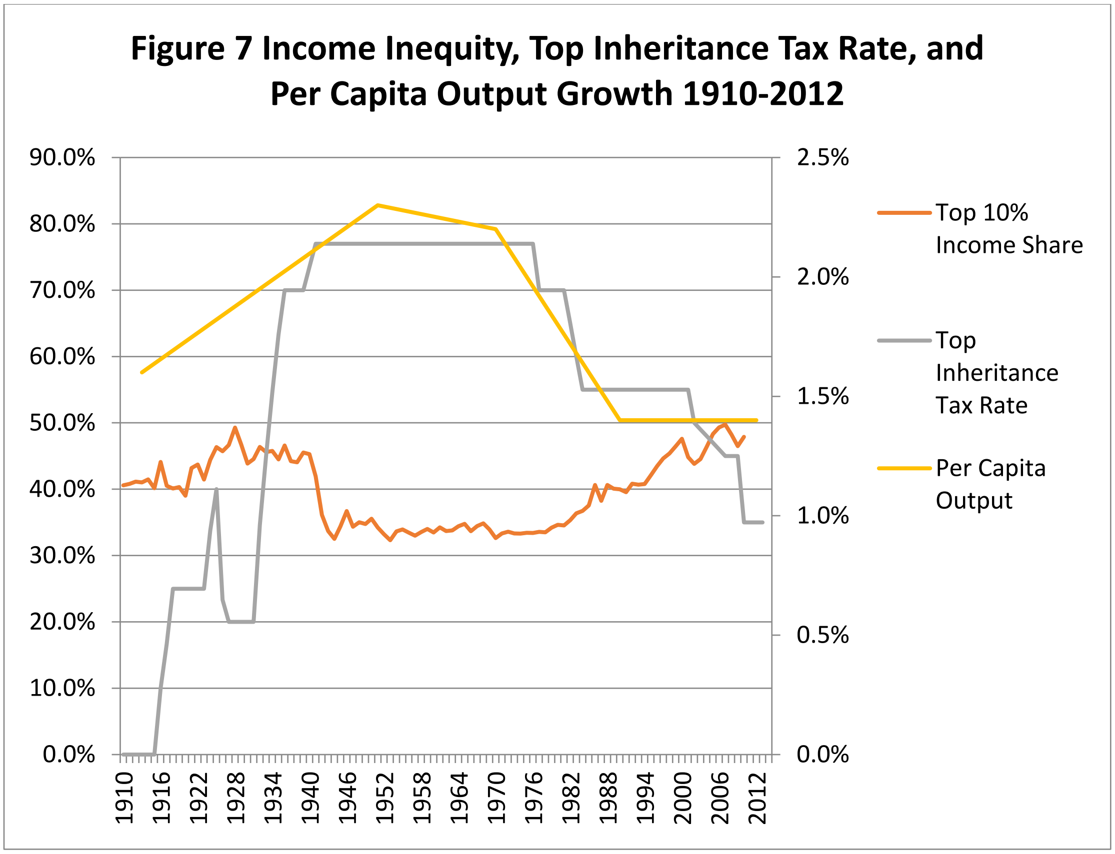
[10] Piketty's findings (2014) rely on use of data from actual tax records and include those from the major countries of Europe, Japan and the United States et al.

<5%), was partially noticed by Gordon et all 40 years ago, but the full extent and effects of this phenomenon are clearly evident today. The importance of inherited wealth, cannot be overstated according to Piketty, in creating a system of inequality that is self-reinforcing, growing larger, more unstable and dangerous with every passing day.

Basically, the unparalleled incomes of the top 10% and especially the CEO level salaries of the top 1%, have grown so large that they are able to live very comfortably on only a small portion of their incomes (sometimes less than 2%). This allows them to save and invest the remaining portion, which then grow at rates (usually averaging around 6-7% for large investors) which far outpace wage increases for the middle and lower classes.

Piketty also notes that this level of inequality is not an aberration as such disparities were the norm at the beginning of the 19th and 20th century, although the dominance of the top 1%-10% was broken by the State/government interventions to address the catastrophes of the Great Depression and two world wars. These interventions were progressive, extremely high income and inheritance taxes, combined with strict control and regulation of private sector activities, top salaries and wages to insure economic stimulation, stability and high productivity.

As a result, for the first time in history, inherited wealth and extreme income disparity between the upper-ownership class and relatively-poor workers, lost their dominant place in the U.S. economic system and culture (Piketty 2014). As shown in Figure 7, for the next 30 years, by retaining high inheritance and income tax rates, our country also enjoyed its greatest period of income and wealth equality, high economic output growth and the resulting creation of the first majority middle-class in world history.



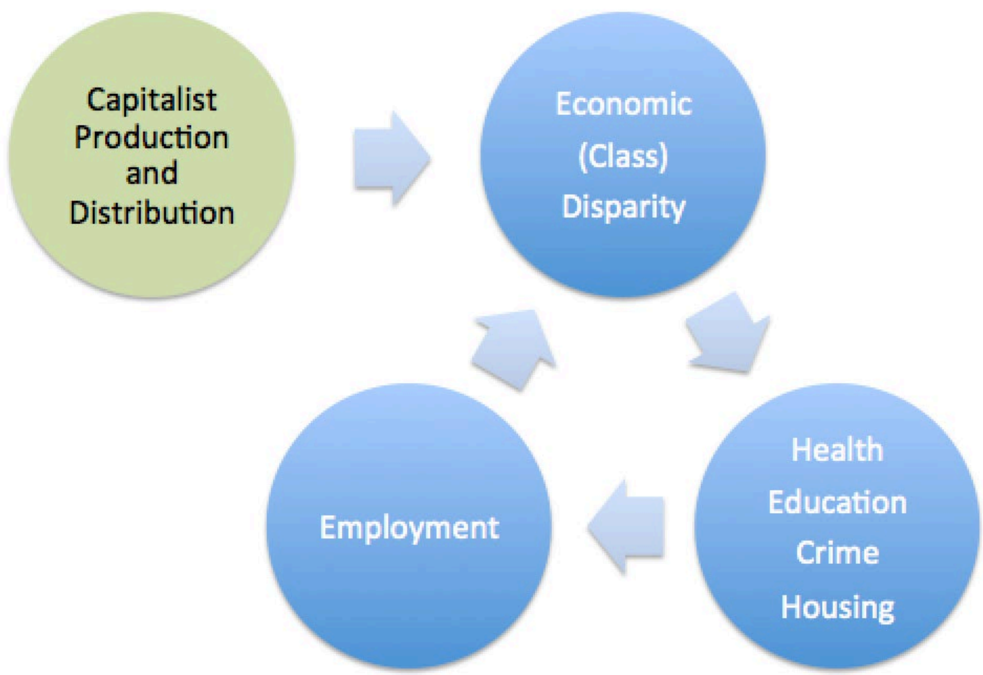
Source: R. K. Piper & Minshuai Ding. *A 'Not-So Radical' Urban Political-Economic Narrative: Transforming Failed Liberal and Conservative Approaches to Poverty and Related Social Problems.* Working paper, 2017.

Unfortunately, and perhaps predictably, since that time income and inheritance taxes on the wealthy have been slashed and we are once again at the peaks of both income and wealth inequality (for example, note the high top 10% income share and low inheritance tax rate in Figure 7 above). Concurrently and not unrelatedly, our middle-class is shrinking dramatically and becoming seriously less well off, while the bottom 50% is experiencing even greater struggles, worsening social conditions, few hopes for betterment and more extreme poverty.

3. Impacts of Inequality on Poverty and Social Problems

The rapidly growing <u>class divides in income and wealth inequality</u> are most <u>prominently manifesting</u>, as shown in our examination of 60 social-problem outcome variables, in concurrently increasing economic and worsening condition divides. Our research findings show these worsening outcomes based on economic-class divides in the areas <u>education, health, unemployment/underemployment, declining middle class neighborhoods, growing poor neighborhoods and increasing suburban poverty, among others</u>. Figure 8 below, illustrates the flow and principle of the worsening social-problem outcomes we identified (e.g., in health, housing, underemployment, crime, etc.), arising from institutionalized economic disparities, which then further negatively influence other outcomes, in a continuing cycle of socio-economic stagnation and decline.

Figure 8
Cyclical Flow of Economic Class Disparity Impacts on Social-Problem Outcomes



Source: R. K. Piper & Minshuai Ding. *A 'Not-So Radical' Urban Political-Economic Narrative: Transforming Failed Liberal and Conservative Approaches to Poverty and Related Social Problems.* Working paper, 2017.

C. Conservative, Liberal and "Radical" Theoretical Narratives of U.S. Capitalism

The totality of the evidence we presented, supports the contention of Gordon four decades earlier, that the "radical" theoretical narrative provides the best explanation and understanding of the poor and deteriorating socio-economic conditions and "realities" that are clearly visible today. The conservative and liberal perspectives both assume the current and continuing superiority of the existing dominant, capitalist system of production and distribution. Although they admit the existence of economic and social problems, they do not propose or support remedies outside the present capitalistic political-economic arrangement, which has generated and maintains the status quo efforts to address them.

Our main conclusion, therefore, is that the "radical" theory is more valid that either the conservative or liberal perspectives and is more relevant and necessary today than it has ever been.

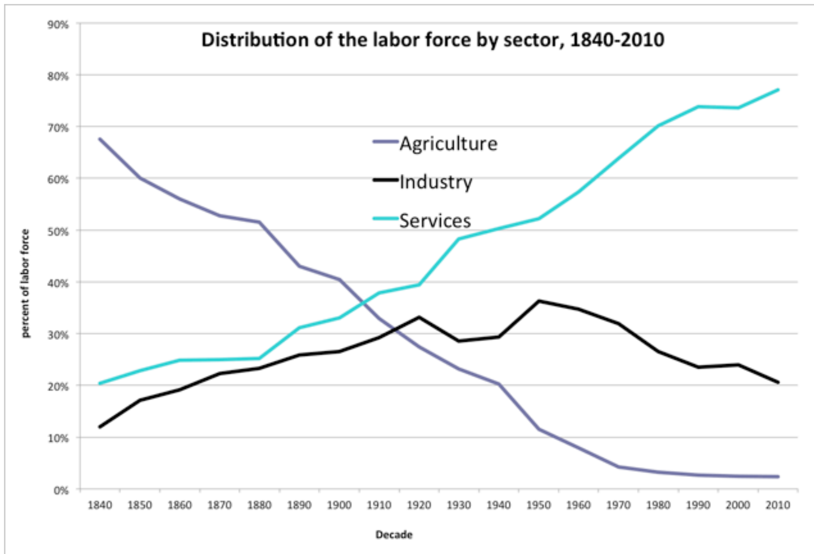
III. ECONOMIC SHIFTS AND RESTRUCTURINGS IN U.S. CAPITALISM

In the 150-plus years since the abolition of slavery, the economic and social gaps between black and white workers, have usually been portrayed as the sole consequences of the legacy of slavery and racial discrimination by most academics and commentators. While there is no doubt that racism and slavery bear a great responsibility for the disadvantages of today's black Americans, this interpretation understates the important influences of two (2) major economic shifts and restructurings that United States labor (including slaves), has experienced since the end of the Civil War.

Economists traditionally divide and classify economic activity into three major sectors: agriculture (including forestry and fishing), manufacturing[i11] (including mining and construction) and services (all activities not included in either agriculture or manufacturing.) Figure 9 below shows the distribution of the labor force in agriculture, industry and services from 1840 to the present. The dramatic decline in agriculture being most obvious and well understood: beginning in 1840 when it comprised roughly 70% of the labor force, agricultural employment fell to about 40% by 1900, and even more dramatically to only 10% by 1950 and remains at only about 2% today!

[11] We use the terms manufacturing and industry as synonymous and inter-changeable in this paper.

Figure 9. The Distribution of Labor Force by Sector, 1840-2010



Sources: See Louis D. Johnston. *History lessons: Understanding the decline in manufacturing*. Minnpost, 2012.Retrived from https://www.minnpost.com/macro-micro-minnesota/2012/02/history-lessons-understanding-decline-manufacturing

1840–1900: Robert E. Gallman and Thomas J. Weiss. "The Service Industries in the Nineteenth Century." *In Production and Productivity in the Service Industries*, ed. Victor R. Fuchs, 287-352. New York: Columbia University Press (for NBER), 1969.

1900–1940: John W. Kendrick, *Productivity Trends in the United States*. Princeton: Princeton University Press (for NBER), 1961.

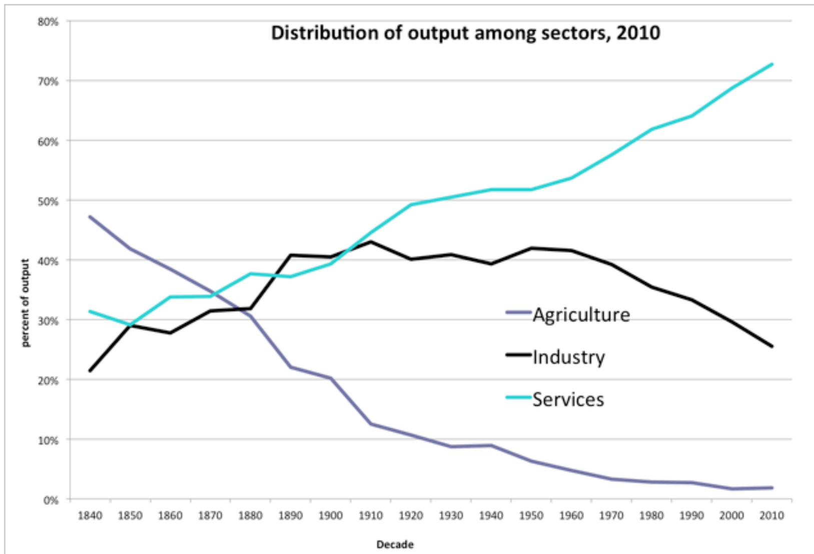
1950–2010: Bureau of Economic Analysis, National Income and Product Accounts.

Employment in the manufacturing sector however, was continuously growing and developing from the 1840s until the economic crash in 1929. After a strong but short resurgence following the Great Depression and the WWII, manufacturing reached a turning point, when another major economic shift and restructuring emerged (from a manufacturing to a services economy). Since that time, the relative share of employment in the manufacturing sector has also continued to decline, gradually drifting lower and lower than service sector.

As is not commonly known to lay persons and the public, the service sector surpassed agriculture labor-force share (also shown in Figure 9), in the early 1900s (earlier than did manufacturing). Even more surprisingly, the service sector employment has always exceeded manufacturing employment throughout American history, the narrowest gap between the two sectors occurring in 1880.

A similar relationship in economic output over-time also exists, between the agricultural, manufacturing and services sectors. As shown in Figure 10 below, the agricultural sector also originally accounted for the largest share of output, but services caught up and exceeded agriculture by the 1880s. The output ratio of the manufacturing sector doubled between 1840 and 1910 (when it surpassed the services sector for a short time), but then began shrinking after 1950 and has continually declined since. Since 1910, services industries have dramatically increased their relative share of economic output, while both agriculture and manufacturing have declined proportionately.

Figure 10. The Distribution of Output among Sectors, 2010



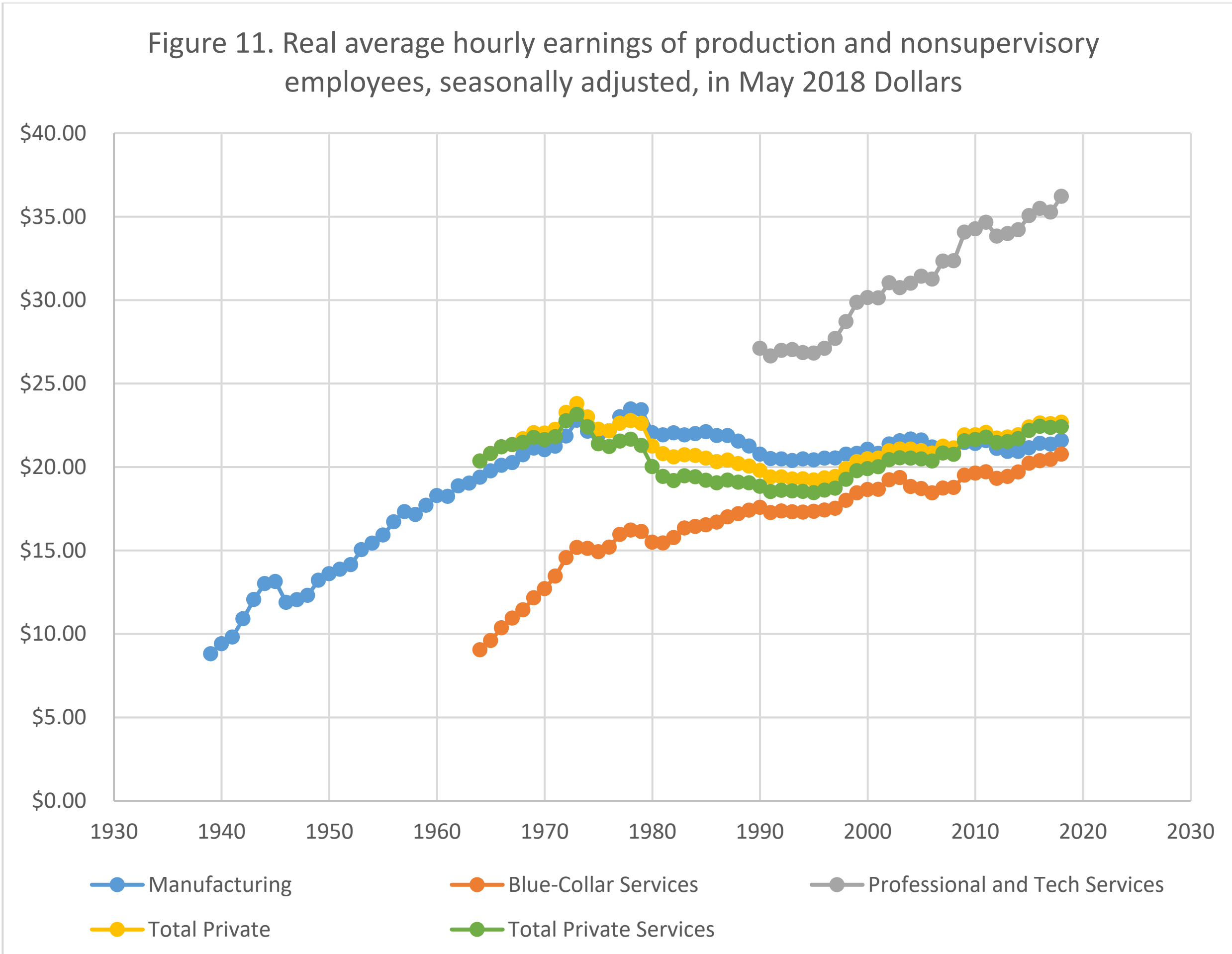
As can be seen in both Figures 9 & 10, in terms of labor share and economic output, two major economic shifts and restructurings are identifiable. The first shift is the long agricultural sector decline, which commenced long before Civil War and continues even today (1840-present); the second is the decline in manufacturing as a share of employment and output, beginning in 1950 continuing to the present.

While most researchers and commentators emphasize the declines in agriculture and manufacturing, however, they often fail to note with equal importance, the contrary, historical great growth and development of the service sector. This sector perhaps, has not always been taken seriously, due to its lower societal status, high liquidity and perceived instability. It is also extremely important to also note here, that this sector has always been quite heterogeneous, both in terms of types and categories of services and wages paid, the latter growing much more extreme in the last 40 years.

According to the BLS data (See Figure 11), from the perspective of hourly earning, the most eye-catching phenomenon is the continuous increase in manufacturing compensation for at least half a century after the first economic shift. At this stage, the blue-collar service industry cannot compare with manufacturing.

Since the second economic shift in the 1970s, manufacturing has experienced a small trough and has never recovered to its former peak. Exactly from this era, the gap between manufacturing and services has gradually narrowed and becomes almost equal at present. Since the 1990s, professional and technical services have begun to soar, rising far away from other industries.

Considering the rapid decline in employment of manufacturing during the same period (Figure 9), we can reasonably speculate that a large number of laborers, who were originally engaged in higher-paying manufacturing work, were squeezed into services, and their real pay has not risen in the past 40 years.



Source: U.S. Bureau of Labor Statistics.

A. Consequences of the Shift from an Agricultural to Manufacturing Economy

In their classic, historical economic work "Time on the Cross: The Economics of American Negro Slavery," Robert Fogel and Stanley Engerman (1974) demonstrated, contrary to academic and popular understandings at the time, that slavery was an economically efficient and rational capitalistic system. Similarly, they showed that many historically propagated myths, for example, that black slaves were incompetent or lazy, were completely incorrect and that they possessed the same (if not better) work ethics and abilities as whites.

Traditional academic and economic narratives often define “slavery” (forced labor) and free-market (capitalist) wage labor as two distinct entities. As the word "emancipation" itself implies, slaves were “freed” from the shackles of unpaid servitude as property of other human beings. In this perspective, the former is sinful, tyrannical, inhuman treatment, while the latter is humane, peaceful and fosters prosperity and hopeful prospects for the future.

Additionally, Fogel and Engerman contradicted popular assumptions that slave-labor capitalism was inefficient and inferior to free-market wage labor, by showing that slavery introduced economies of scale to the plantation and provided a viable and sustainable mix of labor and capital, on purely economic grounds. The significance of their research was in providing empirical economic and statistical evidence, to refute incorrect historical narratives and analyses, which lacked such evidence and therefore based on faulty assumptions.

They argued that one worst consequences of the traditional historical descriptions and interpretations of slavery, is that they neglected and misrepresented the true material conditions of black life, both as slaves and as freemen after the Civil War. By exaggerating the severity of living conditions, indicators of health and well-being and other outcomes under slavery, according to their empirical evidence (as incomplete and flawed as it may have been), any horrific social problems or living conditions that followed the abolition of slavery, were perfunctorily <u>conceptualized and evaluated as an improvement over pre-emancipation conditions.</u>

Fogel and Engerman challenged the traditional view (and rightly so) that abolition was a fundamental change in the well-being of black American slaves, based on empirical findings (despite certain methodological and validity problems which would later be revealed), which had not been incorporated into historical academic research prior to their work. These flaws, however, do not change the major findings of their study, that liberated blacks not only had little improvement in living conditions in general, but that the gap with whites gradually widened, which we show is continuing to this day!

In this regard, they pointed out three points: First, the abolition movement didn't eliminate racism, which squeezed the economic opportunities of black people by continuing to create derogatory narratives and institutions after the civil war. Second, both slavery and free labor were capital-driven economic structures and arrangements, created and maintained for the purpose of minimizing costs, maximizing profits and ensuring the continual accumulation of capital and wealth in the upper tiers of the elite, ownership class. Third, free labor and slaves may not be fundamentally different in terms of the living standards and many forms of exploitation the must endure to achieve the most basic living conditions, well-being and survival.

Fogel and Engerman inspired a rethinking of the abolitionist movement from the perspective of economic arrangements in order to find an explanation that would match the historical, socio-economic evidence they had uncovered in their research.
The following are other aspects and consequences of the first economic shift and restructuring, described by Fogel and Engerman and later researchers.

1. The Movement of Economic Interests & First Great Migration of Labor. The first structural shift from agriculture to manufacturing and services is clearly and firmed established in previous research. For example, using structural change models, Dempster & Isaacs (2014) abstracted the "watershed" shift of economic structure during the U.S. Civil War, when economies transformed from agricultural to manufacturing. They define the Civil War itself, as a regime shift that necessitated a structural movement of labor from Southern agriculture to Northern manufacturing.

The deterioration of the slave-based economy created an over-supply of labor and pushed black workers out of the Southern countryside, this movement known as the First Great Migration. The Great Migration was the movement of 6 million African-Americans out of the rural Southern United States to the urban Northeast, Midwest, and West between 1910 and 1970 (History.com Staff, 2017).

Shortly after the Civil War, large numbers of newly freed men and women left the plantations where they had served as slaves and moved to new areas, but most remained primarily in the South. Then, in 1879, roughly six thousand African-Americans caught "Kansas Fever" and migrated to Kansas, Iowa, and Missouri. This exodus to Kansas and other points in the Midwest, can be viewed as a prelude to the massive migration that took place near the beginning of the twentieth century because of the similar stimulus that provoked both groups' actions (Baskerville, 2011).

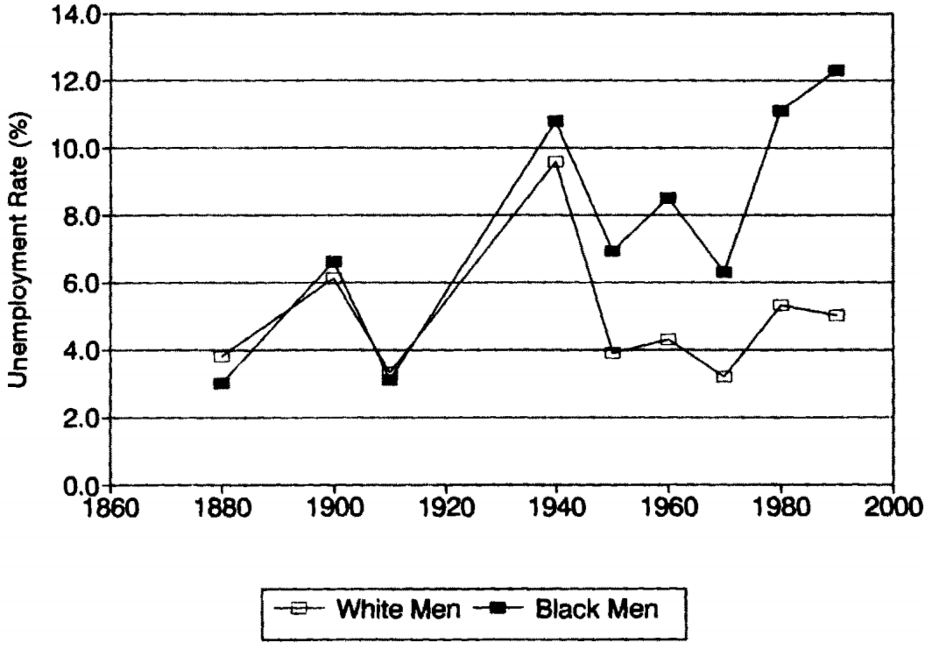
The large-scale migration, was triggered by the final decline of cotton planting. Between the years 1913 to 1915, many states in the South were experiencing an economic depression due to the falling price of cotton. Then, in 1914, the southern cotton industry experienced another catastrophic blow in the form of a tiny insect. The boll weevil emerged from eastern Texas to ravish the cotton crops in other cotton-growing regions throughout the South (Baskerville, 2011).

On the other hand, the First World War that began in Europe in 1914 had a "double-edged" effect on the industrialized regions of the United States (primarily located in the northern states). On one side, the hostilities among the European nations helped to increase production in the factories of the North; the war also effectively cut off the nation's supply of cheap immigrant labor. This labor shortage became even more critical when the United States entered the conflict in 1917. In need of affordable labor, northern industrialists began to recruit southerners (black and white) by offering free train tickets to destinations in the North and West (Baskerville, 2011).

The destruction of Southern farms and the sudden change in their employment structures and type of work put tremendous pressure on the black workers. The major consequences of this shift was the long deterioration of the southern economy and the Great Migration of African Americans, including the arduous hardships and high financial and social costs incurred by the liberated black workers (Meeker, 1976, 1977; Wright, 1986).

2. Racial Unemployment and Income Gaps. The outcome of the Civil War accelerated a shift in the Southern agricultural economy to a manufacturing economy, as had been well underway in the North several decades prior to the conflict. The shift was reflected in the emergence of the "racial unemployment gap" immediately following the abolition of slavery. In fact, the industriousness and versatility of blacks, understated in earlier accounts of slavery, left them with a slight advantage in employment after the Civil War, as shown in Figure 12 below.

Figure 12. The Emergence of Racial Employment Gap



Source: Fairlie, Robert W., and William A. Sundstrom. "The racial unemployment gap in long-run perspective." *The American Economic Review* 87.2 (1997): 306-310.

By 1880, the black unemployment rate nationwide was roughly one-half percentage point lower than the white rate. As the figure also shows, from 1880 to about 1900, the unemployment rate of blacks remained lower than that of whites. This slight advantage finally had disappeared by 1910, Fairlie and Sandstorm (1997) finding that literacy played an important role in explaining this “flipping of” the black-white unemployment rate gap during this period. The rate of literate blacks was 21.1% in 1870, while that of whites was 88.5%. By 1900 the black rate had increased to 55.5%, however that of whites was still nearly double at 93.8%% (US Census, 1979). The effect of the disparities in the literacy reflects that low skill was a major obstacle to black workers after the economic shift.

In addition, as Fogel and Engerman described, the skill composition of the black labor force in the south deteriorated. Blacks lost employment and income opportunities in many crafts, in which they had gainful employment during the slave era. Toward the end of the 19th and beginning of the 20th century, blacks were prevented by discrimination and law, from entering the new crafts that arose due to the changing technology.

In addition to the increase in unemployment, another major economic challenge blacks faced after the Civil War was the income gap between races. Fogel and Engerman found the gap between wage payments to blacks and whites, in comparable occupations, increased steadily from the immediate post-Civil War decades until the eve of WWII. Kenneth Ng and Nancy Virts (1993) found that in the United States as a whole, black income per capita was 34% that of whites in 1880. Even if blacks had earned the same income as southern whites, black income would have still been considerably below that of whites. Reliable estimates indicate the black/white income ratio was still as low as 47% in 1947.

Table 2 Impacts of Inequality on Poverty and Social Problems

		Southern Rural Labor Income[a]	Southern Rural Total Income[b]	Southern Total Income[c]	National Total Income[d]
Per capita Income	Black	$36.93	$ 40.01	$ 41.81	$ 48.17
	White	$46.93	$ 65.43	$ 80.79	$145.56
	B/W Ratio	.79	.61	.53	.34
Average Worker Income[e]	Black	$66.21	$ 71.73	$ 74.96	$ 86.35
	White	$74.62	$104.03	$128.45	$231.43
	B/W Ratio	.89	.69	.58	.37

Sources: See text.

Notes: [a]Southern Rural Labor Income is defined as the income earned by selling labor by farmers in the whole south.

[b]Southern Rural Total Income is defined as income of farmers in the rural South earned from selling labor plus rental income from ownership of land, implements, and workstock.

[c]Southern Total Income is defined average per capita income of all Southerners excluding income from savings.

[d]National Total Income is defined as national average per capita income excluding income from savings.

[e]Worker income computed by dividing per capita income by the share of black or white population over 15; .5578 of blacks were over 15 in 1880, .6290 of whites were over 15. Because age distribution data from the 1880 census is given in discrete 5-year intervals, little can be done about adjusting the wroker income estimates for different worker participation rates of whites and blacks. If workers are defined as those under 10 rather than under 15, the worker income ratios change to .86, .67, .56, and .36 for southern rural labor income, southern rural total income, southern total income, and national total income, respectively.

The low levels of black income compared to whites in the United States is shown in Table 2 above. As Kenneth Ng and Nancy Virts (1993) concluded, this was due, in order of importance, to the concentration of blacks in the South, low levels of accumulated wealth under slavery, the greater proportion of children in black families and the lack of black urbanization in the South.

3. Deterioration of Southern Economy and Challenges for Black Laborers.

Fogel and Engerman argued that the economic efficiency of the southern slave farms was not actually lower than that of the northern industry (as virtually all previous economists and historians had assumed and asserted). However, during and in the aftermath of the Civil War, the old, patriarchal, slave-based agricultural economic system in the South destroyed, while new economic structures for labor and capital were not yet established. The southern economy deteriorated to such an extent, that the so-called "black belt" is still the poorest region in the United States today. This deterioration is due to the shift of the industries and the corresponding moving of investment and economic interests.

Using data for a variety of occupations, Robert A. Margo (2002) documented that the Civil War occasioned a dramatic divergence in the regional structure of wages -- in particular, wages in the South Atlantic and South Central states, relative to the North, fell sharply after the War. The divergence was immediate, being readily apparent as early as 1866. It was also persistent: for none of the occupations examined did the regional wage structure return to its ante-bellum configuration by century's end.

As many blacks entered the wage labor market after the War, Margo found that compared with pre-war levels, nominal wages in the South fell sharply relative to the North in the immediate aftermath of the War, and such declines occurred for a broad range of occupations. While there was some recovery in the 1880s, agricultural distress in the 1890s led to further erosion in Southern relative wages. Using business establishment data from the 1850-80 censuses, Hutchinson and Margo (2006) demonstrate that manufacturing establishments in the South also experienced a sharp decline in capital intensity after the War, relative to establishments outside the region.

Industrialization was accompanied by urbanization. Urban housing and living conditions were also major impediments and social problems confronting blacks after the Civil War. Collins and Margo (2001) studied secular trends in racial differences in home ownership in the post-civil war era. African-Americans emerged from slavery with virtually no physical wealth, but by 1900, nearly 22% of African-American male household heads owned their homes. This is an impressive accomplishment, considering the initial conditions, having near zero wealth in 1870 in the immediate aftermath of the Civil War.

Over the next 40 years however, there was little overall change in either black or white homeownership rates, maintaining the disparity in the racial wealth gap. For blacks, homeownership rates did rise somewhat during the first decade of the twentieth century, but then fell back to earlier levels between 1910 and 1920. Urbanization played an important role in it. Being the migration from the rural South to the urban North; where both blacks and whites, living in central cities, were far less likely to be homeowners than those living elsewhere.

These inter-sectional consequences of the first economic restructuring, that is, the immigration to cities, deeply segregated communities, discriminatory employment and wages, along with the difficult living conditions in urban areas, clearly exacerbated the hardships of underclass communities during the first major economic shift in the U.S. Theses difficult circumstances and hardships resulted in an overall decline in many indicators of individual and collective health and well-being.

4. Regressions in Black Health, Life Expectancy and Fertility. Due to the combined effects of the above various factors, the situation of black people has gone from bad to worse after the Civil War. Historical data shows that from before the Civil War to the end of the Reconstruction, blacks had different degrees of regression in various basic health, well-being and living condition indicators. As Fogel and Engerman (1974) found, the life of blacks after the

Civil War "was not only more difficult and competitive, but, in certain respects, crueler than that which preceded it."

They found that the life expectations of blacks declined, as shown in Table 3, by well over 10% between the last quarter century of the antebellum era and the last two decades of the 19th century. Studies of the diet of black sharecroppers in the mid-1890s indicate that they were protein- and vitamin-starved than in the pre-war times as slaves. The health of blacks deteriorated, with sickness rates in the 1890s 20% higher than on slave plantations.

Another indicator of well-being related to the economic shift is apparent in falling fertility rates (see Table). American slaves were remarkably fertile, but black fertility started to decline sharply following the Reconstruction. By the eve of WWI, black birth rate had the decline in the proportion of black Americans in the U.S.

Table 3. Regressions in Black Social Indicators after the Civil War

Era	Women Fertility Rates	Life Expectancy	Blacks% in US	Blacks% in South
1850s	58.6	36	15.70%	37.30%
1910s	34.4	30	10.70%	29.80%

Source: Population data is retrieved from U.S. Bureau Census. Fertility rates retrieved from Meeker, E. (1977). Freedom, economic opportunity, and fertility: Black Americans, 1860–1910. *Economic Inquiry*, *15*(3), 397-412. Life Expectancy data see Meeker, E. (1976). Mortality trends of southern blacks, 1850-1910: some preliminary findings. *Explorations in Economic History*, *13*(1), 13.

B. The Consequences of the Shift from a Manufacturing to a Services Economy

The second economic restructuring, which began after World War II, was the result of a sharp divergence in the goods producing sectors (now including both agriculture and manufacturing) [12] and the service sector. Once again, the movement of economic investment and production processes triggered large-scale labor migration.

1. The Second Great Labor Migration. Since 1965, the “deindustrialization” of cities in the Northeastern and Midwestern United States has resulted in a great growth of jobs in the "New South." Lower costs of living, family and kinship ties and improving racial relations, have all acted to attract African Americans, whites and other groups to the South in substantial numbers. Economists, sociologists, demographers and other commentators have dubbed this the “New [or Second] Great Migration.”

Until 1910, more than 90 percent of the African-American population lived in the American South (Gibson & Jung, 2002). In 1900, only one-fifth (20%) of African-Americans in the South were living in urban areas (Taeuber, Taeuber, & Alma, 1966). By the end of the First Great Migration in 1970, only 53% of the African-American population remained in the South, while 40% lived in the North, and 7% in the West. In addition, the African-American population had become highly urbanized (inmotionaame.org). By 1960, of those African-Americans still living in the South, half (50%) now lived in urban areas, and by 1970, more than 80% of African-Americans nationwide lived in cities (Taeuber, Taeuber, & Alma, 1976).

As early as 1975 to 1980, several southern states posted net African-American migration gains, while in 2014, African-American millennial moved in the highest numbers to Texas, Georgia, Florida, and North Carolina (Allen, 2017). As they rise in the south, African

[12] As agriculture continued its relative decline after World War II, production of agricultural goods were increasingly included in most classifications and measures of manufacturing/industrial economic output.

American populations have continued to drop throughout much of the Northeast, especially from the states of New York and northern New Jersey (Frey, 2014).

2. Socio-Economic Disparities in "Inner-City Ghettos"

As occurred during the first economic restructuring, when many blacks were left behind in the southern black belt, many laborers and their families have been and are currently, being left behind in the inner-city ghettos during the second great migration. Just as before, their socio-economic situation, living conditions and well-being have generally deteriorated. William J. Wilson, provides a sociological perspective, with unique insights into the complex effects of economic restructuring on "inner-city ghettos."

Unemployment/under-employment, urban crime, drug addiction, out-of-wedlock births, female-headed families, poverty, welfare dependency and a host of other inter-sectional social problems, have all risen dramatically since post WWII (Wilson, 1987). Across the board, as shown in Table 4, these social issues clearly demonstrate an amazingly uneven distribution by race.

Table 4. Deterioration of Black Families After the Declining of Manufacturing

Era	Dual-Headed	Female-headed	Women Never Married	Out Wedlock Birth	Incarceration Rates
1950	78%	17.90%	20.70%	<20%	n. a.
1980	56%	40.20%	33.70%	56. 10%	1111
2010	28.00%	30.10%	45%	73%	3074

Source: U.S. Census Bureau.

The problems are heavily concentrated in urban areas, disproportionately plaguing racial and ethnic minorities in the urban underclass--a heterogeneous grouping of families and individuals in the inner city that are outside the mainstream of the American occupational system, which is at the very bottom of the economic hierarchy. The increasing rates of concentrated social dislocation presented, Wilson defines as “bad ghettoes” in the inner city, cannot be explained simply in terms of racial discrimination or in terms of a "culture of poverty.” Rather, the economic shifts and restructuring (including those of the first agriculture to manufacturing shift and subsequent migration of laborers) greatly contributes to the phenomenon, through complex and interrelated sociological and economic antecedents.

In “The Truly Disadvantaged,” Wilson (1987) argues that the resulting decline in living conditions, well-being and socio-economic class status, is primarily due to "basic economic changes, such as the withdrawal of large industries from inner cities during the 1970s, which radically altered the occupational structure of the central cities.” He found the changes in the economy posed serious problems for unskilled individuals, both in and out of the labor force.

Urban minorities have been particularly vulnerable to structural economic changes, such as the shift from goods-producing to service-producing industries, the increasing polarization of the labor market into low-wage and high-wage sectors, technological innovations, and the relocation of manufacturing industries out of the large cities. Heavily concentrated in central cities, blacks have experienced a deterioration of their economic position on nearly all the major labor-market indicators.

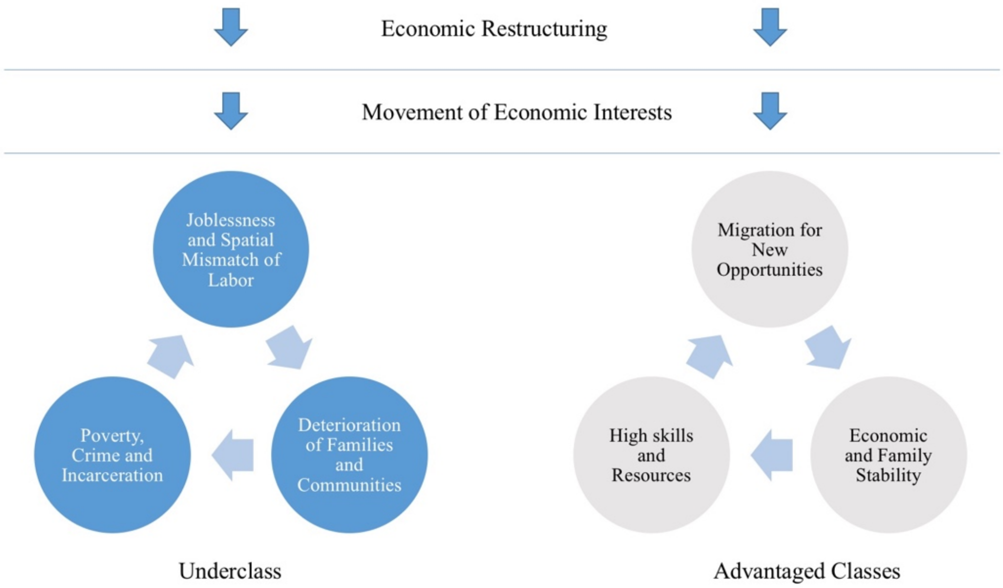
The shift in economic structure then resulted in the deterioration of living and familial conditions, as well as the attendant social problems (including high crime rates). This vicious cycle creates the “truly disadvantaged class,” being the result of a "spatial mismatch" or “inner city dislocation” (poor people are left behind in inner-cities) caused by economic shifts and restructuring in the system of U.S. capitalism.

In fact, this economic restructuring hurt not only black laborers and their families, but also many whites who have worked in urban industrial systems. As Wilson stated, the inner-city neighborhood has undergone a profound social transformation during the1970-80s, as reflected not only in economic class structure of ghetto neighborhood, but also in their increasing rates of social dislocation (including crime, joblessness, out-of-wedlock births, female-headed families, and welfare dependency).

3. Continuing and Compounding the Cycle of Growing Class Inequality and Disparity

Wilson's research demonstrates the negative impact of male unemployment on the entire inner-city underclass families and communities caused by economic restructuring. He further found the solid connections between the deterioration of black families and the doomed prospects of black male for stable employment. At the same time, the upper classes of laborers and owners were not negatively impacted nearly as much, if at all. The middle class and well-educated blacks left the inner-city communities when the economic structure and circumstances changed, leaving those truly disadvantaged people to stay in ghettos full of social problems. A vicious cycle as shown below in Figure 13, which explains the dynamic of the widening gap between classes in the contemporary context.

Figure 13. The Different Outcomes the Economic Restructuring Caused to Classes



This cycle begins with economic restructuring accompanied by a geographical movement of economic interests. During these changes, the underclass and the advanced classes have different consequences. The underclass has fewer opportunities in the new economy because of its low skill adaptability and weak ability to resist economic pressure, leading to more-serious joblessness. Further, joblessness contributes to the deterioration of families and communities, leading to poverty, crime, and youth education, with these social dislocations further reducing the economic opportunities of these underclasses.

In contrast, advantaged classes have better skill adaptability and economic resilience. Therefore, during shifts and restructurings, they can chase the new economic interests through migration, leaving the old communities to join the new ones. This reaction ensures the stability of their families and the quality of communities. It makes their family education, wealth and resources more advantageous, which result in better opportunities in the new economy.

Those who are in the working class and the lower layers of the middle class are not as vulnerable as the underclass but are also prone to losing their existing economic status and sinking down to lower classes. Only those who stand at the tip of the pyramid, the leaders of economic restructuring, can best adapt to and benefit from the new economy. This unequal sharing of the consequence of economic restructuring has led to different outcomes in different classes and communities, as discussed above and shown in Table 5 below.

Table 5: The Unequal Sharing of Benefits and Burdens of Economic Restructuring

SOCIAL CLASS	Skill Adaptability	Resilience to Economic Pressure	Chances in New Economy	Reactions to Economic Restructuring
Underclass	Low	Low	Low	Joblessness and Welfare Dependency
Lower Middle Class	Low-Median	Low-Median	Low	Unemployment, Entering Less Stable Jobs, or Declass Their Social Status
Upper Middle Class	Higher	Higher	Higher	Changing Careers, and (or) Migration for Opportunities
Upper Class	Highest	Highest	Highest	Leading the Restructuring and Gaining Benefits from It

C. Comparisons of Results and Outcomes of the Two Great Shifts and Restructurings

In our view, an important element of any abolitionist movement to end poverty and related social-problems, should include the contexts and effects of the dramatic changes produced by the two major economic shifts and reconstructions in U.S. history. In both cases, the resulting migrations of both financial investment capital and human laborers produces very predictable and continuing socio-economic patterns and impacts dislocated human laborers, the families and communities.

The two major economic shifts and restructurings produced economic growth and prosperity for some, but also left the United States saddled with major social costs and problems. The first shift created a very poor southern "black belt" and later, the growing poverty and inequality of inner-city ghettos after the first great migration of the 1880-1890s and also as a result of the second great migration due to deindustrialization in the northeast.

Fogel and Engerman (1974) insightfully observed the "capital character" of slave labor, noting in fact, that it was fundamentally regarded as a form of capital in the capitalistic agricultural sector in the south. They further argued that laborers, regardless of whether they toiled in slavery or the free labor market, human labor is fundamentally regarded as a kind of capital to be used to produce maximum profits, paying wages and incurring costs that are as low as possible. In this regard, the employment and use of human labor has not changed, from the dawn of capitalism in Europe 600 years ago until the present time.

During the first two great economic shifts and migrations (and perhaps now during the initial stages of a new shift to an artificial intelligence (AI) and robotics economy), this pattern of human exploitation and dislocation, along with the great social-problems and costs it produces is evident. Before emancipation, it was in the interest of slave owners to use African-American slaves wherever it was profitable in farming, handcraft and manufacture.

After the conclusion of the war, the former slaves were gradually driven out of agriculture in the south and pushed down into "Negro" jobs, to actualize the most advantageous use of both financial and human capital (labor), to the great benefit of both white owners/investors and laborers. Compounding theses costly social and economic hardships, black workers also suffered racial discrimination enacted by law (such as forced segregation during the Jim Crow era), hiring discrimination and large wage differentials, which remain widespread in both the North and the South to the present day.

When such economic restructurings take place, many people who are capable of migrating and finding jobs are regarded by the owner class business institutions as "useful" human capital, while most of the rest can be treated as "useless" or "expired" human capital. From the purely economic perspective of the capitalist system, the most rational way to deal with capital that is no longer useful and profitable is simply to discard and abandon it as efficiently as possible.

Unfortunately, this historical pattern and normal mechanism of free-market U.S. capitalism, continues to be the preferred method of operation in the current system, creating the myriad social problems and human misery that plague society. This is an unavoidable problem in the free market of capitalism, due to the need for ever-expanding profits and capital to remain competitive, etc.

As occurred during the first great shift from agriculture to manufacturing, workers in the declining manufacturing sector who have lost their jobs, encounter difficulties similar to former slaves during the previous restructuring. Job opportunities have followed greater capital investment in other regions and locations where potential profits are greater, but where it is also difficult for them to find jobs in the new sector, having fewer or outdated skills (e.g. See Wright, 1986; Goldin and Katz, 2007).

As Wilson explains, such laborers caught in the restructuring are always in a passive situation described by the phrase "pump and dump," when the economy gets so pumped, they get dumped. While some believe that every economic shift and restructuring is upgrading of economic production, resulting in greater prosperity and well-being throughout society, the evidence clearly shows something else.

This kind of prosperity, however, is not without immense social and human costs, which proponents of capitalism either want to deny completely or minimize, to avoid incurring and having to pay them. Instead, the vast majority of the costs are borne by those who are least able to adapt to the new economy, and have the least ability to pursue the economic rewards from participating the system. This pattern for laborers, unfortunately, has not changed to this day, since the abolition of slavery, nor indeed since the creation of capitalism.

That is, as a normally occurring mechanism of capitalism, economic shifts and restructurings treat certain unfavorable groups of laborers, as a form of "expired capital" in the production process. According to this explanation, workers experience very similar hardship under each economic shift and restructuring: joblessness due to low skills, forced migration due to movements of economic investment and changing production processes, along with an ever-widening socio-economic divide the dominant, owner/investor class. The resulting dislocations and deteriorating conditions, during the last two major economic shifts, have caused the bottom tiers of workers to fall into what Wilson (1987) terms, a class of the "truly disadvantaged.

D. Recommendations to Address Socio-Economic Crises of U.S. Capitalism

In this section, we offer recommendations for changes, actions and reforms to improve the living conditions and socio-economic outcomes for workers, especially to ameliorate or eliminate the most negative impacts produced by the operation of the U.S. capitalist economy.

The first set of recommendations address the major worsening of living conditions, social problems and outcomes generated by the growing income, wealth and class inequities identified in Chapter II. The second set of recommendations are focused on addressing the negative impacts of the major economic shifts and restructurings that occur as a normal aspect of U.S. capitalism, that create high costs and burdens borne disproportionately by workers, their families and communities.

1. Increasing Top Tax Rates, Regulating Corporate Structure and Behavior

Our previous research showed that poverty and related social-crises (in healthcare, employment, race and class disparity, education, mass incarceration, housing and neighborhood segregation), are demonstrably worse than they were 40 years ago and continue to disproportionately harm middle- and lower-class workers and minority communities. Moreover, in examining the continually worsening income and wealth disparity in the U.S., we found that our current capitalist political-economic system must be greatly reformed or replaced, if we are to address these social problems adequately.

Recent research by Piketty (2014) demonstrated that the U.S. successfully raised the top inheritance and income tax rates on the wealthy to the 80-90% range, from 1916 until 1980, to address the socio-economic costs of the crises of the Great Depression and two world wars. During this timeframe, economic output and productivity were at the highest points of the 20th century, while income and wealth inequality were at their lowest points, creating the world's first, large-scale middle-class (see Figure 7 on page 20).

With the advent of the Reagan Republican "revolution" in 1980, however, both tax rates have been slashed repeatedly, until the present day (including the 2017 Republican Trump tax cuts), until they are now at levels below those that preceded and were a causative factor (due to wealth concentration) in the Great Depression of 1929. As a result, we have also witnessed the predictable return of U.S. income and wealth inequality, now at an even higher and more dangerous level, than that which triggered the 1929 economic collapse (Piketty, 2014; also see Figure 7).

These findings led to our main conclusion, that both conservative and liberal political-economic operating practices, theories and narratives actually cause and perpetuate the poverty and related social problems we face. Their fatal flaw, in our view, is that both rely on the relatively unrestrained operation, production and distribution of the capitalist "free-market" system, while not permitting the levels of taxation and regulation[13] needed to adequately address the socio-economic crises (for the middle-, laboring and disadvantaged classes) they create.

The social, economic, political, environmental and other crises we currently face, lead us to recommend the adoption and implementation of what some have termed a "radical" political-economic perspective (Gordon 1977). This theoretical perspective, at a minimum, calls for greater structural reform of capital and wealth ownership and increased government intervention in the operation and distribution of the products of the economy, to create a healthy and well-functioning society that is equitable and accessible for all members.

[13] According to Piketty, the U.S. federal government assumed ever-greater control of the economy following the Great Depression, during World War II and until 1980, when Republicans and Reagan began slashing both needed regulation and taxation of corporations and the wealthy elite.

2. Policies/Programs to Address Negative Impacts of Economic Restructurings

Our research has revealed the major negative impacts and injustices created and perpetuated by normally occurring economic shifts and restructurings in U.S. capitalism. The vast changes, which have increased tremendously in size and scope during the new era of globalization, result in extremely high costs for laborers, their families and communities. In order to create and maintain maximum profitability, these personal and social costs are ignored and avoided by the corporate institutions and investor class, and passed on to labor and communities to bear by default, as a matter of standard, systematic practice.

The underclass workers bear a disproportionate share of the high costs, ensuring that they remain ensnared and enslaved in a state of perpetually zero or low socio-economic mobility. Wilson's (1987) research shows the solid connection between chronic social problems (such as the deterioration of families and communities) and economic shifts, which further aggravate and increase the burden of the underclass.

Re-allocation of Socio-Economic Costs and Burdens. As a result, a strong need exists for policies and programs that effectively address the unfair and uncompensated burdens caused by economic restructuring and the subsequent clustering of intersectional disadvantages. Our first policy recommendation is to re-allocate these social and economic costs through the following specific policy measures:

- Large corporations, in cooperation with the public sector, must establish and fund labor/employment programs to provide long-term, effective re-training and skills development opportunities, along with guaranteed placement in new positions within or outside the original employing structure.

- Reasonably increase, maintain or implement the unemployment, healthcare and retirement benefits of dismissed laborers, thus reducing the immediate impacts of unemployment and transitions.

- Corporations, governments, and non-profit organizations must take reasonable measures to increase the career and socio-economic mobility of underclass workers, such as establishing user-friendly employment information networks, providing economic subsidies for relocation and securing new employment opportunities across regions (including different countries).

De-clustering Social Problems and Disadvantages. Second, "de-clustering of disadvantages" to prevent the concentration of unfavorable factors, should be the main direction and focus of policy design. The term "de-clustering" is from Jonathan Wolff and Avner de-Shalit, the authors of "Disadvantage." As they put it, inequalities will always exist on all dimensions; but these inequalities amplify when they strongly overlap and interact. To deal with the overwhelming siege of social problems, such as reduction in the numbers of "people who can form a functional family," as caused by joblessness, the economic burden of single parents, and the educational difficulties of underclass, it is necessary to establish a comprehensive, wrap-around support system for impacted laborers and their families.

According to Wolff and de-Shalit, many studies have established that forming a stable and healthy family is more likely to reduce poverty than laboring as a single parent. Unfortunately, the damages caused by unemployment and the other negative impacts of economic restructuring, often results in the breakdown of families and a substantial decrease in the number of two-parent households.

For example, policies and programs should help reduce the impact of unemployment and low-incomes on families, regardless of marital status. SNAP or food stamps should be available and open to all families (not just those with unmarried heads of households) whose members are unemployed, underemployed, seeking work or pursuing reemployment training or additional education. Benefits based primarily on marital status or extremely low household income levels, actually act as a disincentive to form and maintain, stable, productive two-parent households. Zero or low interest microfinance programs should also adhere to such eligibility guidelines, when and wherever they are an available option.

For children living in underclass families, having flexible, effective, and non-discriminatory benefits that are open to any family, is critical for societal betterment, especially in the today's context of widening gaps in income, wealth and class status. The form of child and family benefits is not necessarily cash payments, but vouchers that can be used for a wide range of services, including childcare, educational, recreational, nutrition and health programs. The providers of the services can be a private- or public-sector agency, a non-profit organization or a collaborative effort, that wins funding through competitive grants and ongoing scientifically determined successful outcomes.

Educational and Training Reforms. The already massive gap between high and low incomes and wealth is continuing to grow to dangerous levels (Piketty, 2014) and education has become a major factor in having or not having economic opportunity. As shown in Chapter II, the gap in college graduation rates between income classes is skyrocketing, while middle- and lower-class laborers, who have lost their jobs to technological innovations and the growing globalized economy, are likely to receive new and even-stronger shocks, negative impacts and setbacks in this most recent shift.

In addition to many existing proposals and initiatives to help increase accessibility to universities, community colleges and trade schools for all, other remedies are called for to address equally important issues and concerns, such as the "inflation" of the value of the work credential. While the total number of new college credentials awarded has been increasing, these gains were nullified, when in due course, employers raise work requirements and qualifications.

Although solutions from “affirmative action” policies to Bernie Sanders’s tuition-free proposal have aimed to increase the admissions for children from minority and low-income families, these policies may also lead to a further erosion in the “real value” of the college diploma in a “free-market” system. At the end of their formal education, graduates have typically emerge saddled with large or massive debts, while securing suitable employment remains difficult.

In the US, the value of a 12-year, high school diploma has become relatively worthless in obtaining a decent, living-wage job; being mostly useful for entry into a university to get a high-cost higher degree. Jobs that formerly had lower education requirements, such as a police officer or secretary, now usually require a college degree. However, based on actual skills needed to perform many jobs, studies have shown the real world jobs, in fact, do not require the learning, knowledge and capabilities afforded by a university degree.

To remedy the negative impacts of inflated credentials, we recommend what some may view as a somewhat radical, yet in our view very reasonable, solution. That is, abolishing the unnecessarily high requirements of an academic degree for some employment, while replacing them with paid apprenticeship, on-the-job training and education. Randall Collins, sociologist and the author of “The Credentials Society (1979),” pointed out that the college credential is not necessarily the natural proof or method of obtaining the necessary skills for jobs.

Traditionally, people in all cultures have learned their trades or professions, including lawyers, physicians and teachers, through apprenticeship. In fact, many of the work skills required in today’s job-market do not result from a college education. As Collins found, even in highly technical careers such as engineering (the most essential technical job for modern industry), the most important learning occurred during apprenticeship or on-the-job training, rather than through formal education.

If the paid apprenticeship is widely recognized as the ability certificate and employment credential required, young workers of lower economic status will benefit from it, as will employers. Beyond better training, other benefits include holistic and whole-technique experience, improvement basic labor skills (created by the fragmentation of technology in existing modes of capitalist product development and production), enabling workers to earn income early in their careers to improve overall living circumstances and community conditions, as well as providing employers more experienced, loyal and relatively inexpensive workers. Breaking the monopoly of requisite college degrees in order to improve job opportunities, thereby allowing young people to gain truly competitive skills and credible credentials via apprenticeship, will create new, widespread opportunities for middle- and lower-class workers, greatly reducing socio-economic disparities and resulting social problems in the larger society.

The Shift from Services to a Robotic/Artificial Intelligence (AI) Economy

The above policy and program recommendations, target the major negative impacts and outcomes from the last two shifts that have occurred during the past 150 years since the U.S. Civil War. The proposed remedies have more or less continued the existing "liberal" agenda, which still supports the capitalist system of production and distribution, but advocates government/state intervention to address the worst excesses and negative impacts and outcomes in the larger economy and society.

Universal Basic Income. An underlying assumption during these two prior economic shifts and restructurings, is that despite industrial reliance on fossil fuels and machines in the production process, human being are still a requisite and the main source of labor. Despite their critical necessity in the production process, however, the chronic exploitation and under-compensation of human labor, as documented by socialist scholars as early as the 19th century, has never changed.

From the era of U.S. slavery (when laborers were paid no wages) to the present, when wages are not sufficient for a decent life or the accumulation of minimal wealth for over half the population (Piketty 2014), the exploitation of labor force has been a primary source of profits and capital accumulation by the owner/investor class. While the coming economic shift will not be the first time capitalists have forced uncompensated, damaging changes on the labor force, pushing humanity almost completely out of the production process will be completely new territory.

As we have shown, capitalism with slave labor, regarded humans as property and therefore more as a capital asset, such as a factory, than as a separate component of the production process. As an owner would do with a factory, when it was outdated or no longer a productive asset, capitalists abandoned laborers as readily as they would a useless piece of equipment. During the next great shift from a manufacturing to a services economy in the 20th century, we have witnessed the same abandonment of "human capital" as corporate decision-makers relocated production to the U.S. "sun-belt," or more recently, to other countries for profit maximization.

Our investigation of the continuing worsening of income/wealth inequality, poverty and related social problems and deteriorating living conditions, combined with the causative roles of economic shifts and restructurings of the capitalist system, cry out for major reforms and for specific policies and programs to address them. This would clearly be the case, based solely on the results of the last two major economic shifts, let alone what can almost certainly be expected during the restructuring that is already upon us, that promises to remove human labor with paid wages, almost entirely from the production of good and services.

How shall our civilization deal with the shocks to a growing the underclass of non-owning laborers, brought on by and exacerbated by the structural changes that are a natural and continuous aspect of the capitalist system? Should those workers, who were once a vital part of production and the creation of wealth, though exploited, underpaid and finally abandoned and disposed of by the capitalist system, be "reasonably" compensated while they remold themselves in new roles of participation and service?

Our belief, also recently suggested by mega-corporate, high-technology scions such as Bezos and Musk (CNBC 2017), is that the only practical, cost-effective and far-enough-reaching solution, is the immediate development and implementation of a "universal basic national income." Such a system will meet the basic living security of workers, their families and communities, thereby avoiding high levels of social conflict and disruption, while also maintaining their basic dignity as human beings.

As the large-scale production of all goods and services via automation and AI becomes reality in the very near future, making robots and computers the primary and near sole source of labor, the problems of "surplus labor/population" in the capitalist system, which are already clearly apparent, will become more and more extreme and dangerous for society. The tiny minority of individuals who already own vast majority of income and all wealth on earth (the top 1% to 10%, see Chapter II), will continue to increase their relative shares, at the expense of all others who fall farther and farther behind, unless major changes and reforms are instituted.

Universal Ownership. Another corollary mechanism which may be prove vital in these efforts (and which has been long touted by economists and social commentators)[14], is one to allow workers and consumers a share of ownership in corporations, through the length/quality of their employment or via their participation in the economy as consumers. Whether through a right to a basic livable income, a share of capital ownership or ideally both, such systematic changes and reforms are needed to mend the unhealthy (and ultimately unsustainable) power and wealth disparities between human laborers and the capital-owning class.

To effectively deal with the current and inevitable humanitarian and economic crises, in the production and equitable distribution of goods and services necessary for our civilization to thrive and prosper, the private-, public- and non-governmental sectors of society, must jointly establish such mechanisms and programmatic reforms to avoid the potentially-calamitous impacts of the next economic shift and restructuring.

[14] "The Ownership Solution: Toward a Shared Capitalism for the 21st Century," by Jeff Gates, 1998.

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