

The Great Transformation



Gilded Age: U.S. Inequality 1890s

- Era of wealth concentration—accumulated from industry, industrial mining in the West, and railroads
- Rising cost of freight, dispossession of small farmers, availability of cheap labor, irrigation contribute to large-scale, industrial farms
- 1890, the richest 1% received as much income as the bottom half of the population combined; they owned more property than the remaining 99%

Gilded Age - Inequality

- **Monopoly** (corporate concentration)
 - **Vertical integration** (corporate ownership of entire production and distribution process), from raw materials, manufactured goods, advertising, and transport)
 - **Horizontal integration** (buying up or taking control of competing companies)
- Between 1897– 1904, over 4,200 firms were combined into 257; and 318 American companies owned about 40 percent of the nation's manufacturing assets
- Finance capital—not yet monopoly but consequential:
 - Industrial bond and stock market value rose from 500 million dollars in 1893 to 7 billion in 1903!]
 - Ties between banks, stock market, manufactures allow greater liquidity, dynamism, and volatility, but ALSO advanced U.S. rise as a global power....

The State and the Law

- State and the Law facilitate capitalist growth:
 - Maintain currency; trade policies (tariffs); privatization of public lands and natural resources; build infrastructure
 - All paid partly through national debt
 - Pro-business Republican Party in power
 - Pro-business Supreme Court
- Court stripped state legislatures power to regulate business. Argued it violated the due process clause of the Fourteenth Amendment.
- Court also asserted state regulation violated the 5th amendment that says the government (or individuals) cannot deprive any person of the right to life, liberty and property. (“substantive due process”)
- Court concluded regulations deprive the right of businesses to make profit, and businesses are equivalent as “people” and deserve equal protection!

Class and Inequality

- Cheap exploited labor main source of wealth:
 - Immigrant labor (25% of labor force by WWI)
 - Approx 2 million child laborers
- Growth of impoverished working-class, rising inequality, consolidation modern racial regime (Jim Crow; Reservation system, etc.) sparked debates over the nature of democracy, power, and the role of government.
- Workers (reformers and radicals) believed great wealth disparities undermined democracy, led to oligarchy
- Gilded age capitalists argued inequality was the natural outcome of the laws of the market, evidence of progress. Adopted Social Darwinism to argue for their superior intelligence over the ignorance of the poor.

Class War on Democracy

- Wealthy (capitalists) wanted return of property requirements; restrict franchise, esp. for immigrants (feared they would dominate politics, prone to radical politics)
- In the South, implemented grandfather clauses, poll taxes and literacy requirements to disfranchise Black voters
- Property requirements imposed in municipal elections around the country.
- About a dozen states denied the right to vote to anyone receiving public aid, and four other states excluded residents of poor houses and charitable institutions directly

Reinvention of Liberalism

- **Social Democracy:** a movement through democratic or electoral means for an expansive welfare state that protects workers and curbs the excesses of capitalism through reforms and regulations.
- **Progressivism** a response to the crisis of class conflict, inequality, urbanization:
 - Economic inequities
 - Social welfare
 - Women & children rights
 - Vice and crime
 - Limited democracy
 - Environmental issues
 - Working conditions
 - Sexuality & population
 - Political corruption

Capital and labor management: Taylorism

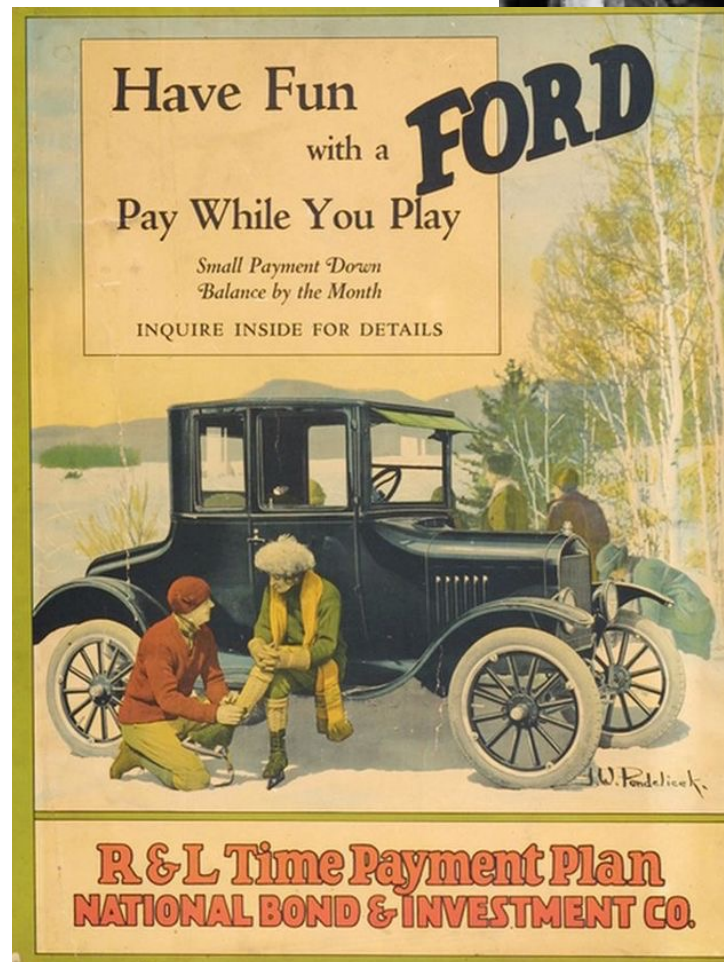
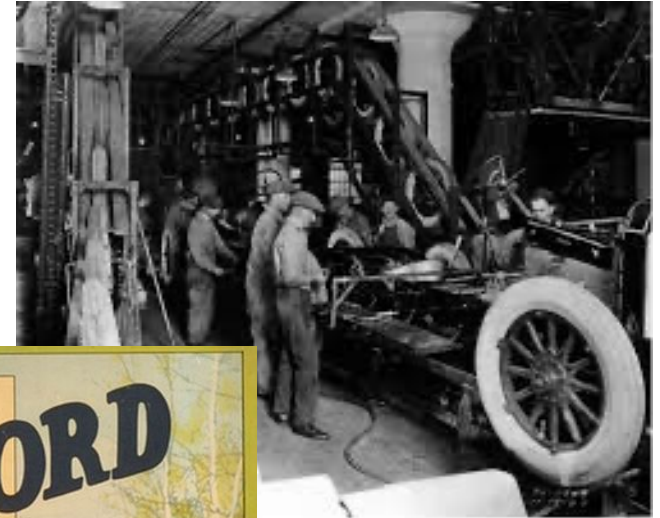


- Frederick Winslow Taylor introduced scientific management; uses 'time motion' studies to determine how to speed up production by reducing 'wasted' movement

Capital and labor management: Fordism

- Fordism: Henry Ford promoted the assembly line; the creation of cheaper commodities and the stimulation of demand brought about by low prices, advertising and credit.

- Fordism “deskills” labor; generates greater corporate profits, but also strengthens working class as producers and consumers.



First Neoliberals

- ARGUMENT: Neoliberalism was a response to post-WWI collapse, the end of empire, and what they believed was the disastrous direction of the 20th century.
- Did not believe myth of the self-regulating market; called for strong institutions at the global level to protect private capital rights
- Militant globalists: proposed a set of institutional safeguards and legal constraints to prevent nation-states from transgressing their commitments to the world economic order.
- Four ruptures :
 - First World War and end of empire
 - Great Depression
 - Embrace of planning and the social democratic character of postwar settlement
 - Revolt of the Global South

Rupture I: WWI and End of Empire

- Collapse of Austro-Hungarian, Habsburg and Ottoman empires, new nations emerged in East Central Europe; shift in colonial order—
 - French and British took over Ottoman territories and former German colonies as “mandates” [in truth, colonies] including Syria, Iraq, and Palestine;
- Russian Revolution 1917
- 1918, workers/socialist rebellions - Austria-Hungary and Germany. Violently suppressed by *social democrats*.
- Accepted terms of Versailles Treaty, forced Germany and Austria to pay war debt for all European nations (reparations).
- U.S. Congress raises import tariff 1930, depriving European nations foreign exchange to pay debt. COLLAPSE OF INTERNATIONAL ECONOMY

Rupture II: The Great Depression

- Governments turn to planning to resolve global economic crisis—Depression.
- Collapse of Weimar Republic opened door for dictatorial powers of President Hindenberg (1930); Hitler becomes Chancellor; legally establishes Nazi dictatorship
- Soviet Union: similar suspension of democracy - forced collectivization of agriculture, rapid industrialization; loss of autonomy and rights of trade unions; suppression of dissent
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Saving Capitalism from Crisis: The New Deal

- **Stabilize Financial Institutions**
 - Emergency Banking Act 1933.
 - Glass-Steagall Banking Act of 1933
- **Provide Relief And Create Jobs**
 - Direct relief, public works programs
 - Civilian Conservation Corps (CCC).
 - Arrested and deported Mexican workers
- **Assist Homeowners and farmers**
 - stopped foreclosures through refinance
 - created Federal Housing Administration (FHA)
 - raised farm prices through subsidies and by limiting production
- **Regulate Economy & Strengthen Organized Labor**
 - National Recovery Administration (NRA) - facilitate planning
 - established employment and business codes
 - regulated wages, working conditions
 - recognized right of workers to organize

Long-term Impact of the New Deal

- Strengthened workers rights and collective bargaining; made possible creation of a viable industrial union movement.
- Increased the regulatory functions of the federal government in ways that helped stabilize previously troubled areas of the economy
- Created the basis of the modern federal welfare state, through its many relief programs and above all through the Social Security system.
- Reorganized U.S. economy along Keynesian lines: deficit spending, govt. Intervention in economy.

Rupture III: The Postwar Settlement

- John Maynard Keynes, dominant economist after WWII
- Invented macroeconomics – looks broadly at economy-wide phenomena such as employment levels, interest rates, and fiscal and monetary policy, together, not in isolation or as sectors of the economy.
- Gave governments tools to manage periodic crises of capital:
 - pumping money into the economy (stimulus),
 - practicing government intervention through deficit spending,
 - boosting consumption or private investment through tax cuts
- Main objective of economic planners: FULL EMPLOYMENT