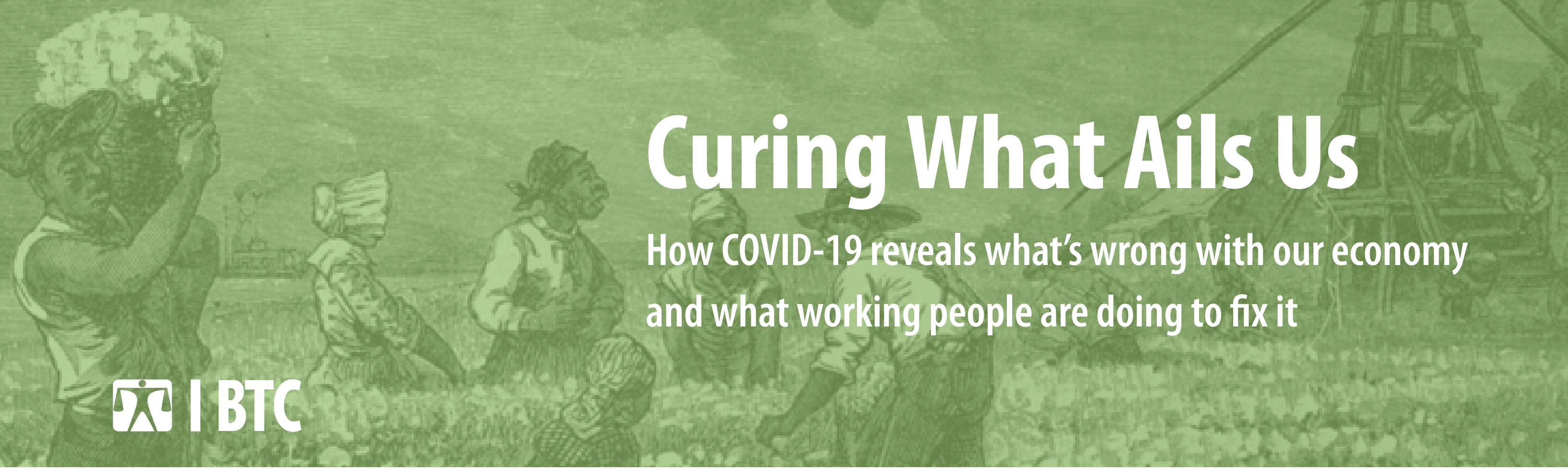


Curing What Ails Us

How COVID-19 reveals what's wrong with our economy and what working people are doing to fix it

ROOTED IN RACISM

The economic turmoil of the pandemic has been fed by a capitalism based on slavery and white supremacy

By Patrick McHugh, *Budget & Tax Center Research Manager*, with **Alexandra Forter Sirota**, *Budget & Tax Center Director*

None of the conditions that working people are facing in the COVID-19 crisis happened by accident. To fully understand why so many working people are being forced into unsafe working conditions and tossed aside by companies protecting their bottom lines, we need to look at how we got here.

The United States' unique brand of capitalism is steeped in our history of slavery, exploitation of working people of all races, and the persistent stain of white supremacy. While it's impossible to fully explore the historical legacies reflected in the mirror that COVID-19 is holding up to our country, it's worth connecting some of the dots between what we see happening during this pandemic to the foundations on which our economy was built.

TURNING PEOPLE INTO MACHINES: FROM THE INDUSTRIAL REVOLUTION TO THE GILDED AGE

You can hear the echo of the pre-industrial British economy in many common last names today: Baker, Smith, Brewer, Wainwright, Fisher, and more reflect a time when people's value to their communities was woven into their very names. The artisan craft economy, which existed before the Industrial Revolution emerged in England, created something like what we now call the middle class — people who were able to support their families and were recognized for their roles in making their communities function.

The Industrial Revolution changed all that. Unable to compete with cheap manufactured goods, artisans who once enjoyed some economic security and standing in their communities were forced into urban slums and deadly working conditions, where their work was used to create fortunes for a new crop of wealthy tycoons.

Global standards of living have certainly increased due to the Industrial Revolution, but when left unchecked, industrialization and automation have a nasty tendency to enrich a fortunate few while leaving millions of people struggling to survive.

Many of the Industrial Revolution's inventors saw their projects lead to a world of greater material abundance, but their work also created entirely new systems of exploitation and oppression.

Interchangeable parts made people disposable

The Industrial Revolution was made possible through the innovation of interchangeable parts. Standardizing machine parts permitted factories to grow in scale, allowed industrial machinery to become more complex, and made profound increases in productive efficiency possible.

The same logic, however, soon extended to the people running the machines. Instead of artisans being responsible for all stages in making goods, the production process was deconstructed into discrete stages with workers repeating the same small task.

In the process, workers became interchangeable parts that plant operators could swap out if they were injured, killed, or left the factory. It was often cheaper, and therefore more profitable, to replace workers who were injured or killed on the job than to create a safer working environment.

"The factory system is one of the worst and cruelest things ever invented to pamper the rich at the expense of the poor. It fattens them, melts their flesh off their bones. It clothes them in grand raiment, and bids us shiver in rags. It brings all indulgences within their reach, and kills the industrious creatures whose toil provides them." — 19th century novelist Charlotte Elizabeth Tonna in *Helen Fleetwood.*

SLAVERY AND THE BIRTH OF AMERICAN CAPITALISM

Perhaps no invention in human history has simultaneously produced more comfort and suffering than the cotton gin. Eli Whitney's device helped to clothe the world and raise the global standard of living, but it also fueled the expansion of the plantation economy and led to industrialized textile manufacturing where to this day adults and children work in oppressive and dangerous conditions.

First patented in 1794, the cotton gin was the kerosene on the fire of slavery, transforming the global economy and eternally linking the growth of commerce in the United States to the institution of human bondage. By automating the most labor-intensive part of preparing cotton for manufacturing, the cotton gin propelled the growth of the plantation system and enslavement.

People outside the South often think of slavery as a uniquely regional legacy, failing to recognize just how much of the United States' economic rise was rooted in slavery. From sea to shining sea, American wealth was built on the violence and exploitation of slavery.

American financial institutions financed, insured, and profited from slavery

Our nation's financial institutions and plantations in the late 18th and early 19th centuries needed each other. Expanding the plantation system westward to exploit the booming global demand for cotton took lots and lots of capital. Land had to be cleared, newly enslaved people were captured and brought to the United States, settlements were erected, equipment was purchased, transportation infrastructure was put in place, and so on. Without loans and insurance, none of this would have been possible.

Many of these financial services were provided by banks and insurance companies located in the northern United States, which also meant that much of the profit from the slave economy flowed northward. By some estimates, New York banks, shipping businesses, and insurance companies collectively took in 40 percent of the revenue associated with U.S. cotton.[1]

Northern capital financial institutions used profits from financing plantations and slavery to invest in industry, transportation, and other development projects north of the Mason-Dixon line, further connecting the foundations of the country's early industrial growth to the institution of slavery.

"Cotton offered a reason for entrepreneurs and inventors to build manufactories in such places as Lowell, Pawtucket, and Paterson, thereby connecting New England's Industrial Revolution to the advancing plantation frontier of the Deep South."— Sven Beckert and Seth Rockman from *Slavery's Capitalism: A New History of American Economic Development*.

Northern industrialization and commercial development were spurred by plantation cotton

The early growth of the United States' industrial base in the Northeast was deeply connected to slavery. The first mechanized textile mills were established in Rhode Island and Massachusetts in the 1790s, and by the time the Civil War broke out, the industry had ballooned to more than 1,200 mills, mostly in the North, that all relied on cotton grown and harvested by people living in slavery.[2]

The early build out of mechanized textile mills also served as the foundation of industrializing other northern industries. Experience and technology developed to mechanize cotton mills was soon applied to a range of industries, like metal production and farming equipment, where large factories replaced smaller local shops.

"Cotton offered a reason for entrepreneurs and inventors to build manufactories in such places as Lowell, Pawtucket, and Paterson, thereby connecting New England's Industrial

1 Zoe Thomas, "The Hidden Links between Slavery and Wall Street," BBC News, August 29, 2019, sec. Business, https://www.bbc.com/news/business-49476247.

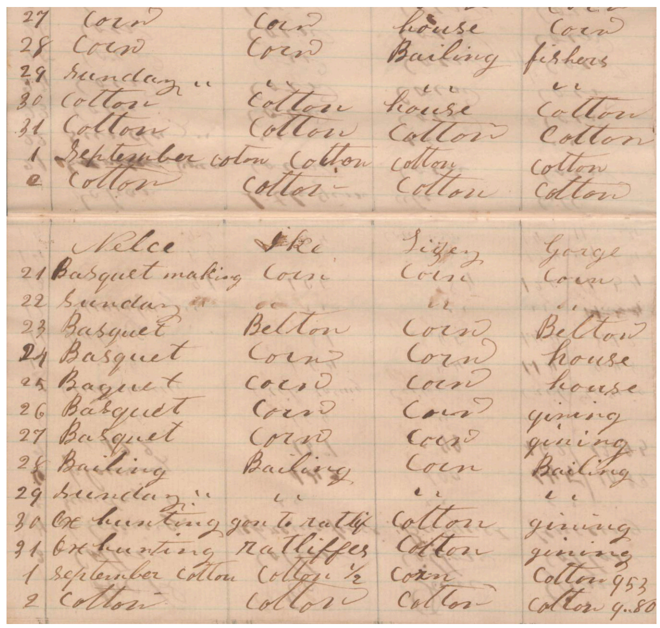
2 "The First American Factories," in US History.org, accessed July 21, 2020, https://www.ushistory.org/us/25d.asp.

Revolution to the advancing plantation frontier of the Deep South,"[3] Sven Beckert and Seth Rockman wrote in *Slavery's Capitalism: A New History of American Economic Development.*

The United States' early emergence from relative economic backwater to global player rested primarily on its role as cotton producer for industrializing Europe. Cotton rapidly emerged as the largest globally traded commodity of the day and greatly expanded trade between the United States, Europe, and the rest of the world. By the early 1860s, the United States supplied more than three-quarters of all cotton used in England's mills, 90 percent of France's, and 92 percent of Russia's.[4] While the cotton was grown in the South, many of the trading companies that moved it around the world were based in New England.

Using enslaved people as subjects for experiments in 'scientific' management

A growing body of literature documents the role that Southern plantation owners played in creating the field of modern "scientific" production management. When cotton prices plummeted below 10 cents per pound in the early 1800s and again in the 1840s,[5] plantation owners became obsessed with squeezing more production out of fewer bodies. Some evidence that increasing productive efficiency — which in the plantation context inevitably escalated violence and harsh working conditions for enslaved people — was partially driven by the need to repay debt, often to financial institutions in the North.[6]



27	Corn	Corn	house	Corn
28	Corn	Corn	Bailing	fishers
29	Sunday "	"	"	"
30	Cotton	Cotton	house	Cotton
31	Cotton	Cotton	Cotton	Cotton
1	September cotton	Cotton	cotton	cotton
2	Cotton	Cotton	Cotton	Cotton
	Nelee	Ike	Lizey	Gorge
21	Basquet making	Corn	Corn	Corn
22	Sunday	"	"	"
23	Basquet	Belton	Corn	Belton
24	Basquet	Corn	Corn	house
25	Basquet	Corn	Corn	house
26	Basquet	Corn	Corn	gining
27	Basquet	Corn	Corn	gining
28	Bailing	Bailing	Corn	Bailing
29	Sunday "	"	"	"
30	Ox hunting	gon to ratliffs	Cotton	gining
31	Ox hunting	ratliffes	Cotton	gining
1	September cotton	Cotton ½	Corn	Cotton 953
2	Cotton	Cotton	Cotton	Cotton 980

A plantation ledger lists the daily activities of enslaved people named Nelee, Ike, Lizey and Gorge. Circa 1858-59, Michael Reed recorded their daily activities as working with cotton and corn, ginning, house, chopping, fodder, etc. Source: Southwestern University via University of North Texas Libraries, The Portal to Texas History, https://texashistory.unt.edu.

One of the key innovations that reverberates to this day is the deconstruction of work into a series of "tasks," which could be quantitatively measured and used to create quota systems. While Fredrick Winslow Taylor's 1911 book *The Principles of Scientific*

3 Sven Beckert and Seth Rockman, Slavery's Capitalism A New History of American Economic Development (Philadelphia, PA: University of Pennsylvania Press, 2016).

4 Sven Beckert, "Empire of Cotton," The Atlantic, December 12, 2014, https://www.theatlantic.com/business/archive/2014/12/empire-of-cotton/383660/.

5 "Cotton Prices More Stable in Recent Years," Farm Progress, February 1, 2002, https://www.farmprogress.com/cotton/cotton-prices-more-stable-recent-years.

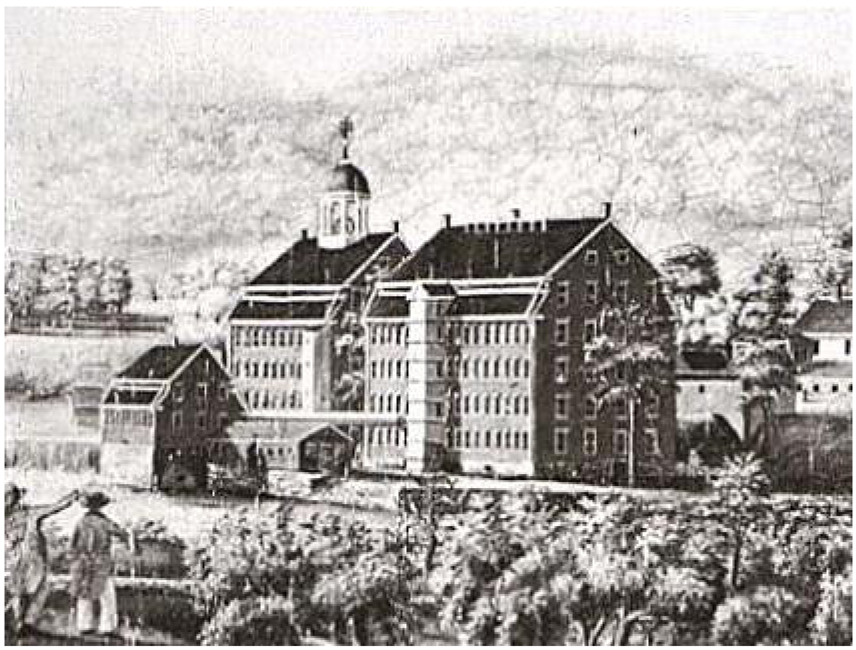
6 John J. Clegg, "Credit Market Discipline and Capitalist Slavery in Antebellum South Carolina," Social Science History 42, no. 2 (ed 2018): 343–76, https://doi.org/10.1017/ssh.2017.39.

Management[7] was long viewed as the genesis of modern management, the practices measuring how fast workers completed discrete tasks and creating reward or punishment regimes around meeting quotas were born on the plantation.[8]

Many of the production management practices first developed on plantations, particularly those focused around maximizing worker efficiency, were part of what gave rise to the General Textile Strike of 1934. A new breed of production consultants used "stretch-out"[9] tactics, seeking to squeeze more productivity out of every second that workers were on the job, often at the expense of their safety. While a far cry from the violence of slavery, a clear lineage exists of treating people as interchangeable parts whose productivity must be maximized until they wear out and can be discarded.

Slavery shaped modern business practices

Many of the core accounting practices that companies use today were first created by plantation owners to manage their ownership of human beings. While hardly as monstrous as applying these tools to people, the cold calculous of how to allocate capital and make investment decisions that goes on in corner offices in 2020 can be traced back to Southern plantations.



The Boston Manufacturing Company, 1813-1816, of Waltham, Massachusetts, was an early example of the corporation business structure, which was made possible by Southern cotton and would become the favored business structure for the United States' industrial economy. Source: Public Domain, accessed via Wikimedia.

Accounting practices grown on the plantation: "But by the 1840s, planters were depreciating their slaves. They appraised their inventory at market value, compared that with its past

7 Fredrick Winslow Taylor, The Principles of Scientific Management (Harper, 1911).

8 Caitlin Rosenthal, Accounting for Slavery (Harvard University Press, 2018), https://www.hup.harvard.edu/catalog.php?isbn=9780674972094.

9 Stephen Wallace Taylor, "Stretch-Out," in South Carolina Encyclopedia (University of South Carolina, Institute for Southern Studies, 2016), http://www.scencyclopedia.org/sce/entries/stretch-out/.

market value to assess appreciation or depreciation, calculated an allowance for interest, and used this to determine their capital costs. In a sense, they were marking slaves to market. It's really as sophisticated as what most firms do today,"[10] wrote Caitlin Rosenthal in "Plantations Practiced Modern Management Practices," Harvard Business Review.

The legal structure used by the biggest U.S. corporations today was first invented to take advantage of business opportunities created by slavery. The need to gather enough capital to build and operate large-scale textile manufacturing in the early 19th century is what led to the invention of the limited liability corporation. Instead of being owned by a few partners, this new corporate structure allowed investors to jointly own stock and not be personally liable for any debts incurred by the company.

One of the first prominent examples, the Boston Manufacturing Company, was an early example of vertical integration where each stage of turning cotton into completed textile goods was done by a single company.[11] The success of this business structure made possible by Southern cotton would ultimately make corporations the favored business structure for the United States' growing industrial economy.

"But by the 1840s, planters were depreciating their slaves. ... It's really as sophisticated as what most firms do today."— Caitlin Rosenthal from "Plantations Practiced Modern Management Practices," Harvard Business Review

10 Caitlin Rosenthal, "Plantations Practiced Modern Management," Harvard Business Review, September 1, 2013, https://hbr.org/2013/09/plantations-practiced-modern-management.

11 Amy Green, "Francis Cabot Lowell and the Boston Manufacturing Company," Charles River Museum, accessed July 21, 2020, https://www.charlesrivermuseum.org/francis-cabot-lowell-and-the-boston-manufacturing-company.

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