Capitalism and the Economy

I bet you think you're pretty smart, don't you, sitting there in that college class. You probably think you've escaped my wrath with your higher education. I mean, you know about all the jobs that have been eliminated that used to be attainable with just a high-school degree and yet paid middle-class wages: automaker, textile worker, lumberjack, mill worker.

That's an old story, how technology has wiped out those so-called working-class careers. If a robot can't do your job better than you on the assembly line, then modern transport and logistics technologies mean that we can outsource it: Wages are lower in China (and in Bangladesh, and many other places). And, of course, it's not just the most physical jobs that have been eliminated through technological advances. Maybe you've never heard of a person called a travel agent, but I bet your parents have met a few in their lifetimes. But you are safe from losing your job to a bot (short for *robot*), what with a higher degree and all, especially one in what Richard Florida likes to call the "creative class" occupations?

Please allow me to introduce myself: I'm Emily Howell, and I'm a classical music composer. You can find some of my work here: **artsites.ucsc.edu/faculty/cope/Emily-howell.htm**. Or if jazz is more your style, then my buddy Shimon (**gtcmt.gatech.edu/robotic-musicianship-projects**) is perfectly capable of jamming with a trio (and doesn't require free beers). Or maybe you're thinking of becoming a journalist? Or an advertising copywriter? These are both good occupations for a sociology major, for sure, but watch out, because my cousins, other creative-class bots, are moving in (see **narrativescience.com** or **firedrop.ai**).

The rap on us computers has always been that we are great for raw calculation power but useless for anything creative. When IBM's Deep Blue beat Garry Kasparov, the world chess champion, it was like an orange beating an apple. For Kasparov, chess is an art—specifically the art of strategic thinking, seeing the board as a whole, intuiting player tendencies. His opponent, the IBM machine, saw chess as a computational problem and ran every possible permutation of how the game could go, choosing the move with the highest probability of leading to a win at each junction. So although this overwhelming firepower approach might outduel a human in a structured setting like chess, it was thought that it could not be applied to creative endeavors that were, by nature, open-ended and serendipitous.

So, you might not get rich becoming a musician, but do you think that's a job that I, the infamous bot, can never take away from you? Well, think again! (Before I do it for you. . . .) "Deep learning"—an approach to artificial intelligence that tries to mimic the way a human brain works by sending information through neural nets (layers of abstraction)—is challenging all sorts of human–computer distinctions that used to be solid.

These distinctions, in fact, formed the basis of a famous thought experiment in computer science called the Turing Test, after its poser, Alan Turing. The idea is that artificial intelligence can be said to have been achieved when a human can't tell the difference between another human interlocutor and a computer interacting with her (through some form of messaging app, that is). So far, nobody has been able to design an algorithm that can fool human judges into thinking it's human for long enough to win the Turing Prize. But just because we can't do the water cooler talk flawlessly, doesn't mean that we bots can't replace you college graduates. In fact, maybe you aren't so sure that I—or your professor—isn't actually a sociology bot?

Concerns about robots replacing human workers are not new for sociologists and economists; they have been studying automation and mechanization since the Industrial Revolution. To understand how we got here, perhaps we should start with a brief history of the capitalist system.

CAPITALISM

an economic system in which property and goods are primarily privately owned; investments are determined by private decisions; and prices, production, and the distribution of goods are determined primarily by competition in an unfettered marketplace.

A Brief History of Capitalism

In its purest form, capitalism is an economic system in which property and goods are primarily privately owned; investments are determined by private decisions; and prices, production, and the distribution of goods are determined primarily by competition in an unfettered marketplace. Various scholars place the early stages of modern capitalism somewhere between the fifteenth and nineteenth centuries in Europe. The dates are highly disputed because many elements of capitalism existed in earlier epochs. For example, the use of money (as opposed to barter) is seen as central to capitalism, and many ancient civilizations used money in one form or another. Likewise, private property existed to different degrees in various times and places. However, capitalism as a whole, most would agree, started to develop along with the agricultural and industrial revolutions in Europe.

Fifteenth-century French peasants working the fields. What characterized work during the era of medieval feudalism?

Before capitalism in Europe, the dominant economic system was feudalism, most simply characterized by the presence of lords, vassals, serfs, and fiefs. A lord was a nobleman who owned land, and a vassal was granted the land, termed a fief, by the lord. The fief remained the property of the lord, but it was left to the vassal to reap the harvests from it. In exchange, the vassal provided military protection for the lord. Serfs, who were of peasant origin, formed the lowest class in feudal society. Serfs were bound to the land and required to give the lord a portion of their production; they were, in turn, granted protection. They differed from slaves, however, in that they were allowed to own property and could not be sold. These relationships formed the basic framework for feudalism, and arguably for the class structures that came into being in subsequent centuries on the system's demise.

FEUDALISM

a precapitalist economic system characterized by the presence of lords, vassals, serfs, and fiefs.

During the early Tudor period in England (1485–1558), some of the open fields, often referred to as the commons (that is, they existed for the public good; anyone could graze livestock there), were "enclosed," or partitioned off. During this "enclosure movement," the lords often bounded the commons with hedges. Because this was land that had been publicly available for grazing and planting, the enclosures led to the eviction of many of the people working the land. The result was that they had little choice but to migrate to nearby cities in search of work, as one of their primary means of survival had been removed. These changes and dynamics would eventually lead to the rise of both the city and the wage system.

The evolution of capitalism was also heavily influenced by the development of technology. The history of social relations, according to Marxists, is a history of humankind's struggle to control and dominate nature through the use of technology. The technological conditions of a given epoch, in turn, determine our mode of social relationships. Around 1700, new farming technologies were introduced that directly increased food output; hence this

AGRICULTURAL REVOLUTION

the period around 1700 marked by the introduction of new farming technologies that increased food output in farm production.

period is commonly termed the agricultural revolution. Innovations such as the seed drill, selective breeding, and crop rotation led to an immediate increase in food abundance. As a result, the land could support more people, allowing for increased population and further adding to the labor pool created by the enclosure movement.

Other changes occurred as well. For example, early colonial globalization established spice routes from colonial interests in India and the Far East and led to the development of new ways to store meat in England. Previously, livestock had to be slaughtered at the onset of winter, but these new preservation methods allowed that operation to be done at any time of year. This increased abundance, in turn, further spurred the enclosure movement, because land was now more productive and therefore more valuable.

The combination of the enclosure movement, more people, and technological improvements (which lowered the amount of labor needed per acre) led to the displacement of more and more peasants from agricultural labor. This growth of surplus peasant labor, in turn, led to mass migration to cities such as London and Manchester and to the rise of a wage-labor system. Here we can see the groundwork being laid for what we call industrial capitalism.

Of course, wage labor would not have become available unless new jobs had been created for these former peasants. At the end of the eighteenth century and the beginning of the nineteenth century, an economy once dominated by small-scale artisan labor (that is, handicrafts and subsistence farming) transitioned into one dominated by manufacturing, machinery, and unskilled factory work. This massive historical transition was also propelled by the development of new technologies. It began with the mechanization of textile industries—fabric manufacturing such as for clothing, rugs, and upholstery. One major innovation for textile production was the power loom,

Dramatic innovations in the textile industry made the manufacturing process more efficient and corresponded with the mass migration of rural workers into cities. What were some of the social consequences of the Industrial Revolution?

a weaving machine powered by driving shafts, which made the manufacturing process much more efficient.

Another major innovation of the Industrial Revolution was the development of the steam engine, which opened up markets through its eventual use in railroads. For instance, water was often used in mining, and part of the workers' job was to remove the water in order to access the materials being extracted. Steam-powered pumps now did this, allowing workers to focus on extraction of the mineral itself.

With the rise of large-scale factory production, the influx of peasants to urban areas to find work, and the rise of a system of wage labor, along came monetization, the establishment of a legal currency. The barter system in villages allowed a peasant to trade livestock or produce, but in the context of large cities and wage labor, the need for a monetary system emerged. This led to the formation of new social institutions and organizations, such as the corporation. Corporations emerged as a way to limit the liability of investors, thus allowing corporations to attract a larger number of willing stockholders. In the United States, corporations are legally recognized persons and share many of the rights of an individual. For instance, corporations can act as legal entities by entering into contracts or owning property. The corporation can also sue (and be sued). This is where limited liability comes into the picture. Limited liability is a form of ownership that creates a division between the individual—that is, the shareholder or executive—and the business entity. It is, in this sense, a legal way to protect investors from personal responsibility for any liabilities beyond the value of the company itself. Many companies have abbreviations in their names, such as LLP (limited liability partnership) and Inc. (incorporated), or, as in South America, SA (*sociedad anónima* or "anonymous society"). Today, many of the contracts that make business possible aren't between individual people but rather between legally recognized entities in the form of corporations.

CORPORATION

a legal entity unto itself that has a legal personhood distinct from that of its members—namely, its owners and shareholders.

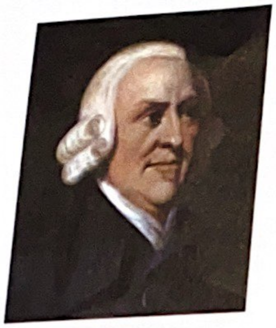
Theorizing the Transition to Capitalism

ADAM SMITH

Perhaps capitalism's greatest advocate was Adam Smith, the father of liberal economics. In *The Wealth of Nations* (2003), Smith wondered how societies (groups of individuals pursuing their own self-interests) manage to stay intact and not fall into the chaos of civil strife. His answer was simple: Individual self-interest in an environment of others acting similarly will lead to a situation of competition, as long as basic laws and contracts are honored.

Note the difference between competition (where rules constraining the game are followed) and conflict (where no holds are barred).

For Smith (2003), individuals have "the propensity to truck, barter, and exchange one thing for another." This drive for exchange combines with an ever-increasing division of labor to produce greater wealth for all. Smith uses the example of a pin factory. If a craftsman has to fashion each pin from scratch, snipping the wire, honing the point, attaching a head, and polishing the pin, he can make only a few dozen a day, at best. However, once the job is broken into its constitutive parts and each portion of the process assigned to a separate worker, the same craftsman can produce hundreds or perhaps even thousands of pins a day. Of course, he would now be working with others to make the pins, but dividing by the total number of man-hours, his efficiency is still orders of magnitude greater. Why so? There are two reasons: First, if the task is broken down into parts, each part can be completed more quickly; second, and perhaps more important for Smith, once people specialize in this way, they are better able to innovate. If you spent your entire work life performing a single task, you would get pretty good at it, especially compared with someone who performs that task only once in a while as part of a wider sweep of work. What's more, in all that time thinking about sharpening pins, you might come up with some inventions to make your life easier and to help you become the best pin sharpener in London. You might even create a machine to do your job for you. You certainly would have the incentive, because you want to drive all other pin sharpeners out of business. According to Smith, this cycle of division of labor, innovation, and trade results in the production of goods that society desires, in the proportions that it desires, and at the price it is willing to pay.



dam Smith.

To keep this metaphorical engine running, however, money is needed to grease the gears. Smith sings the praises of monetization, or the "cash nexus" as it was dubbed by the Scottish essayist Thomas Carlyle (1971). The barter system, says Smith, was often inefficient and unwieldy. For example, let's say that I have a certain number of cows and you have a large quantity of salt. I need salt to cure my meat, and you need a cow to slaughter. How much salt would I get for a cow? However much it is, I have a fairly good notion I don't need or want that much salt. I would probably have to involve the whole village and a good bit of time to coordinate such a trade. I may have to trade my cow for a huge amount of salt and then distribute that salt to each family in the village and try to collect what I need from each of them in return. People are not going to make a trade if it's inefficient, and therefore, many trades don't occur that would be optimal in economic terms—that is, trades that would make all of us better off.

With money, however, all any trade ever requires is two partners. I *think* I know exactly how much a cow is worth. (The more widespread a market is and the better circulated the information about trading prices, the more confidence we have that we know the right price for our cow or salt.) You give me that much money, and I will buy only as much salt from you as I need. In short, money allows us to get back change. And perhaps even more important, money can store value. It gives me the ability to save efficiently. In the barter system, every sale was a purchase and vice versa. If you wanted to unload your cow, you had to take something for it, often right away. Because money stores value, the actions of buying and selling can be staggered over time and across people. Finally, money develops, or at least relies on, trust. In the barter system you know what you are getting in return when you sell something. But if I accept dollars, pesos, pounds, or euros in exchange for my cow, I am taking a leap of faith. I am trusting that the currency will be accepted wherever I go. In this sense, Smith argues, money is inherently social; it facilitates social relations between humans.

GEORG SIMMEL

The classical sociologist Georg Simmel, whose work on social groups we discussed in Chapter 5, also took a positive view of capitalism. Unlike Smith, however, Simmel (1900) didn't view money as an agent of social change. Instead, he saw the development of monetary payment systems as part of a historical evolution, the depersonalization of exchange. In a precapitalist system such as feudalism, a serf was treated more like an animal than a human being, according to Simmel. In return for his labor, the serf received in-kind payment in the form of items needed for survival—actual sustenance necessary to live and reproduce. In this sense, the payment was quite literally personal in nature. But with the arrival of capitalism, Simmel observes, payment forms evolved toward giving more and more freedom to the worker.

In the early days of capitalism, when craftsmen produced specific products from start to finish, most payment was in the form of payment per unit or piecework payment. This form of payment still exists in developed countries, although only on a smaller scale. For instance, you and a custom carpenter can agree on a design and a price for him to build some bookshelves. What happens if the wood turns out to be rotten? The craftsman is at risk. If he needs to start from scratch with a second batch of wood, he might not break even on the transaction. However, he is obligated to deliver a bookshelf that isn't rotten. Piecework payment is slightly better for the worker than in-kind payment because money carries with it a certain amount of freedom. Once a decent set of bookshelves is delivered and paid for, the carpenter can take the money and buy food or a car, or do whatever he wants with the cash. The worker remains in control of the payment he receives and therefore has vastly more freedom than under the in-kind payment scheme.

A step up from this system, for Simmel, is wage labor. Simmel argues that under the system of wage labor, people are paid in money, and furthermore, this wage is not tied to the quality of the raw materials, accidents, or other exigencies in the production process. Let's say that you work for an hourly wage for a nongovernmental organization translating reports from Spanish into English. You have been working all day on a particularly long report, and 15 minutes before your day is about to end, the hard drive crashes and all your work for the day is lost. Despite the lost report, you still get paid for the eight hours you worked under the wage labor system; it's the role of the employer to shoulder the costs of the faulty computer and the lost work. In this sense, workers under capitalism are not completely dependent on the quality of the raw materials, the technology, or the production process. The worker sells his or her labor to the employer, and it is the employer's problem if the results do not live up to expectations.

Even better than wage labor, according to Simmel, is salary. Under a salary system, workers are paid not for a direct service but for the sum total of their services. For one year of employment, you are paid a set amount of money, and that figure is what you and your employer agreed would be acceptable for an average level of performance and an average amount of work over the course of an entire year. If you have a bad day or cannot come in, you still are paid. Both sick days and vacation days are allotted. Better still than a regular salary is a civil service salary, whereby payment is not tied to the productive value of the workers at all but related to the "appropriate standard of living" for someone at that particular grade level and amount of experience.

Finally, Simmel talks about the honorarium. An honorarium is seen as distinct from the product itself. For instance, if an institution asks you to give a speech or to provide some other service, it may offer you an honorarium. The notion is that you are giving the speech or providing the service independent of the money. You may care very much about the money, but a clear sociological distinction exists between the product and the payment. You agree to provide the service, and then you act pleasantly surprised when there is some money attached to it. Likewise, the people who invited you to present the speech have to give you the honorarium just because you showed up, no matter what you end up saying. According to Simmel, a separation between the personal and the economic exists, just as there was in the development of limited liability.

Workers waiting in line for their wages. Why did Georg Simmel argue that wage labor was better than precapitalist work?

It is through these increasingly depersonalized forms of monetary payment, Simmel argues, that capitalism makes true friendship possible. By severing market relations from the personal, we now have a private sphere of pure sociability that is distinct from the economic or public sphere. Simmel argues that in precapitalist times, people traded with their neighbors and relied on each other to produce enough food and then fairly divide it up among the entire village. In this situation, business was mixed with pleasure, and people were distrustful of one another. Your friend is your business partner, and to top it off, your daughter may have married his son. But he is also your competitor.

In modern capitalist society, however, there is a strong norm against mixing business with pleasure. People keep these two worlds apart, or at least they attempt to do so. Simmel argues that it is only by maintaining a monetized, economic public sphere that we can enjoy a private sphere that truly is private, where we actively exclude market and monetary relations in order to experience pure sociability.

What would Simmel have to say about cryptocurrencies like bitcoin (see Chapter 5 opener)? Does the fact that bitcoin transactions are anonymous further the depersonalization that he champions? Or does the fact that bitcoin relies on the blockchain technology mean that we are back entangled in a web of transactions like we would have been in precapitalist medieval society?

KARL MARX

Unlike Smith and Simmel, Karl Marx considered capitalism both fundamentally flawed and inevitably doomed (see Chapter 1). Whereas Smith and Simmel saw the benefits of the division of labor, Marx saw **alienation**, which he considered the basic state of being in a capitalist society. Alienation is a condition in which people are dominated by forces of their own creation that then confront them as alien powers. Marx viewed alienation as taking four forms under capitalist production: alienation from the product, the process, other people, and one's self.

ALIENATION

a condition in which people are dominated by forces of their own creation that then confront them as alien powers; according to Marx, the basic state of being in a capitalist society.

In the first sense, workers are alienated from the product that they produce. They do not know it or have complete knowledge of what they are producing. By contrast, the artisan fashions products from start to finish, from raw materials to the packaged item on the shelf. If a woman desired a new pair of shoes, she would go to the local shoemaker, who would measure her foot and choose an appropriate last (or wooden form) around which to construct the shoe. The shoemaker would then cut and fit a pattern of leather to the size of the last. In the next phase, the shoemaker would stitch the upper sole to the inner sole with thread (which he might have made himself). He would then attach the sole and a heel with some tacks. The result was a completed shoe. The point is that each craftsman was the master of his particular product, from start to finish. He knew every aspect of it, because he built it from scratch.

The situation in a modern factory is very different. The production process is now broken down among several people, sometimes several hundred, leading to greater efficiency and returns to scale, as Adam Smith celebrated.

Factory work has become so specialized and workers' roles so interchangeable and devoid of skill, according to Marx, that most people working in shoemaking factories today probably do not know the entire process for making a shoe. Would they know how to spin the fabric for the shoe, dye the fabric, mold the sole, and sew it all together? It is doubtful. And we're just talking about a shoe! Imagine the process for building a car, a computer, or any of the many things around you. As a result of the same division of labor that Smith praises, capitalist workers are no longer masters of their products, in Marx's view. Rather, the product is the master of the worker. As Marx (1932) noted, "The object that labour produces, its product, now stands opposed to it as something alien, as a power independent of the producer."

Workers in modern capitalism are also alienated from the process of production. For instance, if the precapitalist shoemaker woke up in the morning with a hangover from the night before, he could choose to sleep in and finish his work later. He knew, in this situation, that by the end of the week he had to produce a certain number of shoes for his customers and could budget his time as he saw fit. Thus there was a certain freedom in the rhythm of work. The modern-day laborer, by contrast, has no choice but to swallow some aspirin and trudge off to the factory, fast-food restaurant, or computer terminal. This is especially true for laborers who work for subsistence wages and therefore need to work every day to survive. Think about the day laborers who stand on certain street corners in Los Angeles, San Francisco, Chicago, and many other American cities, hoping to find work that day. They do not control the process at all; it controls them. They are told when to go to work and when to go home; they are told when to leave early and when to stay late. For Marx, that is the nature of wage labor and salaried labor in the modern industrial capitalist system. Labor is, in a sense, forced by economic need, and its rhythm is controlled not by the individual producer but by some larger social force, institution, or individual. The result is alienation.

But that's not all. In addition, workers are alienated from other people, according to Marx, because capitalism turns all relations into market relations (in contrast to Simmel, who believed that capitalism created a sphere separate from economic interactions). Marx (1932) notes, "What is true of man's relationship to his work, to the product of his work and to himself, is also true of his relationship to other men.... Each man is alienated from others.... [E]ach of the others is likewise alienated from human life." But what does this mean exactly? Our relationships with others become conditioned by the ethic of capitalism: profit maximization. For instance, we start using the language of worth to describe the moral qualities of individuals. Time becomes monetized in a wage labor system. Men who do not make money are viewed by others as forsaking the sale of their time on the wage labor market and thus are morally suspect.

Why would Karl Marx have argued that the factory workers making shoes on the right were more alienated from their work than the shoemaker on the left?

Finally, Marx argues, we are alienated from ourselves. This is a somewhat romantic notion about what makes humans unique from other animals: We have an ability to create objects for both affective and instrumental value—objects with inherent-use value and objects that become tools to produce yet other things, respectively. (As it turns out, this ability is not uniquely human; chimpanzees and other animals also create tools and toys.) But what ultimately separates humans from other animals, according to Marx, is that humans can experience conception before execution—that is, we have the ability to create something in our minds before we fashion it in nature. Our actions aren't just hardwired like those of a bee constructing a honeycomb; we are creative beings. (Again, recent research on animals suggests that they have notions of advance planning and time, so we are not unique in this regard either.) However, Marx sees capitalism as stifling our species-being, our natural creativity. He states that "work is *external* to the worker.... It is not part of his nature; consequently he does not fulfill himself in his work but denies himself" (1932).

Marx's critique does not cast capitalism in a good light. However, Marx also suggested that these problems will sooner or later pass because, in his view, capitalism will ultimately self-destruct. Specifically, Marx argued, the capitalist system faces crises of overproduction, in which the system is so efficient that it produces an abundance of goods; the problem arises when the competition is stiff and wages are driven down so low that nobody can afford to buy these goods. For a while, in Marx's view, the system can solve such periodic occurrences by destroying some capital (through war) or by conquering new markets. But eventually, when capitalism has spread to every nook and cranny and run out of new places to invade, and when the dynamic of competition reaches its logical conclusion (one capitalist taking over all his or her competitors), then it will face the crisis that will putatively destroy it. In the *Communist Manifesto*, Marx and Friedrich Engels (1848/1998) claimed:

> The development of modern industry... cuts from under its feet the very foundation on which the bourgeoisie [capitalist classes] produces and appropriates products. What the bourgeoisie therefore produces, above all, are its own gravediggers. Its fall and the victory of the proletariat are equally inevitable. (p. 9)

Under capitalism, Marx believed, the working class would rise against the employing (or capitalist) class and would eventually usher in a new mode of production termed socialism, in which most or all of the needs of the population are met through nonmarket methods of distribution. In socialism there is still private property and a free labor market where people get wages, but many needs—from health care to schooling to old age support to even food and shelter—are provided by the government as a matter of right. In Marx's conception, socialism would be followed swiftly by communism, a classless society in which the means of production are shared through state ownership and in which rewards are tied not to productivity but to need. No more private property. No more inequality in wages. But has this not happened, you counter? Marx might reply that there are still new markets to conquer in our increasingly globalized economy, and capitalists continue to compete with one another in many industries, so maybe it just hasn't happened yet.

SOCIALISM

an economic system in which most or all of the needs of the population are met through nonmarket methods of distribution.

COMMUNISM

a political system in which the means of production are shared through state ownership and in which rewards are tied not to productivity but to need, supposedly leading to a classless society.

MAX WEBER

Max Weber, whom we also met in Chapter 1, had plenty to say about how capitalism came about and why it spread in the places it did. The short version is that Weber, unlike Marx, believed that not just technology but also ideas in and of themselves generate social change. He claimed, in fact, that modern capitalism would not have arisen without the Protestant Reformation, which, according to Weber, created the necessary social conditions for capitalism by promoting theological insecurity and instilling a doctrine of predestination (the notion that only the elect will go to heaven). This religious change, combined with an advancement in accounting practices (the rise of double-entry bookkeeping), laid the groundwork for economic development. Faced with uncertainty as to whether they would be saved (go to heaven) in the afterlife, people looked to monetary fortune in this life as a sign from God that they were indeed among the lucky ones. (More on this in Chapter 16 on religion.)

Although Weber shared Marx's negative view of capitalism, his reasons were different. Weber worried that capitalism ate at the soul in a way that was somewhat different from Marx's concept of alienation. For Weber, modern industry and its associated bureaucracy and rationality create an "iron cage" from which we cannot escape. Here we can see, in Weber's own words from 1904, this chapter's paradox in action:

> In the field of highest development, in the United States, the pursuit of wealth, stripped of its religious and ethical meaning, tends to become associated with purely mundane passions, which often give it the character of sport.... Couldn't the old man be satisfied with his $75,000 a year and rest? No! The frontage of the store must be widened to 400 feet. Why? That beats everything, he says. In the evening when his wife and daughter read together, he wants to go to bed. Sundays he looks at the clock every five minutes to see when the day will be over—what a futile life! (1904/2003, p. 283)

Recent Changes in Capitalism

In the time since Smith, Simmel, Marx, and Weber wrote about capitalism, world poverty has not been eliminated through the division of labor; new forms of exchange like credit default swaps and blockchain cryptocurrencies have emerged that are even more abstract than money; and capitalist-fueled development has arguably sacrificed the health of the planet for a dramatic improvement in quality of life, especially in advanced industrial and post-industrial economies. We don't directly manufacture as many goods anymore (in the United States, at least); instead, our economy is dominated by services. And we see the rise of all sorts of work arrangements in which the factory is a faint echo, and yet workers with no boss feel torn between the dual commitments of unpaid home labor and making a living in the formal world of work. Perhaps the greatest irony is that the better one does (gaining higher wages for one's commissions), the greater the pressure one feels to work, because although higher earnings can theoretically be used to "purchase" leisure in what's called the income effect by economists, the same higher wages mean that the opportunity cost of not working—the amount of earnings one is missing out on if one declines work opportunities—has also risen (creating what economists call the substitution effect). Increasingly, in a 24/7 information economy, casual workers (those not employed full-time but working on a contract-to-contract or freelance basis) choose to work more. Worries about job insecurity mean that they need to do tasks and projects whenever the work is available, but the pressures of home don't go away, particularly for women. How did we get here?

YOU'VE COME A LONG WAY, BABY (OR HAVE YOU?): WORK, GENDER, AND FAMILY

In 1914, automobile magnate Henry Ford announced a breakthrough policy at his Ford Motor Company: the $5 day. Ford's automobile factory workers were guaranteed a wage of $5 per day of work, equal to just over $126 in current dollars. The policy, designed to lower turnover rates among workers and justify faster production lines, was an effective tool thanks to its popular appeal. Male job candidates flooded the factory gates daily in hopes of being hired, and production workers thankfully conceded to the monotonous work of assembly lines (a technique of mass production that Ford played a major role in developing).

FAMILY WAGE

a wage paid to male workers sufficient to support a dependent wife and children.

Why did Henry Ford offer the family wage? Why might a feminist sociologist criticize this policy?


'GOLD RUSH' IS STARTED BY FORD'S $5 OFFER

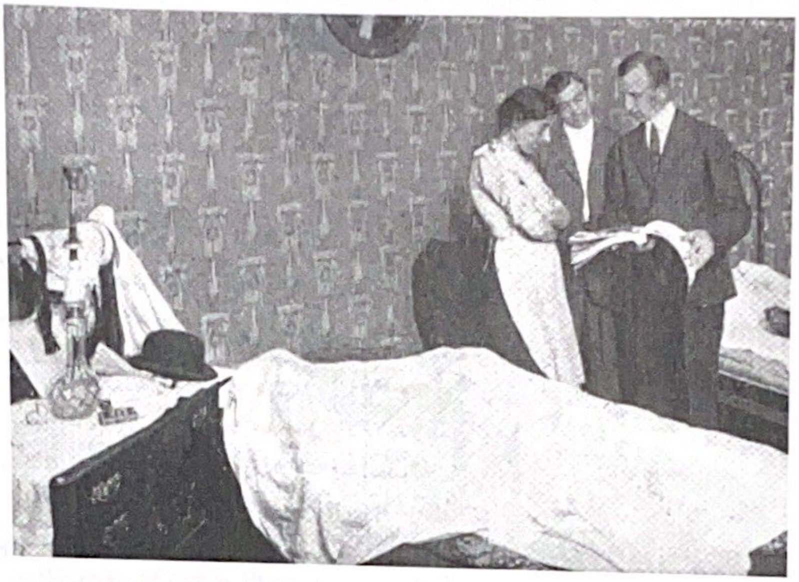
Thousands of Men Seek Employment in Detroit Factory.

Will Distribute $10,000,000 in Semi-Monthly Bonuses.

No Employe to Receive Less Than Five Dollars a Day.

Ford, waving the banner of the family wage, or a wage paid to male workers sufficient to support a dependent wife and children, was heralded for both his generosity and his genius. Ford wrote in his autobiography: "The man does work in the shop, but his wife does the work in the home. The shop must pay them both.... Otherwise we have the hideous prospect of little children and their mothers being forced out to work" (Ford & Crowther, 1973). In the context of his time, when few factory workers earned anything close to a living wage, Ford's policy was indeed arguably enlightened and progressive.

The sociological analysis of the family wage, however, reveals the ways in which work and family are connected by gender inequality, both in the workplace (as discussed in Chapter 8) and at home (Chapter 12). Advocates for the family wage in the early twentieth century asserted that every worker had the right to a "living wage," so that children and wives need not work. (This was before the enactment of child labor laws.) Implied in their definition is women's dependence on men's wages. By assuming women's dependence, the family wage was denied to them, thus pushing women and children into the very dependency to which they were presumed to be naturally suited. It is from policies such as these that we get our idea of the traditional family model: a male breadwinner and his female dependent. The few women who did work for Ford still earned $2.30 a day in 1915. Unmarried men and married men without dependents were also ineligible for the $5 day. Meanwhile, eligible married men had to subject themselves to Ford's "sociology department": Teams of scientists dropped by unannounced to check on workers' private lives, including everything from their health and sexual patterns, to household finances, to their drinking or gambling habits. Ford insisted that his workers, to receive the family wage, live in the "right" kind of families.



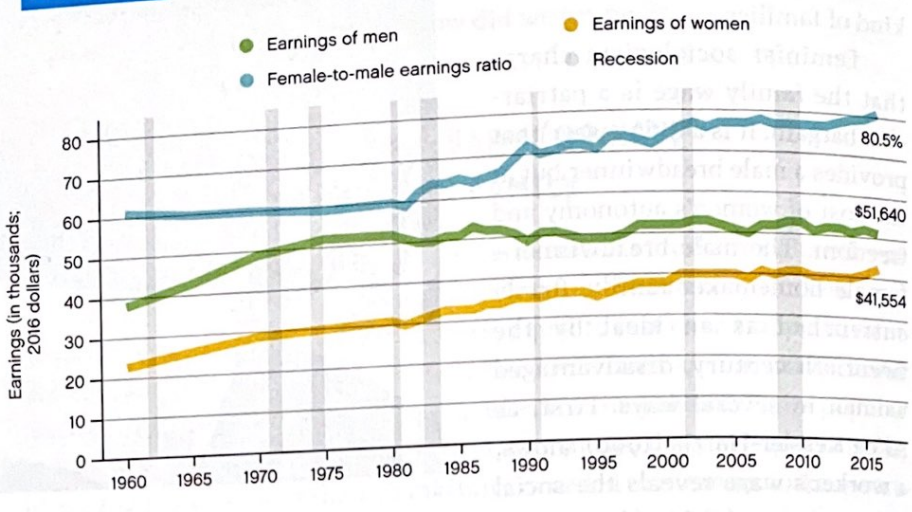
A company sociological department adviser visits the home of a Ford Motor Company employee in 1915. The scientist uses a book of photos to give the employee's wife housekeeping advice.

Feminist sociologists charge that the family wage is a patriarchal bargain. It is a living wage that provides a male breadwinner but at the cost of women's autonomy and freedom. The male breadwinner–female homemaker family, firmly entrenched as an ideal by the twentieth century, disadvantaged women in several ways. First, as Alice Kessler-Harris (1990) shows, a worker's wage reveals the social value we put on his or her worth. Rather than free-market supply of and demand for an employee's skills, expectations about gender roles were primary in determining the wages earned by men and women. A man's wage was viewed as an honorable necessity; a woman's wage was just "pin money," to be used on luxuries and nonessentials (Zelizer, 2005). Rarely was a woman's wage expected to provide for her own livelihood, and never was it socially appropriate to expect a woman to support her children without the help of a father. This viewpoint justified a much lower wage for women, but it ignored the millions of unmarried, abandoned, and widowed women who worked to take care of themselves and their children. It was a particularly cruel disservice to black women, who were 8 times as likely as white women during the early twentieth century to work for wages, and more likely to live without the support of a male partner (Kessler-Harris, 1990). Figure 14.1 provides a comparison of men's and women's wages over the last half century or so.

When economists and politicians did consider single working women, they maintained that a woman's wage need meet only the barest of necessities, lest women turn away from the morality of family life, as enshrined in the cult of domesticity, and become enticed by the sinful and degrading world of work. Never mind that lower wages might also mean the need to work more hours outside the home in order to make ends meet. One policy maker justified lower wages by appealing to women's naturally high endurance of physical discomfort: "Her physical wants are simpler. The living wage for a woman is lower than the living wage for a man because it is possible for her as a result of traditional drudgery and forced tolerance of pain and suffering to keep alive upon less" (Kessler-Harris, 1990).

Thus the different wages for men and women reflected deeply entrenched attitudes about gender and work that became self-confirming myths and

FIGURE 14.1 Male and Female Median Earnings, 1960–2016



SOURCE: Hegewisch & Williams-Baron, 2017.

enforced women's dependence. At the most basic level, the unfair family wage pushed heavy incentives on women to marry in order to survive economically. The family wage also impelled women to stay married, even when their marriages were oppressive, rife with conflict, or simply unhappy. As Barbara Risman (1998) argues, marriage is one of the linchpins of inequality in American society:

> In what other institution are social roles, rights, and responsibilities based—even ideologically—on ascribed [i.e., birth] characteristics? When life options are tied to racial categories we call it racism at best and apartheid at worst. When life options are tied to gender categories we call it marriage. (p. 36)

Surely, such an attitude no longer applies today, you're probably thinking, but the gender bias built into the family wage persists. Historical inertia of the family wage kept the average female wage at two-thirds that of the male wage through 1960. The gap has been narrowing somewhat since 1960, especially for younger workers. Women 35 years and older make 83 percent to 88 percent of what their male counterparts earn. For younger people (ages 20–24 in 2016), women earn about 92 percent of what men earn (Bureau of Labor Statistics, 2017a). Still, inequity as a result of gender continues to draw boundaries between the (male) public and (female) private spheres. It is hard to identify cause and effect when examining women's family responsibilities and their lower pay. Does lower work commitment (because of family duties) lead to lower wages? Or do lower wages make it easier for women to prioritize unpaid home labor?

As feminist economist Heidi Hartmann (1976) has argued, men still have a vested interest in maintaining their privileged position as exclusive living-wage earners. They have a material advantage over women; they benefit from women's unpaid domestic labor in the home; and their advantage further gives them a superior sense of self. Nancy Folbre (1987), another economist, has argued that not just men but also employers and capitalist owners (predominantly male) stand to gain from women's weaker position in the labor market. Women, she contended, could be used as a flexible reserve army to keep the peace among white male workers. That is, by dangling the threat of cheaper women employees before male workers, employers were better able to break strikes, defy unionization, and assert control over labor. More recent research indicates that women are not "unorganizable." Whereas they were once thought to care more about their responsibilities at home than their careers and thus be uninterested or unable to invest time and effort in the unionization movement, by 2016–17, 45.8 percent of the unionized workforce consisted of women (Bureau of Labor Statistics, 2018b). Not only have union ranks grown more feminized since the 1970s, but women's participation has changed the typical bargaining framework. Unions, especially those dominated by women, now propose compensation packages that address wages, health care, and vacation time as well as paid family leave and better access to child care in their negotiations with management (Milkman, 2007). (We'll have more to say about unions later in the chapter.)

Few families today, even among the upper middle classes, can afford a full-time stay-at-home mom. Dual-income families are now the majority. Both the husband and wife were employed in 61.1 percent of married-couple families, just dad was employed in another 30.3 percent, and 5.4 percent had just mom working (Bureau of Labor Statistics, 2017f). Women with young children have also increased in numbers in the workforce. In 2015, 69.9 percent of women with children under age 17 worked, down from 77.5 in 2008 but still high compared with just 47.4 percent in 1975. For mothers of infants age 1 and under, only 31 percent worked in 1976. In 2014, 52 percent were employed, and 71 percent of those women were employed full-time (Bureau of Labor Statistics, 2016c). But attitudes toward mothers working full-time have recently shifted back to a more traditional perspective (at least among the moms themselves).

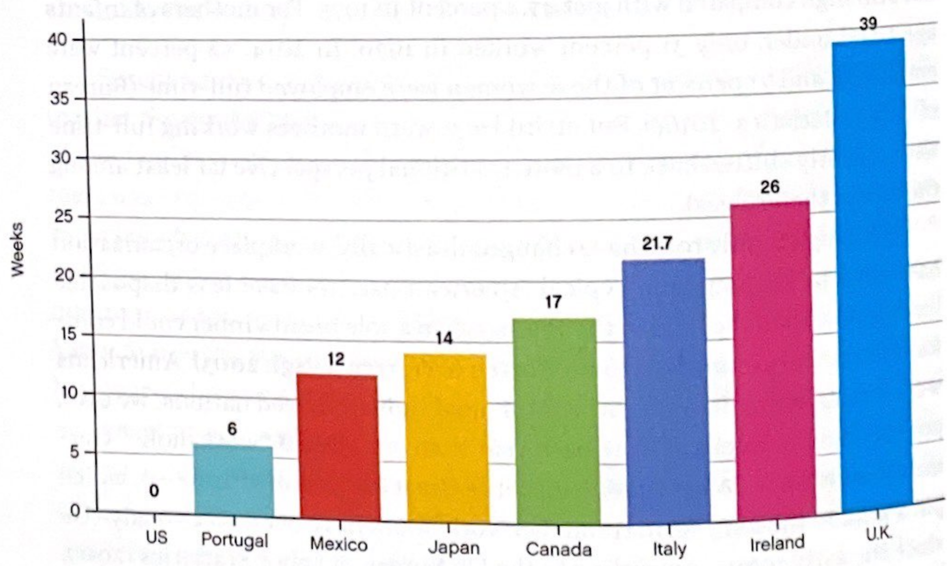
Although family roles have changed drastically, workplace organization has failed to keep up, and typical American parents have less disposable income now than they did in the 1960s, when a sole breadwinner could comfortably support a family of four (Warren & Warren Tyagi, 2003). Americans work longer hours than the citizens of most industrialized nations; we even put in two more weeks of work each year than our alleged "workaholic" German counterparts. What's more, until the Great Recession of 2008–9, which put a kink in the long-term trend, US work hours have been on a steady rise since the early 1960s. According to the US Bureau of Labor Statistics (2007, 2013, 2018c), in 1970 the average full-time employee worked 42.7 hours per week; in 1988 this figure rose to 43.6 (Hochschild, 1997); by 2007 it was 45.9, but then it fell to 42.8 in 2017.

For such long hours, Americans receive little vacation compared with workers in other countries. German and Spanish workers average six weeks of government-mandated paid vacation time; the British get about five. In contrast, American workers do not receive any government-mandated paid vacation days.

It's no surprise, then, that the demands of work infringe on home life. This is so even when parents experience one of the most revered and momentous events of family life—the birth of a child (Figure 14.2). A Japanese mother, after giving birth, is entitled to at least 14 weeks of paid maternity leave at full pay. Italian mothers receive more than 20 paid weeks. Canadian mothers, since legislation in 2002, have the right to take a full year off from work after childbirth at 55 percent of their pay. Mothers in Norway get 80 percent of their salary for their child's first year. In Sweden, half of all new fathers take 6 weeks of paid paternity leave. Around the globe, 127 countries, including almost every industrialized nation, guarantee some form of paid leave for parents. The United States is not among them. In 1993, President Bill Clinton signed the much celebrated Family and Medical Leave Act, giving American workers the right to 12 weeks of leave to care for a newborn baby or attend to a family emergency. However, the leave is not necessarily paid, and it applies only to the half of the nation who work for a company of more than 50 employees. The act also doesn't apply to part-timers, most of whom are women.

Since it is pretty much up to individual companies to decide what kind

FIGURE 14.2 Weeks of Paid Leave for New Mothers



SOURCE: Organisation for Economic Co-operation and Development, 2017.

of family support they will provide workers, it may come as no surprise that income predicts whether workers get paid family leave. For example, among workers who earn more than $75,000 per year, three-quarters of those who took a family or medical leave were paid at least some of their wages during the period. By contrast, half as many (37 percent) low-income workers, who make less than $30,000, received any pay at all when they needed to take a break from work for medical or family reasons (Horowitz et al., 2017).

Large (and growing) majorities of Americans across the political spectrum support paid family leave (Horowitz et al., 2017). Yet, curiously enough, when companies do implement family-friendly policies, workers often don't take advantage of them. In *The Time Bind: When Work Becomes Home and Home Becomes Work* (1997), Arlie Hochschild finds that people's lives increasingly center on the world of work, and as a result, families are suffering. The Midwestern corporation Hochschild studied, fictitiously called "Amerco," offered generous pro-family policies, such as part-time hours and "flexplace," which allows workers to work from home. Amerco also offered flextime, so that workers could adjust their schedules, early or late, as they needed. But despite a work environment that seemed family friendly, she found that most workers ended up working longer hours during the course of their employment. Hochschild (1997) asks, "Why don't working parents, and others too, take the opportunity available to them to reduce their hours at work?"

Her answer is surprising and differs from the economic argument about substitution effects. Working parents don't take advantage of family-friendly corporate policies, she asserts, because they prefer to avoid their homes and families. The workplace has become, in a strange departure from nineteenth-century formulations, a haven from the chaos and the emotional and physical disarray of the second shift at home. Hochschild suggests a reversal of the sacred and the profane, in which the home has fallen from grace, with its members seeking refuge and relief at the workplace. For the harried supermom, bombarded by the pressing demands of children, husbands, and housework, work increasingly becomes a safe place of comfort and ease. With too much to do at home and too little time to do it, "a tired parent flees a world of unresolved quarrels and unwashed laundry for the reliable orderliness, harmony, and managed cheer of work. The emotional magnets beneath home and workplace are in the process of being reversed" (Hochschild, 1997).

If you find Hochschild's argument too narrowly focused on emotional concerns, you're not alone. In *The Time Divide: Work, Family, and Gender Inequality* (2004), sociologists Jerry Jacobs and Kathleen Gerson argue that workers do not take advantage of family-friendly policies for a number of other reasons: Under cultural and structural conditions that keep work and family divided, they are afraid of losing their jobs. Workers perceive a trade-off between family policies and opportunities for the advancement of

Balancing work and family life puts a strain on most Americans. Angela drops her daughter off at her parents' house before taking her son to school and going to work at a hospital in Marshall, Missouri. She and her husband both work full-time and are up as early as 4:30 A.M. and work as late as 7:30 P.M. during the week.

their careers. Taking advantage of parental leave or part-time hours, working parents believe, sends a negative message to the boss that could lead to placement on the "mommy track" and a dead-end career.

Meanwhile, studies consistently show that working mothers are less depressed, have higher self-esteem, and report a greater sense of happiness than stay-at-home mothers. One study even suggests that women who work feel more valued at home than those who stay home (Hochschild, 2003). Women today share what Judith Stacey (1996) calls "post-feminist expectations" for family and work. They have "the desire to combine marriage to a communicative, egalitarian man with motherhood and a successful, engaging career." Such expectations only a few decades earlier would have sounded crazy. Although working mothers have higher self-esteem and better mental health than nonworking ones, studies also show that they are also more likely to feel anxious and tired. They get sick more often than their husbands. Their divorce rates have risen. The entrance of women into the workplace has increased their economic power, but in the absence of other social changes, this subtle revolution will have "stalled," in Hochschild's words.

The flip side of this story is that although the demands of work impinge on life at home, the growing cost of America's middle-class lifestyles means that many families feel they have no choice but to send both parents into the full-time workforce. Law professor turned US senator Elizabeth Warren suggests that the problem is not that Americans' greedy consumer spending habits are putting them in a financial bind but rather that they are pinched by the cost of safe housing in good school districts combined with destabilized career paths (Warren, 2007). Mortgages, property taxes, and student loan debt are fixed costs that cannot easily be trimmed if families suffer unforeseen layoffs, medical emergencies, or divorce.

THE SERVICE SECTOR

Changing gender roles and work–family tensions are two important features of the current version of capitalism, but they are by no means the only ones. Perhaps the most important recent change in the American economy is that making money no longer exclusively relies on the creation of a tangible product. The service sector, the section of the economy that provides intangible services, has grown rapidly over the last 30 years. These services can range from restaurant work (the largest occupation for women without a college education), to health care provision, to higher education, to legal or financial advice, to computer tech support, to deep-tissue massages.

SERVICE SECTOR

the section of the economy that involves providing intangible services.

Much work in the service sector involves what Hochschild (1983) calls "emotional labor." Emotional labor is the notion that certain kinds of work require us to manage our emotions in a taxing way that exacts costs. Every time a cashier wishes you a nice day or a flight attendant plasters a smile on his or her face for the entire six-hour journey, it takes a toll on him or her. While all public life requires some self-management of feelings, service sector jobs are thought to be extreme in this regard (Grandey et al., 2005). Higher degrees of emotional labor are correlated with lower job satisfaction and higher rates of burnout; it's worth noting that the occupations with the highest demands on emotional labor—retail, hospitality, and so on—are disproportionately female.

EMOTIONAL LABOR

managing emotions and their outward expression to meet the expectations of a job, especially in service sector work.

How does the new service economy challenge old theories? Does Marx's two-class model still make sense in such an era? How are we alienated

We expect that our flight attendants will serve coffee with a smile, but this is a form of what Hochschild calls "emotional labor."

differently in the service world than in the manufacturing world? Or is the story largely the same? Service work poses challenges to Smith's and Simmel's theories as well. Does the division of labor proceed apace or slow down with conversion to a service model? And does the evolution toward depersonalized relations of payment and exchange become complicated by occupations that require face-to-face interaction with a smile and a thank you and a receipt (or perhaps your meal is free)?

Globalization

Going hand in hand with the development of the service economy is the complicated and contested process of globalization, generally defined as a multidimensional set of social processes that create, multiply, stretch, and intensify worldwide social exchanges and interdependencies. This means that I can wake up in the morning and have a free video chat with my friend in New Delhi using Skype, buy commodities from a Jamaican company in the afternoon, and in the evening read the Parisian newspaper *Le Figaro* online. But what are the implications of globalization for capitalism? Essentially, it means an increase in trade and economic exchanges among individuals, corporations, and states in different areas of the globe.

Such processes are, however, not entirely new. In the last flush of the great European empires, between 1890 and 1914, for instance, the relative magnitude and geographic scale of trade flow and capital were higher than they are today. However, at least four recent phenomena make the current period of globalization novel: new markets, new means of exchange, new players, and new rules.

First, new markets include financial markets where anyone with the proper equipment can participate. Second, new means of exchange, such as cellular phones, personal computers, e-mail, and the web, allow for almost instantaneous transactions. With these new forms of communication technology, a person in Buenos Aires, Argentina, can buy a commodity in Cape Town, South Africa, and sell it in Moscow, Russia, in a matter of minutes (or seconds, even). Third, there are new players. These new players are all transnational, which makes them unique to this epoch of globalization. The World Trade Organization (WTO), for example, acts as the regulation authority for trade. An increase in multinational corporations (corporations located in more than one country) and worldwide nongovernmental organizations (such as Doctors Without Borders, Oxfam, and Amnesty International) has also occurred. Fourth, new rules are at play. Although countries have always negotiated trade agreements, as of late there has been a proliferation of multilateral trade agreements, including the North American Free

Trade Agreement (NAFTA) signed in the 1990s, and the Central American Free Trade Agreement, which added countries to NAFTA in 2005. Multilateral means that they don't result from the negotiations between two nation-states, but rather are the end result of negotiations among multiple players and thus enforce rights, impose sanctions, or encourage business at a regional or worldwide level. One thing that globalization has clearly exposed is the global divide between the haves and the have-nots. For instance, according to a 2017 Credit Suisse report, the top 0.7 percent of the adults worldwide hold 46 percent of the world's wealth, whereas the bottom half of the global population holds less than 1 percent of the world's wealth. In fact, it only takes $3,580 in assets to be in the top 10 percent of wealthy world citizens (Credit Suisse Research Institute, 2017). Furthermore, 842 million people (that's 1 in 8) go hungry in the world, 693 million people do not have access to clean drinking water, and 5.6 million children die before their fifth birthday, mostly from preventable diseases (UNICEF, 2017; World Food Programme, 2018; World Health Organization, 2013c). On the other hand, these global poverty rates are substantially lower than they were a generation ago, partly as a result of the increased income globalization has brought to many. Debate continues to grow over whether trade and other recent developments in globalization have ameliorated or intensified global income inequality (see Chapter 7 on stratification).

The bottom line is that contemporary globalization tends to reduce income inequality and poverty on a worldwide scale. The differences between China, Brazil, and the United States are shrinking. But globalization tends to exacerbate disparities within countries, where we tend to notice them. It's not so easy to sort out cause and effect when it comes to specifics, like the relationship between trade competition, automation, and wages. But some evidence from trade shocks suggests that trade does indeed eliminate domestic manufacturing jobs (Autor et al., 2013). Meanwhile, automation is known to increase productivity, thereby raising national income, but also, through its substitution effect, to depress wages. The result is a shift from labor to capital in the share of society's income (Acemoglu & Restrepo, 2018).

Although it might seem like globalization is just the direction toward which history marches, it has come in ebbs and flows. Moreover, there is nothing inevitable about globalization, as Brown University professor Nitsan Chorev points out in her book *Remaking U.S. Trade Policy: From Protectionism to Globalization* (2007), and which she discussed with me. "Globalization is not inevitable. It's not only the result of the reduction of the price of transportation, for example. Even when companies each have an interest in [expanding global trade], they had to overcome [protectionist] political barriers that were in place" (Conley, 2011e). And, of course, not all industries favor open international markets. In the United States, for instance, the steel and textile industries bitterly opposed trade liberalization. Chorev's book

Watch my interview with Nitsan Chorev at digital.wwnorton.com/youmayask6

documents how, in the United States at least, those barriers were overcome by the pro-trade sectors—ironically, including the auto industry back when it led the world market—by shifting the locus of policy making from Congress (whose members were incentivized to protect their districts' businesses from competition even if the whole of the economy was worse off) to the executive and judicial branches (which were more immune to such pressures and, instead, had a national constituency).

Even if increasing globalization is not a law of nature, like gravity, the current wave shows no signs of abating anytime soon. So how can we manage the process so that the losers in this ongoing economic transformation do not suffer dire fates? Chorev has some thoughts here too:

> So, the solution to the problems that globalization has brought has to be through regulation. And the question is whether the regulation should be at the national level or international. And possibly one could convincingly argue that at the moment, international regulation would be more effective. One possibility, which has been negotiated at the WTO for years now, is adding to trade negotiations agreements that protect labor and [the] environment. The U.S. government does not push enough for it. [And] developing countries resist for obvious reasons: Cheap labor is the comparative advantage, and if they lose that, then they lose the globalization struggle, right? So, you have to think of other ways. Either through the WTO, or in other means to create a better balance. (Conley, 2011e)

Indeed, a backlash against global trade agreements has become one of the most powerful political forces as of late. For example, the Trans-Pacific Partnership (TPP) was signed in 2016 by Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam, and the United States. But President Trump withdrew the US signature when he took office in 2017, invalidating the deal (the other countries went ahead with their own agreement). Meanwhile, the Trump administration has imposed