

The Roots of the Present Crisis

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The United States of America is a very prosperous nation. It became prosperous through a combination of its natural circumstances, culture, and institutions (Landes 296). However, from the early colonial days until after the Civil War, there were really two Americas: one in the North and one in the South. It is the tradition of the North that has propelled the United States to world renowned prosperity. However, the tradition of the South still lingers in America and its disastrous effects can be seen in America's current dependence on cheap overseas labor that is reminiscent of the days of slavery in the plantations of the South.

The story of America really starts with the business venture of the Virginia Company. On April 26, 1607, the joint-stock company's three boats landed in the Chesapeake Bay with 105 colonists. The company's purpose was to make a profit, although they didn't know what they were going to profit from beforehand. After nine years the company had yet to figure out how to generate more wealth than it consumed. However, that same year, John Rolfe took the crop from the tobacco he had planted there four years earlier to England. The tobacco proved to be a huge success, therefore guaranteeing the survival of the company (at least until 1624) and triggering the first major wave of migration to the American colonies (Gordon 8-17).

During the rush of migration to Virginia, one ship (the Mayflower), veered of course and instead landed at what is now Plymouth, Massachusetts on December 21, 1620. The colonists (about 35 Pilgrims and 77 non-Pilgrims recruited by the investors of

the joint-stock company that funded the venture) survived, thanks to the Native Americans, and were soon able to generate profit, although not through tobacco. The big money maker for these colonists was cod, which live in abundance off the New England coast. However, cod was never to New England what tobacco was to Virginia, so other industries also had to be developed. This circumstance led to the development of a diverse economy, which contrasted sharply with that of Virginia. In the years to come, the rest of the South developed in the model of Virginia, while the rest of the North developed in the model of New England (Gordon 27-30; Wills 28).

The stark differences between the northern and southern economies had a great effect on the nature of migration to each region. The North attracted “what today would be called middle class: small landowners or tenant farmers, shopkeepers, and skilled craftsmen, along with a good number of professionals such as doctors, lawyers, and ... clergymen” (Gordon 28). On the other hand, the South had very few opportunities for middle class individuals, since the only type of labor in high demand in the South was field labor. Since the individuals willing to do that that type of work were the poorest Europeans, and therefore not able to pay for their passage to the American colonies, the indenture system was established. With the indenture system the plantation owner would pay the laborer’s passage to the colonies in exchange for the laborer’s promise (through a written contract) to work for the plantation owner for a specified period of time (usually ranging from three to eight years), after which the laborer would be given a free parcel of land and would be free to make a new life in America (http://en.wikipedia.org/wiki/Indentured_labour).

The indenture system thrived in the South in the early colonial days, but eventually became overshadowed by lifetime servants from Africa (slaves), which were

more profitable in the long-run. Slavery slowly began to replace indentured servitude around the 1660's. However, with the invention of the cotton gin in 1793, the profitability of growing cotton in the American South became immense and led to an equally immense surge in slavery, which would not have occurred otherwise (Gordon 82-85). To illustrate the extent of this surge in slavery, "In Virginia the slave population leaped from about 2,000 in 1670 to perhaps 23,000 in 1715 and reached 150,000 on the eve of the American Revolution." Even more dramatically, in South Carolina there were "no more than 2,500 blacks" in 1700, but by "1765 there were 80,000-90,000, with blacks outnumbering whites by about 2 to 1" (<http://www.britannica.com/eb/article-77693/United-States>).

This surge in slavery made the already very unequal society of the South even more unequal. The plantation owners became wealthier, while the labor force was reduced to slavery. This was both immoral and bad economic policy.

The problem with a plantation economy is that "the estate owners will buy luxury goods for themselves and spend a minimum to clothes and house their slaves" (Landes 294). Additionally, instead of manufacturing the goods locally, the very large majority of manufactures and other products are simply imported. Despite the gross deficiency of this economy, Adam Smith, the man so admired, to this day, and considered the "father of economics" by so many, actually praised this abominable non-diverse economy. In his famous *Wealth of Nations*, he wrote that

It has been the principal cause of the rapid progress of our American colonies toward wealth and greatness that almost their whole capitals have hitherto been employed in agriculture. They have no manufactures excepted which necessarily accompany the

progress of agriculture, and which are the work of the women and children in every private family (158; Book II, ch.5: “Of the Different Employments of Capitals”).

It is Smith’s assumption of no technological growth that allowed him to come to this conclusion of the perpetual advantage of comparative advantage (“the principle that resources should go to the most profitable employment”). Fortunately, Adam Smith was wrong. He must have spent the large majority of his time studying the plantation economy of the South, while ignoring the economy of the North.

In sharp contrast to the South, the economy of the North was very diverse and incomes were much more equal, due to the scarcity of labor that kept wages high. The things in demand in this economy were useful things, as opposed to the luxury goods that the estate owners of the South wanted. Additionally, since a much larger percentage of the population could buy these goods, economies of scale (“a production process in which an increase in the number of units produced causes a decrease in the average fixed cost of each unit”) could be taken advantage of (http://en.wikipedia.org/wiki/Economies_of_scale). In addition to that, the existence of high wages enhanced the incentive to employ labor-saving technologies, which is the fundamental aspect of economic growth (LaRouche, “So You Wish” 23). Under these circumstances, the North developed many of the great inventions of the time and pioneered the use of standardization, which is such an essential aspect of today’s economy (Landes 301).

Unfortunately, the tradition of Adam Smith never really died. It has remained in America despite the efforts of Alexander Hamilton and Henry Carey, among many

others, to move America away from that erroneous tradition. And today we see the horrible effects of their failures (LaRouche, “So You Wish” 23).

The newest incarnation of the tradition of Adam Smith is neoliberalism. According to Robert McChesney, neoliberalism “refers to the policies and processes whereby a relative handful of private interests are permitted to control as much as possible of social life in order to maximize their personal profit (7).” We see in this definition the similarities between the goals of neoliberalism and the plantation society of the South. In fact, the economic ideologies of the two traditions are basically one and the same. It is Adam Smith’s laissez faire dogma all over again.

The laissez faire dogma is actually quite simple to explain. Laissez faire “is short for ‘laissez faire, laissez aller, laissez passer,’ a French phrase meaning ‘let do, let go, let pass’” and is used in reference to the economy (http://en.wikipedia.org/wiki/Laissez_faire). It advocates zero government intervention; it’s the theory of doing nothing!

Since the 1970’s this dogma has gained ground. First came the replacement of the Bretton Woods System, in which international exchange rates were regulated by governments, with the floating exchange rate system, in which exchange rates would be determined by market forces (http://en.wikipedia.org/wiki/Bretton_Woods_system). As the 1970’s progressed, the economy’s manufacturing sector continued its decline, which had been going on since the end of World War II, while imports began to skyrocket (LaRouche, “Physical Economy” 6). In the 80’s came Ronald Reagan’s huge tax cuts, reduction of government programs, deregulation, and union busting (http://en.wikipedia.org/wiki/Ronald_Reagan). Then in the 90’s we saw passage and implementation of NAFTA, the North American Free Trade Agreement.

Thanks to the implementation of so many neoliberal policies, the gap between the rich and the poor has increased substantially, the United States has become much more economically dependant on other nations, and illegal immigration to the United States is at an all-time high. Yet, regardless of all of these signs of the self-destruction of the United States due to neoliberal policies, the same neoliberal rhetoric is still very common these days. Robert McChesney lays the blame on a “generation of corporate-financed public relations efforts [that] has ... characterized [neoliberal initiatives] as free market policies that encourage private enterprise and consumer choice, reward personal responsibility and entrepreneurial initiative, and undermine the dead hand of the incompetent, bureaucratic and parasitic government, that can never do good even if well intended, which it rarely is” (7). This rhetoric may have worked for the past 35 plus years, but it can’t work forever. Pretty soon most people will realize that something is terribly wrong, assuming they haven’t already done so.

It doesn’t take much to see the similarities between the slavery of the plantations of the South and the wage slavery of sweatshop workers that make our clothes and electronics. Just as the plantation owners sought out the cheapest labor, so do the multinational corporations of today. But what makes the situation even worse today is that the new slaves are not a major investment for the multinational corporations. Thus, if one of them dies in an accident, another starves to death, and another isn’t making enough money to keep its children alive, it’s not big deal for the corporation; there are plenty more desperate people willing to take their place.

It is this same ideology of treating people just like any other cost of production that is so flawed, both morally and economically. The moral flaw is obvious, while the economic flaw goes back to principle of the development of labor-saving technology that

made the North so prosperous and the South so backwards. The reasoning is simple: if labor-saving technologies are developed and used, it will take less labor to achieve the same task. As these developments add up, the standard of living increases. We have seen this thorough time, especially after the Industrial Revolution.

Creating the conditions for a high growth economy that will liberate people from unnecessary toil is a very difficult task when “there is always the increase in cheap labor supplies to slow the pace of automation in many societies.” (Kennedy 94). However, falling victim to the cheap labor trap is not something that is inevitable. The United States is very capable of reversing the trend of neoliberalism, therefore closing off ever-growing pools of cheap labor to American Corporations. Of course these massive changes will have to be executed with great care, since the 35 plus years of American neoliberalism have made many people very dependent on the jobs of American corporations.

Japan is currently way ahead of the United States in the robotics industry, which is probably the most important industry in the development of labor-saving technologies. One key characteristic of Japan that has greatly promoted its development of automation has been its “serious labor shortage, which existed as long ago as the mid-1960’s” (Kennedy 86). Once again we see the same pattern of labor scarcity equating with an increase in the development of labor-saving technologies. However, this time it is the United States that is in grave danger of falling behind. Kennedy elaborates:

The final irony—and an awful future possibility—is that low-labor assembly plants established by foreign companies in Southeast Asia may one day be undermined by an intensification of the robotics revolution in Japan. ...labor-saving technology, intensively

used, could make the manufacturing of steel, heavy equipment, machines, and even textiles competitive again in industrial countries. (Kennedy 93)

The warnings are very clear: If the United States does not once again embrace the tradition of the North that led it to prosperity in the first place, it will be surpassed by those nations that do and will soon after lose its claim to the status of world superpower.

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