

The American Family: Human Capital Investment as a Counterpoint to the Ages of Capitalism

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The Family as a Legal System Tied to Income, Wealth

Transformation of American Families, 1800–2015

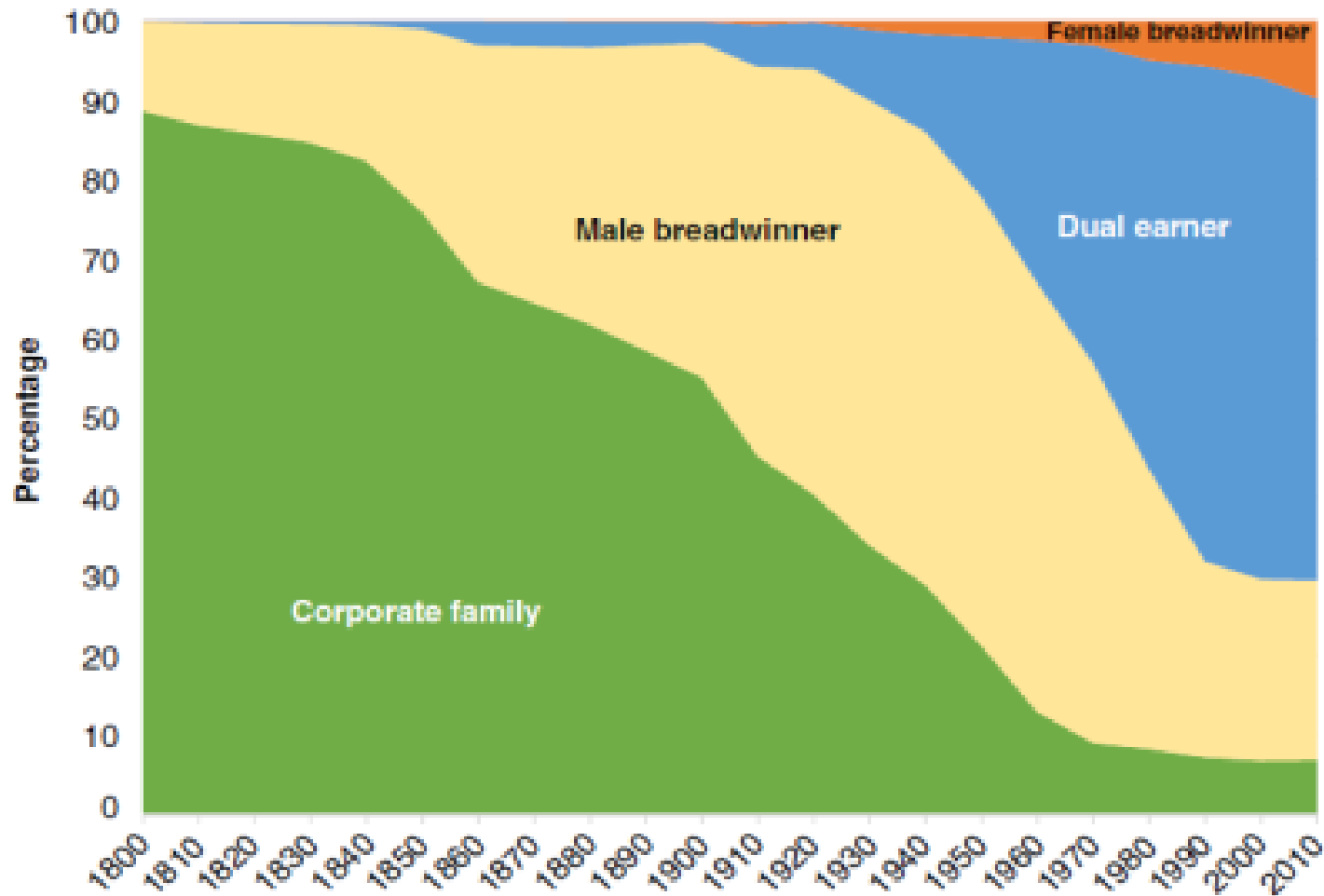


Fig. 4 Family economies of U.S. couples aged 18–64: United States, 1800–2010. *Source:* Ruggles (forthcoming)

Agricultural Societies: Patriarchy

- ▶ Farm ownership = security, subsistence
- ▶ Farm household = “little commonwealth”
- ▶ Male land ownership = readiness for marriage
- ▶ Patriarchal authority within marriage
- ▶ 1800: 90% of Americans live on farms



Industrial Revolution: Separate Spheres

- ▶ Urbanization:
Disruption of land-based subsistence
- ▶ Step 1: Reinvention of middle-class marriage
- ▶ Step 2: Rise of the family wage
- ▶ Step 3: Reinvention of the State



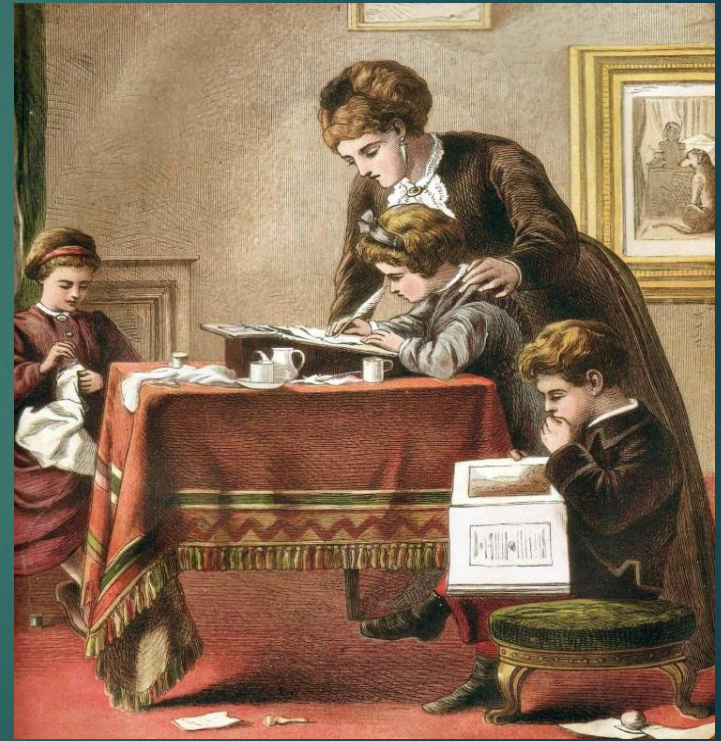
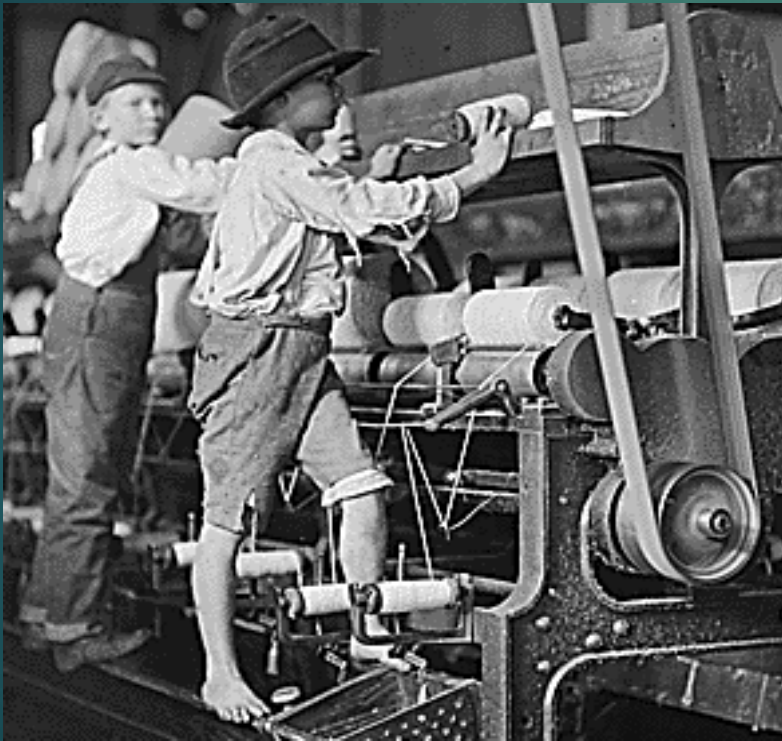
The New Middle-Class System

- ▶ **Age of marriage rises**, male security
- ▶ **Separate spheres**: women gain prestige as homemakers
- ▶ Celebration of **women's virtue** (just say "no" = fewer kids, at later ages)
- ▶ **Greater investment** in children, education
- ▶ Beyond reach of working class until 1940



Marriage and the Middle Class: Greater Investment in Fewer Children

- ▶ Specialization among men, not men and women



1st Demographic Transition:

1800 = 8 children
1900 = 4 children



Brides Pregnant at the Altar

1800: 30%

1860: 10%



HENRY FORD GIVES \$10,000,000 IN 1914 PROFITS TO HIS EMPLOYEES

HOUSES SWEEPED INTO ATLANTIC BY STORM; CREW OF 32 DROWNS

SUMMER RESORT COAST IN RUIN.

Sunlight, N. J., Is Wrecked Along Shore—Towers In Shambles With Mass. Wrecked and Children Awaiting Relief.

Acres of Land Are Swept Into the Sea Along With Buildings—Total Loss \$1,000,000—Some 2000 Men Near the Ruins.

NEW YORK, Jan. 8.—A terrible storm, which struck the Atlantic coast last night and today, has swept away the summer resort of Sunlight, N. J., and has wrecked the towers of the Sunlight Hotel, a building which was one of the most famous of the coast. The storm, which was the worst since the great storm of 1888, has done much damage to the coast and has left many people homeless. The towers of the Sunlight Hotel, which were one of the most famous of the coast, were swept away. The storm, which was the worst since the great storm of 1888, has done much damage to the coast and has left many people homeless.

NATION-WIDE STRIKE IS BEING DISCUSSED BY LABOR LEADERS

Major Declines Congress Will Call Conference to Discuss Great Sympathetic Movement in Connection With Copper and Coal Miners' Strikes.

GOV. FERRIS IS ON WAY TO CALUMET

State Executive Enters Copper Zone as Federal Commissioner Denounces League Declaring Intensity to Bring Peace Because of Operator's Attitude.

STRIKE CONDITIONS.—The conditions of the strike are such that it is impossible to see any prospect of a speedy settlement. The operators are determined to bring the strike to a close as soon as possible. The labor leaders are determined to see that the workers get their rights. The government is determined to see that the law is enforced. The situation is very serious and it is hoped that a settlement will be reached soon.

Motor Kings Who Share Profits With Worker



Henry Ford, the founder of the Ford Motor Co., is one of the most successful industrialists in the world. He has given his employees a share in the profits of the company. This is a new idea in industry and it is hoped that it will be followed by other companies.

Walter Reuther, the president of the United Auto Workers, is one of the most successful labor leaders in the world. He has fought for the rights of the workers and has won many victories. He is a true champion of the worker.

DOUBLES PAY OF 25,000 IN AUTO WORKS

Motor King and Congress Launch World's Biggest Profit Sharing Scheme as "Act of Social Justice" and for Jobs of Life.

GRANT EIGHT-HOUR DAY AT \$5 WAGE

Two Shifts of Nine Hours Changed to Three of Eight, 4,000 Unemployed to Be Taken In—Jobs as Farms Arranged During Slack Season.

The Ford Motor Co. will give to its employees during the year of 1914 the sum of \$10,000,000 in addition to their wages.

This will not be a wage increase, but a distribution of profits. It will be added to their wages, and it is hoped that it will be followed by other companies.

A minimum wage of \$1 a day will be established by the act of the profit distribution to begin. The general minimum wage in the great motor car factory is \$1.50. This new Monday to the end of the year, when the business is slow and the men who usually receive the bonus, will get at least \$1 a day.

Further, the eight-day is instituted. At present the Ford factory has two eleven-day shifts. It now will install three eight-hour shifts.



The Rise of the Family Wage

- ▶ 1913: Ford turnover = 370%
- ▶ Solution: Double pay for married men
- ▶ Increase family, worker identification with company
- ▶ Protections against dismissals
- ▶ “Socialization Organization:” men who drank too much or had wives who worked not eligible for family wage

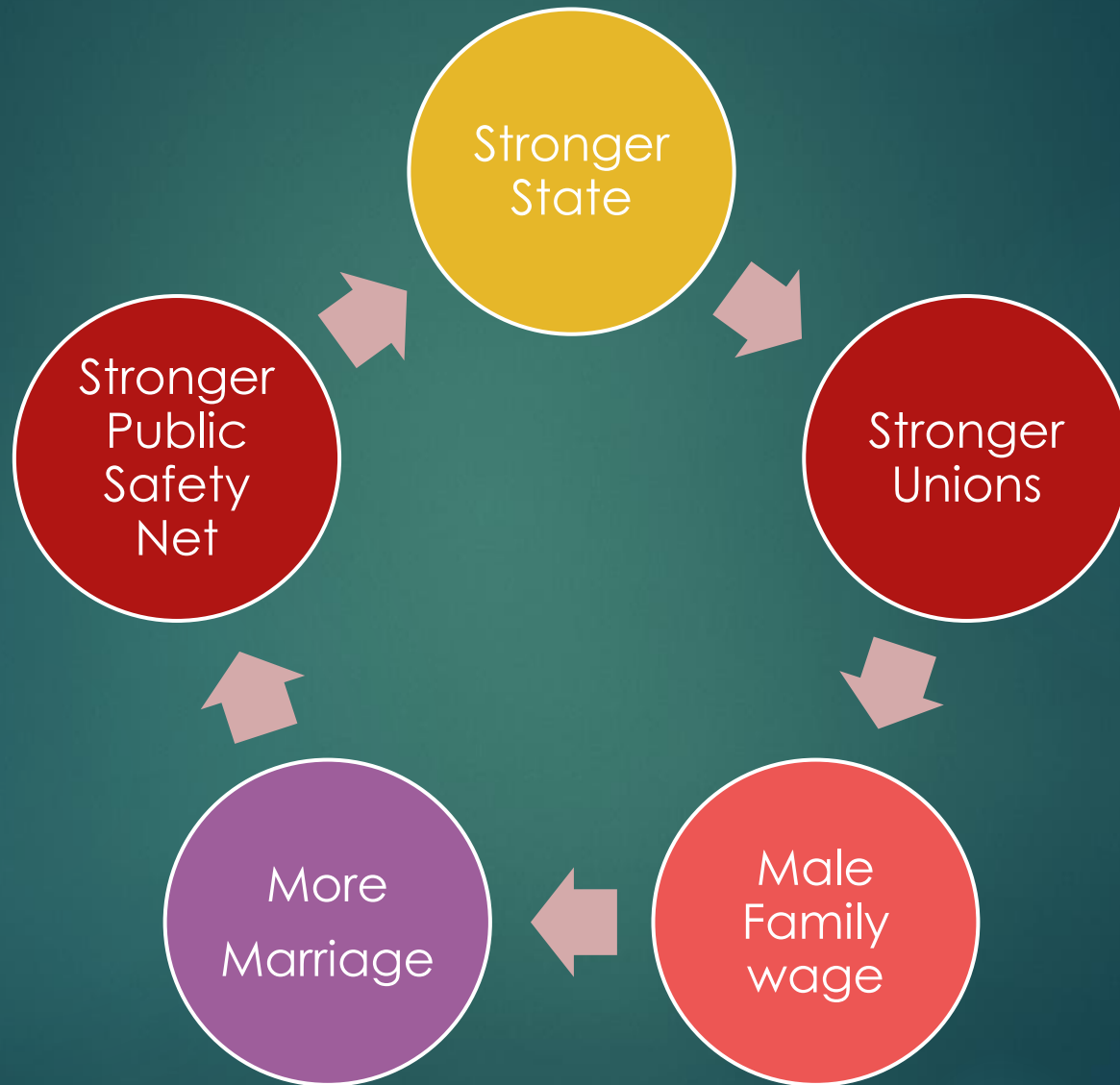


The New Deal and Social Insurance

- ▶ Government programs: “monetary protection against risks associated with living in an industrial or post-industrial society in which income typically derives from paid work”
- ▶ Social Security (retirement)
- ▶ Unemployment Compensation
- ▶ Disability and Survivors’ Benefits
- ▶ Aid to Dependent Children (afterthought)




Reinvention of the 20th Century State



Information Age: Dual Earners

- ▶ *Disruption of Male Wage Labor, Family Stability*
- ▶ Step 1: Reinvention of Middle-Class Marriage
- ▶ Step 2: Employability replaces employment
- ▶ Step 3: Blocking the reinvention of the state

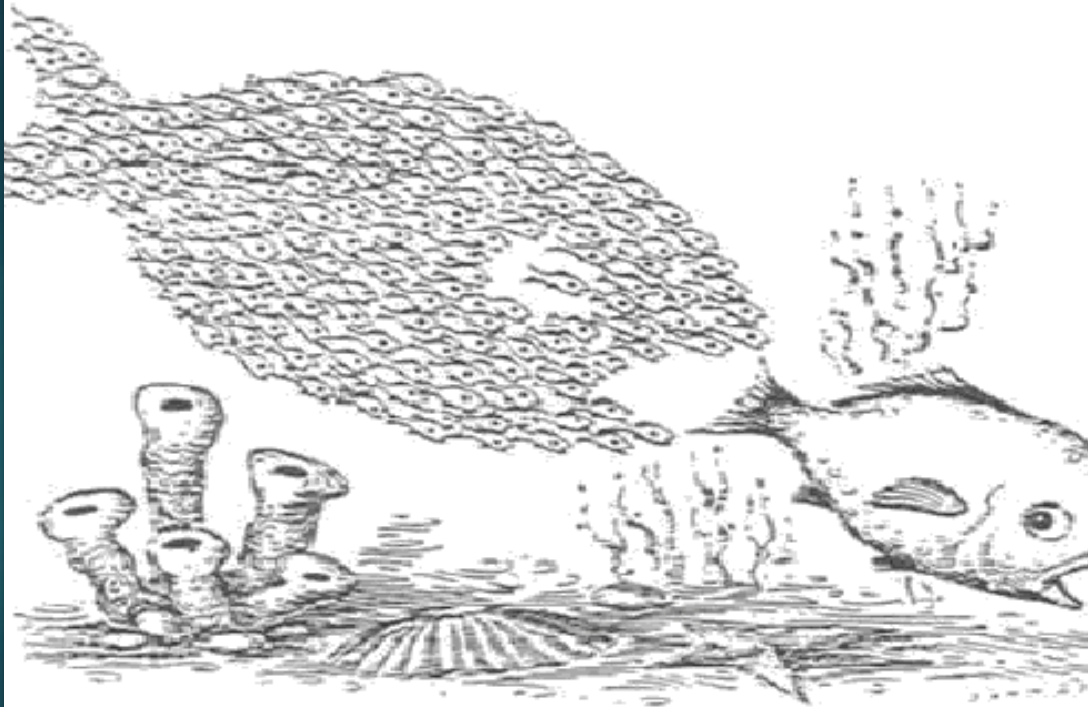
Family Values
CYBER ATTACK PREVENTION PARADIGM



Information Age Education
humility, prevention education, family values
www.ipredator.co



Shifting Power



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The Firm
as
Network
and the
Rebirth of
Inequality



Labor and the information age

Industrial Era

- ▶ Bricks and mortar
- ▶ Need: Unskilled labor-men
- ▶ Internal career ladders
- ▶ Wage subsidies over time
- ▶ Transaction costs: high
(needs: supply chains,
trained workers, markets)
- ▶ Loyalty between
firms/workers

Information Age

- ▶ Dynamic networks
- ▶ Unskilled labor: automation
- ▶ Outsourcing: flexibility
- ▶ Need: services-female
- ▶ Transaction costs: Lower
(trade, info revolution)
- ▶ *Opportunity: acquire
experience, skill*
- ▶ End of loyalty
- ▶ Employability matters

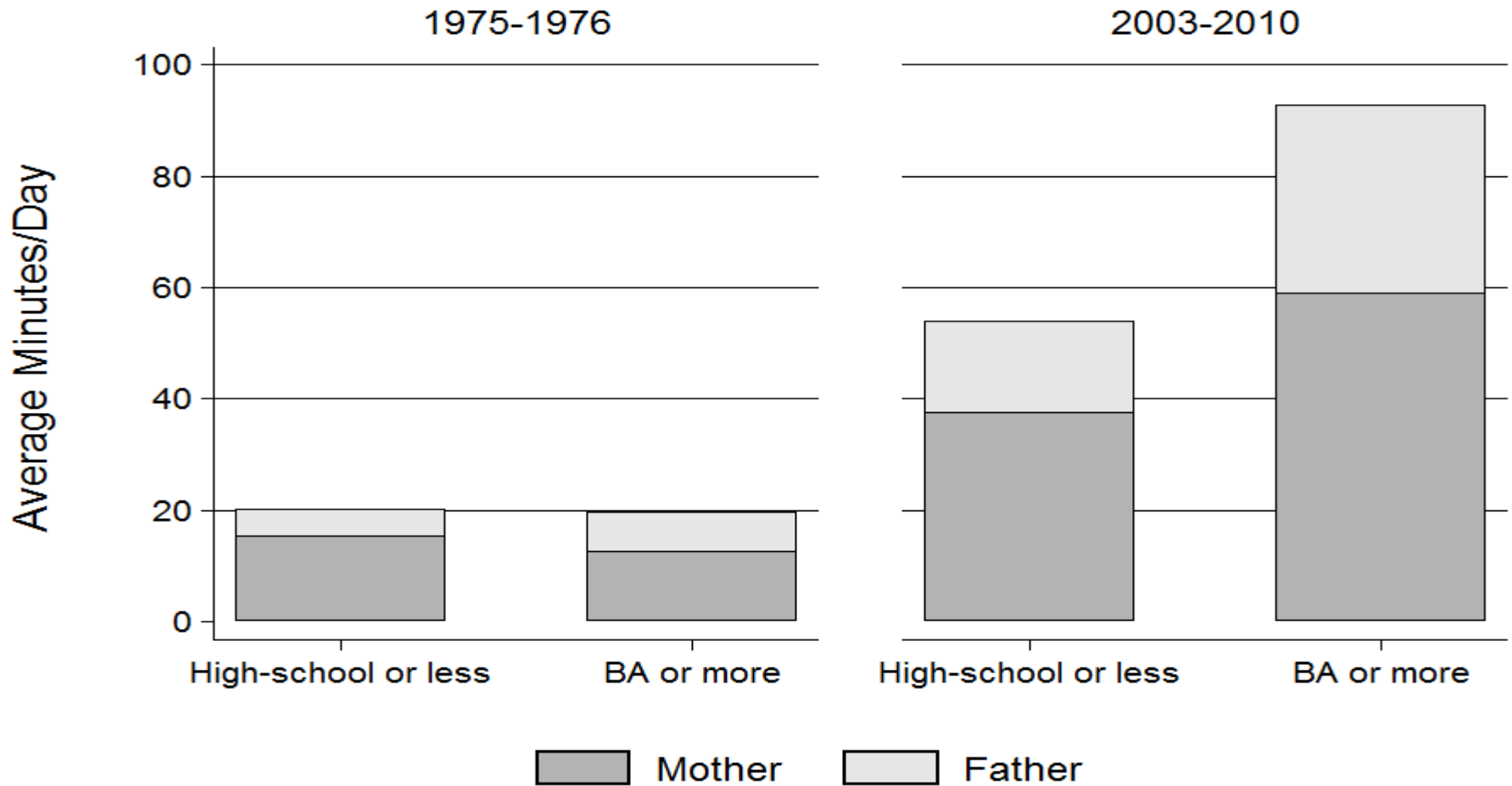


The New Middle-Class Family Model: Greater Investment in Family Capital

- ▶ Invest in girls' as well as boys' income capacity
- ▶ Postpone family formation until emotional maturity, financial independence
- ▶ Marriage = trust, flexibility, interdependence
- ▶ Two incomes = cushion
- ▶ Employability matters



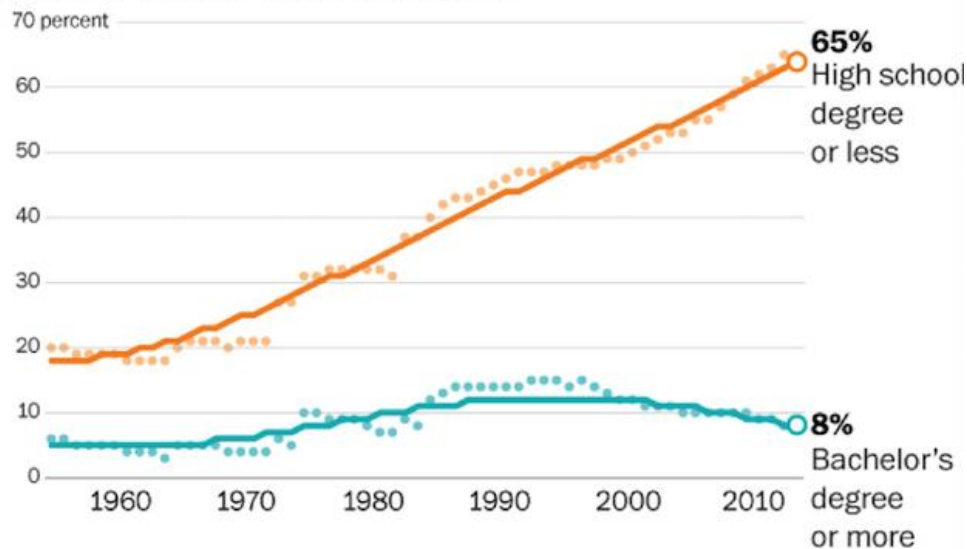
GROWING CLASS GAP IN TIME SPENT WITH PARENTS (1970s vs 2000s)



Non-Hispanic Whites Only
Source: American Heritage Time Use Study

Children living in a single-parent home

In 2012, 65 percent of children whose mothers never made it past high school spent at least part of their early childhood in a single-parent household, up from 20 percent in 1953.



Sources: Robert Putnam and U.S. Census Bureau

THE WASHINGTON POST

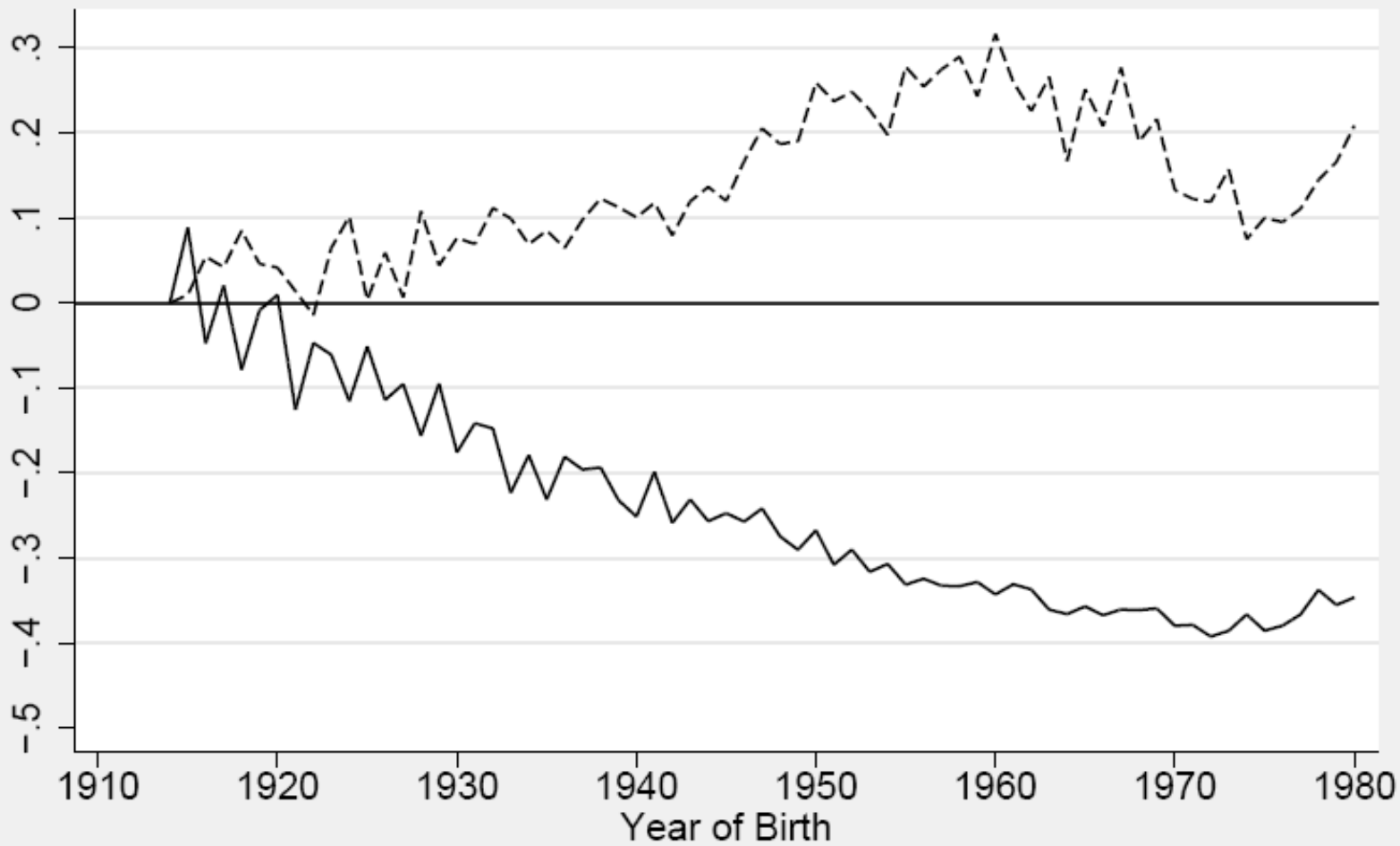
A Model
Once Again
Beyond the
Reach of
the Working
Class



Econ 101: Volatility and Commitment

- ▶ Consistent with theories of investment . . .
- ▶ Firms with high volatility [in income]
- ▶ Need a higher capital cushion to survive
- ▶ They cut investment
- ▶ Cut non-cash current assets
- ▶ Dotted line = ability to pay day to day bills



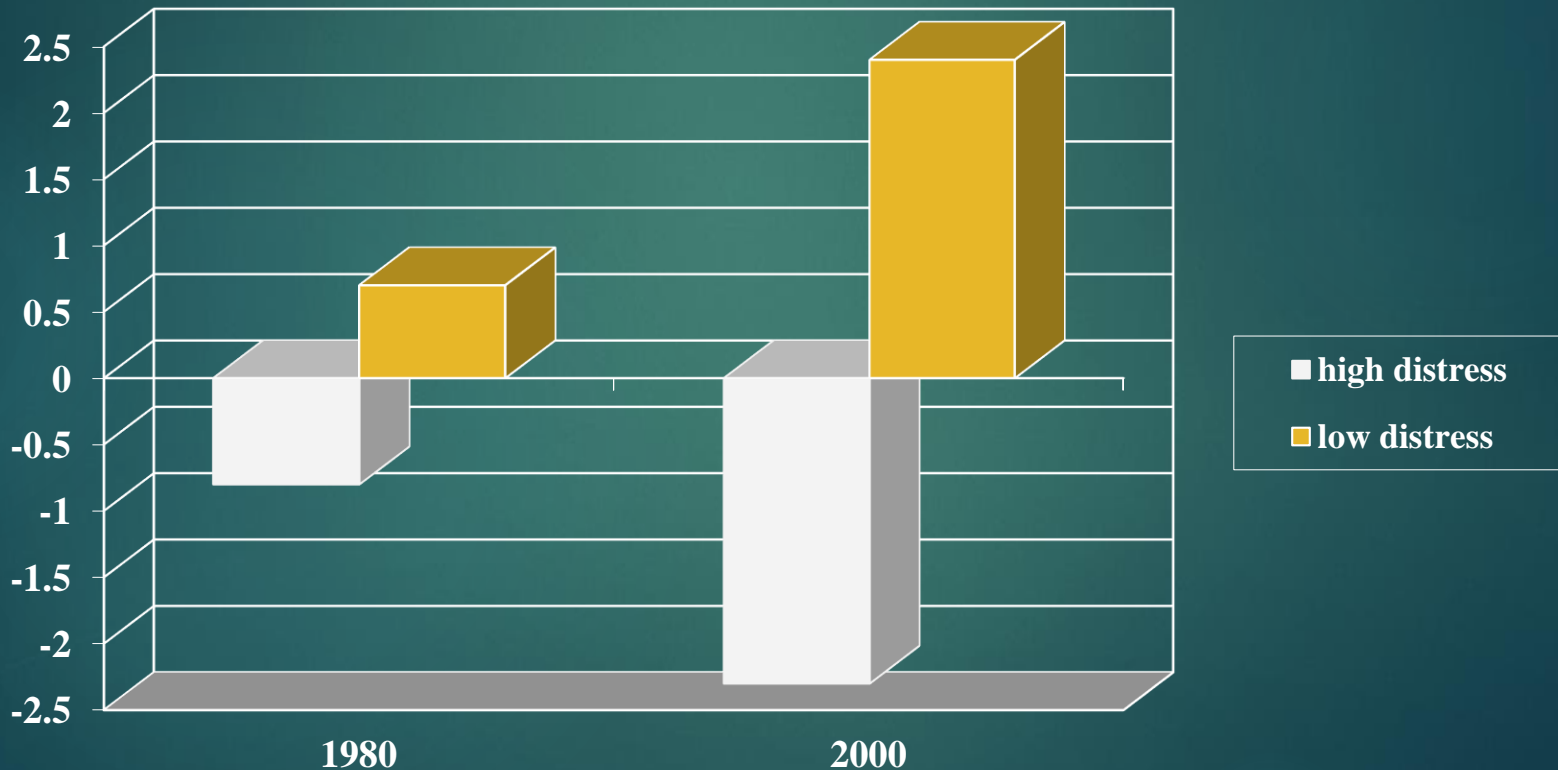


Proportional Cohort Effect Median Tenure (1914=0)

Changes in Employment Stability by Gender (Men solid line) and Birth Year



Divorce Proneness by Perceived Economic Distress (Amato, et al)



Marriage = Vulnerability

- ▶ Bethany, re: Calvin, the father of her child
- ▶ Marriage “means one less granola bar for the two of us.”
- ▶ Women’s fear: need to “evict partner”
- ▶ Working class couples have no cushion or trust
- ▶ For couples without savings, commitment = using your income to pay off your partner’s traffic tickets, bar bill while unemployed (unemployed men drink more), car repairs, while your children go without
- ▶ 40% of American families have < \$400 in savings
- ▶ *Marriage = joint liability to creditors; jt custody*





Less Secure
Employment,
Less Stable
Families, and
Greater
Family
Insecurity

Three Primary Ideas

- ▶ **Universal Basic Income**
- ▶ (or family allowances)
- ▶ **Guaranteed Jobs**
- ▶ (or go back to school free cards)
- ▶ **Stock options for everyone**
- ▶ (or inclusive capitalism)





Challenge

HOW TO INSTITUTIONALIZE SUPPORT
FOR THESE IDEAS?

Reinvention of the 21th Century State

