WORK AND LEISURE IN AMERICA

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INTRODUCTION

In early September 1964 a taxi drove me from the bus station in Schenectady, New York, to the building that housed the Phi Epsilon Pi fraternity located on the campus of Union College. I was the foreign exchange student in the Fulbright Scholarship Program selected by the fraternity.

“Hello? Hello?” I called out as I entered the white-painted building and stood

in the middle of the large living room.

“Who are you?” a solitary voice replied. When I explained the reason for my presence, he asked, “What is your name?”

“In Italian it is Giuseppe, in English it would be Joseph.”

He smiled. “You are an American now, your name is Joe.” From that day on I have been known as Joe by everyone I met in the United States and in Canada where I now reside.

 As the cool breeze of fall announced the advent of fluffy snow, I felt a refreshing sense of freedom that I had never experienced before. In the classroom, the kindness and guidance of professor Abbot, Chairman of the Economics Department, made me realize that in America the future was in my hands. On campus, competitiveness filled the air but it was tempered with a sense of solidarity, at least within the fraternity. As the only Catholic in a large fraternity of Jewish students, I never felt isolated or out of place. Not once was I denied help when I asked, and I will forever remember the friendship of my roommate Richard Anker, and of Bob Knobelman and Steven Abelove. I treasure the loving concern of Rose and her friend, the two African-American ladies who prepared the meals at the fraternity. They cooked fish for me every Friday to ensure I did not sin, although I would have preferred the steaks available to everyone else. I hold dear the first Thanksgiving dinner at the open house offered by the college president, the warmth of Richard’s mother when she invited me for an “Italian” meal, the kindness of Professor Fox’s family who invited me to their home during the March break when I was alone in the fraternity house, and the generosity of my soccer teammates’ wives who prepared sandwiches for our post-game snack. I was a foreigner, I was on a temporary student visa, but I never felt a stranger.

That was then.

I left the United States in 1968, going first to Mexico and then to Canada. Even from afar my experience of those four years cemented a strong emotional bond to a country that had welcomed me with open arms, and I have kept abreast of U.S economic, political, and social developments ever since. I have watched America being transformed by internal and external forces and have often wondered how those forces combined to generate change. Now retired, I have had the time to reflect on those questions at leisure. My main interest is in the interaction between technological change and future economic and social trends in industrialized countries, exemplified by the United States. While economists generally focus on various elements of a country’s economic performance, I believe technological change not only affects economic transformation but is inextricably intertwined with changes in institutions and value systems. I also believe that past developments are a useful guide for the understanding of future trends.

 Guided by these principles, my research is directed at two questions. What may the future have in store for the United States with regard to technological advance, economic growth, and employment? Which insights may be gleaned from an examination of the economic and institutional developments of the past 70 years? The result is this book divided into three parts: first a statistical record comparing 1950 and 2019, second a review of the major institutional changes during that period, and finally an overview of future prospects.

 Part I contains five chapters that present a summary of the statistical record of the United States from 1950 and 2019 with respect to changes in the major demographic components, labor force and employment, hours of work, wages and income distribution, and patterns of consumer spending. The statistical record shows that the United States population more than doubled from 1950-2019. In the first two decades population growth was driven by natural growth, but later on it relied to an increasing degree on immigration. Through this evolving demographic process, the United States population has become more diversified ethnically and with respect to religious affiliation, and has turned older and more educated. There was a geographic realignment as the South and the West gained population at the expense of the North and the Midwest, and a steady trend towards greater urbanization in response to a major exodus of young people from rural communities to cities and their suburbs. The love affair of Americans with marriage, prevalent in 1950, subsided over time. Families accounted for a declining share of households, became smaller and more varied in structure as the share of couples-families declined, and shrank in size.

 Demographic developments contributed to a re-structuring of the US labor market. The influx of women in the labor force re-balanced the gender composition of employment and re-arranged the industrial structure by promoting the expansion of certain sectors, in particular leisure and hospitality. At the same time the rising educational attainment of the labor force altered the occupational distribution of employment and promoted a revival of self-employment as human capital is transforming employees into worker-capitalists. Globalization, the changing industrial structure, and evolving attitudes toward organized labor have led to a rapid decline in the degree of unionization in the private sector.

 Despite rapid technological change, increases in productivity, transformations in the gender composition of the labor force, smaller families, higher education, and structural shifts in the economy, the allocation of time has remained remarkably stable over close to three-quarters of a century. This stability is noted for both genders. The fundamental change occurred in the allocation of time between market (paid work and time for education) and non-market work (home production and volunteerism) activities by gender. As women flocked to the labor force, their time allocated to market work rose and that dedicated to non-market work declined. The opposite trend occurred among men, who spent more time on home production (goods and services produced for family consumption) as their participation rate declined.

 With respect to wages, income, and wealth, we can distinguish the 1950s and 1960s from the last forty years. During the earlier period productivity gains were shared equally between labor and capital, real wages experienced broad gains and economic growth delivered lower income inequality and declining poverty rates. The opposite trends emerged in the past forty years. The paths of productivity growth and labor compensation diverged, the growth of real wages stalled, rising education premiums widened wage differentials, and all this has led to widening inequality of income and wealth. The trend towards greater economic equality that characterized the first three post-war decades has been replaced over the past forty years by increasing economic, social, and political polarization.

 As families became smaller and increasingly more prosperous, the distribution of consumer spending among various categories was altered. The share of spending on necessities (food, clothing, housing, transportation and health care) remained constant at 87 percent, but the ranking changed. Homes and cars became the main symbols of conspicuous consumption, they doubled in size, and included double garages to shelter the prized automobiles. As a result, spending on housing in 2019 held the first place, followed by transportation. Food, which in 1950 accounted for the lion’s share of consumer spending, by 2019 moved to the third spot. Within food spending there was a large shift from food prepared at home to food consumed away from home. A major decline in spending on clothing was offset by a near doubling of the share of health care spending, which reached almost 10 percent in 2019.

These changes did not take place in a vacuum, but were associated with adjustments in institutions and values. My exploration of the major institutional and behavioral changes over the past 70 years is presented in the three chapters that make up Part II.

 Perhaps the most significant aspect of life in 1950s America was the existence of a set of coordinated institutions that promoted the doctrine of America as a bastion against the Godlessness of communism, a beacon for all freedom-loving people, the defender of democracy, and a New Jerusalem for all Christians. This institutional structure which included the family, religious organizations, schools, and labor unions operated under the principle of solidarity, offered avenues of mutual support, strengthened social cohesion, and provided a common moral compass. The principle of solidarity, in turn, led to an economic structure where productivity gains were shared by labor and capital in a manner that generated a large and mobile middle class. Though the stability provided by these institutions came with a high price tag in terms of repression of individual freedom, intolerance, and racial injustice, the prosperity they helped create set in motion a process of transformation that over time would reshape America’s value system.

 The religious landscape has changed drastically over the past 70 years and this transformation has exerted a profound effect on American life. Personal morality has been increasingly interpreted in terms of sexual orientation practices and women’s reproductive rights (the deviation from heterosexuality and abortion), and the social gospel has been replaced by the prosperity gospel. Christianity in America has increasingly taken the form of apologist for capitalism and self-interest cloaked in a Bible. At the same time the family has been fragmented into a variety of forms, an increasing share of which are transient and fluid, and no longer can offer a stable moral compass to children. In the labor market the shift from solidarity to individualism was aided by the demise of the labor unions and the end of labor as a social movement. Finally, the dispersion of information has destroyed the objectivity in the reporting of news and has replaced it with a form of subjectivism that allows individuals to re-define factual evidence to coincide with their own preferences and personal interests.

 The influx of women in the labor force not only stimulated economic growth by easing potential labor supply constraints and helping create new industries, but also produced significant social and political changes as women became financially independent and acquired more political clout. Women’s greater economic and political power combined with technological developments and rising prosperity led to new family structures and the transformation of social leisure into individual free time activities. Productivity growth and rising wages allowed most American families to rise beyond the satisfaction of basic needs. An increasing share of current consumption was financed by borrowing from the future. The expansion of private and public debt together with industrial restructuring from a goods-producing to a services-producing economy was accompanied by the rise of the financial sector. The financialization of the economy has created an increasingly larger sector dedicated to the creation and manipulation of complex financial instruments backed by money created out of nothing. Finally, over the past half a century, economic growth has led to rising inequalities of income and wealth, associated in large part with differentials in educational achievement. Economic polarization has been translated into a degree of political polarization that may prevent timely and effective responses to national crises.

In the four chapters that make up Part III, the lessons learned from the economic, institutional, and value changes over the past seventy years are used as the foundations for exploring the path of potential future trends.

 One of the defining features of American life over the past 70 years is the remarkable stability in the allocation of time. The number of weekly hours devoted to total work in 2019, including time spent on the acquisition of human capital, was virtually equal to those in 1950, and a small increase in the time spent on the satisfaction of physical needs was offset by a small decrease in leisure. This stability occurred during a period marked by productivity growth, rising living standards, and major social changes, and is at odds with Keynes’ prediction (1932) of a 15-hour work week within a couple of decades. This stability of working hours was caused by two factors. First, as productivity led to rising wages, American workers showed a preference for material goods over additional leisure, and this preference led to rising consumer spending, a trend that was reinforced by the masses of women entering the labor force and the new habit of financing current purchases with borrowed funds. Second, the prevailing technology involved a high degree of complementarity between machines and workers. As total spending increased, so did the demand for labor and the level employment.

 Another defining feature is the transformation of the American economy from managed to unconstrained capitalism. The economic structure of the 1950s and 1960s involved the experiment of a free-market economy whose behavior was constrained by international agreements, strong government intervention in research and development and in the functioning of the financial sector. At the same time, the principle of solidarity was strengthened by the protection of workers’ rights achieved through strong unions and collective bargaining, the support of a well-coordinated institutional framework, and the guidance of a stable moral compass. This experiment generated high growth rates of productivity and income and rising wages, promoted economic and social mobility, and led to declining poverty rates and lower concentration of income and wealth. During the second experiment, which covers the past fifty years, the constraints on the operation of the free-market were released, the institutions of solidarity marginalized, with solidarity replaced by individualism. The role of education was transformed from the great equalizer to a major driver of divergence, and the government has become the enabler of capital accumulation and economic polarization. The results of this experiment have been lower productivity growth, stagnant wages for most of the lower-wage workers, increased concentration of income and wealth, and political polarization.

The future path of the US economy—employment as well as output— depends on the factors that determine long-term trends of potential output (the supply side) and total spending (the demand side). There is a debate among economists about the trends of potential output between techno-pessimists and techno-optimists. The former see technological change proceeding at the slower rate recorded from 1970 to 2014, while the latter project an explosion of technological progress. Less disagreement is found on the demand side. Economists expect that a combination of a variety of factors—lower population growth, lower rate of family formation, rising concentration of income and wealth, and the high level of debt by individuals and governments—will dampen the growth of total spending. This economic environment limits the power of monetary and fiscal policy as both have little room to maneuver, the former because interest rates are already at record lows and the latter because debt-to-GDP ratios are at record highs.

 Future employment growth will face two major headwinds. On one side the autonomous machines of the new wave of technological advancement will replace human muscle and brain power at an increasing rate. On the other side a variety of demographic and economic factors—primarily lower growth of the population and family formation, high private and public indebtedness, and rising income inequality—will restrain the growth of total spending. These developments in combination with the transformation of economic and social structures, and of the value system, will present novel challenges to both policymakers and individuals. Over the past 50 years the focus of public policy has been on promoting the supply side of the economy. In the future, if the promise of the new technological age materializes, the growth of potential output will encounter fewer obstacles than in the past. Aggregate demand, however, will face the headwinds mentioned above. In this environment, maintaining sustainable growth requires a shift of emphasis from supply-side to demand-side policies. In the presence of an economic system with a built-in tendency to rising economic inequality, supporting the growth of aggregate demand would require re-distributional measures of rising magnitude over time. The implementation of these measures would be possible only through the expansion of the scope of government. This move would be inconsistent with the priorities of an electorate whose moral compass rests on individualism as the driver of human activity.

 Without minimizing the economic challenges facing policy-makers, I suggest that the fundamental issues facing the United States are largely outside the economic sphere. They involve inequality, justice, human relations, functioning institutions, trust, and shared values. Unless these issues are addressed in a coordinated manner, the prosperity promised by technological change may end up being a distant mirage for most Americans.