Part I

Historicizing Social Reproduction, Welfare and Neo-liberalism
Women, Social Reproduction and the Neo-Liberal Assault on the US Welfare State

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‘The test of our progress is not whether we add more to the abundance of those who have much; It is whether we provide enough for those who have too little’.

President Franklin Roosevelt, 32nd President of the United States (1882–1945)

I. INTRODUCTION

THE INTELLECTUAL REVOLUTION sparked by feminism revealed that the study of gender, like that of race and class, uncovered previously ignored information and introduced new analyses of social, economic and political relations—including the welfare state. Traditional welfare state analyses in the United States and other countries focused on male workers and class conflict, paying little attention to the relationship of women to the welfare state. When feminists applied a gender lens to the discourse they discovered that women reformers played a central role in the origins of the welfare state and that women comprised the majority of welfare state clients and workers.

They also discovered that the welfare state underwrote women’s unpaid care work in the home—often called social reproduction. Social reproduction refers to those activities established by societies to further procreation, socialization, sexuality, nurturance and family maintenance. Carried out by the family as well as schools, religious organizations and other societal institutions, social reproduction includes (a) reproducing the next generation of workers; (b) ensuring the health, productivity and socialization of

the current work force; (c) managing consumption; and (d) caring for those too old, young, sick, disabled or jobless to support themselves. Care work or social reproduction is typically carried out by women in the home, and is critical for family well-being but also for business profits and for the smooth functioning of the entire social order. Crises in social reproduction can arise when the market fails to yield the level of jobs and income needed for family maintenance and when social change challenges the norms that hold the gender division of labour in place.

This chapter compares the different ways in which those in charge of US national policy responded to the breakdowns in social reproduction associated with the two major economic crises of the twentieth century: the collapse of the economy in the 1930s and the crisis of profitability the 1970s. Each crisis reflected the unravelling of the social, economic, and political structures that had been put into place during the previous 40–50 years to stabilize the social order. They no longer worked for the elite and had to be reformed. In response to the first emergency—the Great Depression—the nation’s leaders blamed the workings of the laissez-faire market. For the first time, however unwillingly, they called upon the federal government to restore economic growth, to support families in need (social reproduction) and to mute the social unrest sparked by the economic disaster. In sharp contrast, in the 1970s the nation’s decision-makers made a dramatic U-turn in public policy. They blamed their falling profits on the government programmes that been created in the 1930s in response to the first crisis. Driven by conservative ideology, the resulting retrenchment undercut government support for women’s care work in the home—once regarded as critical for the wellbeing of families, business profits, and the smooth functioning of the entire social order.

II. THE FIRST CRISIS: THE RISE OF THE US WELFARE STATE

The first crisis, the collapse of the United States (US) economy, revealed that the laissez-faire structures that had ensured profits, political stability and family well-being since the 1890s no longer worked. Hidden beneath the rapid economic growth, booming profits and the giddy consumerism of the ‘roaring ’20s’ the poor and working class suffered a falling standard of living and mounting social problems. Rising rates of poverty, hunger, unemployment, evictions, overcrowding and depleted savings were accompanied by alcoholism, desertion, marital breakup, sickness, child neglect, malnutrition and other family problems. The distress went unnoticed until

the Great Depression caused both material hardship and social problems to spread from the working to the middle class.\(^3\)

A crisis of social reproduction that simmered during the 1920s was fuelled as well by the victories of the first wave of feminism that challenged prevailing gender norms.\(^4\) More women in paid work, lower birth rates, fewer marriages, and a sexual revolution reduced access to women’s unpaid domestic labour on which social reproduction relied and otherwise undermined the patriarchal underpinnings of the ‘traditional’ family.\(^5\) During the same period the combination of ‘Jim Crow laws’, a series of calamities that devastated the cotton crop, and labour shortages in the North and the West caused more than half a million blacks to leave the rural South in search of urban industrial jobs. The turmoil of the ‘Great Migration’ disrupted social reproduction in the black community. The employment of large numbers of black women and black men in domestic service or dirty and dangerous industrial jobs also deprived the black family of women’s unpaid labour at home.\(^6\) With few government programmes in place in the late 1920s, troubled or needy white and black families swamped their respective (ie segregated and unequal) private social agencies that tried to maintain families.\(^7\) Extreme hardship also led the dispossessed of all races to take to the streets. Groups representing the elderly, the jobless, struggling housewives and racialized communities demanded that the federal government step in to help families survive; that is to underwrite social reproduction.\(^8\)

A. The Modern Welfare State in the United States: Mediating Contradictions

The Great Depression exposed a contradiction built into market economies: the tension between profitable economic production and effective social reproduction. On the one hand, profits depended on the ability of


\(^5\) Coontz et al, *Social Origins* (above n 3); Mintz and Kellog, *Domestic Revolutions* (above n 3); Scott and Wishy, *America’s Families* (above n 3); Ware, *Holding Their Own* (above n 3).


families to sustain themselves; that is to buy goods and services, to ensure the productivity of the current and future work force, and to care for those who could not support themselves. However profits also depended on low wages and high unemployment both of which undercut the capacity of families to carry out these critical tasks. In the 1930s, the failure of the market, the breakdown in social reproduction, and the demands from social movements made it clear that the smooth running of the entire society required that the federal government play a major new role in ensuring general welfare, including support for social reproduction. However reluctantly, the leaders in business and government offered the public a ‘New Deal’ based on redistributing income downwards and expanding the role of the state, including the welfare state.

The 1935 Social Security Act⁹ is widely viewed as the birth of the US welfare state because it transferred social welfare responsibility from the states to the federal government and created an entitlement to income support. The historic shift in social policy was legitimized in the late 1930s by two major events. The Supreme Court finally upheld the constitutionality of federal responsibility for the general welfare and officialdom accepted the economic theory of the British economist, John Maynard Keynes that called for greater government spending to increase aggregate demand and otherwise stimulate economic growth.

From the New Deal (1930s) to the Great Society (1970s) the welfare state expanded in response to prosperity, population growth, the emergence of new needs, and the demands made by the increasingly militant trade union, civil rights, women’s liberation, and other movements.¹⁰ The resulting income support and social service programmes provided families with a minimum standard of living and contributed to family maintenance. The subsidization of social reproduction eased the contradiction between business profits and family needs by benefiting both.

(i) Business Profits

The post-war welfare state helped to create the conditions for profitable economic activity. Its programmes (1) ensured the daily consumption of goods and services that companies produced, (2) cushioned employers against loss during economic downturns, and (3) supplied business with a healthy, educated and socialized workforce. The welfare state also (4) supplemented wages, which enabled employers to pay less; and (5) helped to quiet the social unrest produced by market inequality.

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⁹ 42 USC A § 301 et seq.
(ii) Meeting Family Needs

The post-war expansion of the welfare state also compensated millions of people for income lost due to old age, illness, disability, joblessness, and absence of parental support. Its comprehensive array of health, education, housing, employment, and social services helped families from all income groups to address a wide range of physical, emotional, and social needs. This basic support enabled families to more effectively carry out the tasks of social reproduction: to reproduce the next generation; to ensure the health, productivity and socialization of the current workforce; to manage consumption; and to care for those too old, young, sick or disabled to provide for themselves.

(iii) The Gender Division of Labour

Social reproduction depends on women’s unpaid labour in the home that the welfare state has helped to enforce. Most welfare state programmes incorporated the male breadwinner-female homemaker model, based on the idea that women’s place is in the home and economically dependent on a male earner. Programme rules and regulations favoured married or previously married women—such as widows and wives of sick, disabled or temporarily unemployed men—who were viewed as lacking a male breadwinner through no fault of their own and thus ‘deserving’ of aid. These ‘deserving’ women received higher benefits and better treatment than the so-called ‘undeserving’, deserted, abandoned or never-married women who were viewed as wilfully departing from prescribed wife and mother roles.

(iv) Welfare Racism

From the start, however, the welfare state favoured social reproduction by white households, especially married heterosexual couples. Its early programmes excluded African American and Latino families and over the years provided them with lower benefits, reinforced discriminatory labour market policies, disadvantaged single mothers, and implemented other forms of ‘welfare racism’ that deprived families of colour of the resources needed to adequately care for their families. In the final analysis a distinction

12 Abramovitz, Regulating the Lives of Women (above n 7).
between the ‘deserving’ and ‘undeserving’ poor was built into most welfare state programmes. Based largely on class, race and marital status, it upheld the economic dependence of women on men; rewarded women who complied with prevailing gender norms; and penalized single mothers, employed wives and childless women who could not or chose not to play by these patriarchal rules. These rewards and penalties regulated the lives of women. They encouraged white women to engage in the unpaid domestic labour required for successful social reproduction in the home while channelling black women into low-paid jobs, making it harder to provide care for their families and communities.

The post-war welfare state helped to save capitalism from itself by mediating the contradiction between profitable economic production and effective social reproduction, although it enforced the contradiction between the democratic promise of equal opportunity and the unequal treatment of people by gender, class and race. The arrangements held steady until the mid-1970s when the nation faced its second major economic crisis of the twentieth century.

III. THE SECOND ECONOMIC CRISIS: THE FALL OF THE US WELFARE STATE

In the mid-1970s, structural shifts in the domestic and global economies fuelled the second major crisis of profitability in the twentieth century. The changes—third world revolutions, the loss of US world hegemony, reduced access to cheap raw materials from third world nations, mounting international economic competition, and the victories of US social movements—eventually weakened the institutional arrangements set up in the 1930s to promote profits, political stability, and family well-being, and to otherwise address the first major crisis of the century.\(^\text{14}\) Beginning in the mid-1970s, business and government became less willing to support the welfare state that once benefited them in various ways.

For one de-industrialization at home, the exportation of production abroad, and technological advances reduced corporate America’s reliance on US workers and weakened the power of labour unions. With these developments, employers became less interested in social welfare programmes that previously helped business to maintain the current and future workforce, sustain social reproduction and appease social movements. Once less-developed and formerly communist countries began to purchase goods produced in the United States, American businesses had

less need to raise wages or social welfare benefits to ensure consumption of their products.\textsuperscript{15}

Leaders in business and government additionally blamed the rising cost of investment dollars on the welfare state. They attributed high interest rates, the mounting deficit, and the massive debt to social welfare spending rather than to other factors that had more significantly increased the cost of borrowing and otherwise interfered with investment and economic growth.\textsuperscript{16}

Finally, business and government faulted the welfare state for raising the cost of maintaining the political peace, especially by increasing social benefits. Although they had hoped that welfare state programmes would ensure political stability by mediating inequality and otherwise appeasing social movements, the welfare state paradoxically had raised these costs by emboldening individuals and social movements. Similar to a strike fund, access to income outside of the market reduced workers’ fears of unemployment, increased labour’s bargaining power, and yielded higher wages and improved working conditions. The expanded welfare state fostered the democratic promise of equal opportunity by undercutting patriarchal controls and white hegemony. Its programmes contained the potential to help women choose welfare over low-paid, dangerous jobs, to leave unhappy or unsafe marriages, to decide to raise children on their own, and to otherwise gain autonomy. Likewise, pressed by the civil rights movement, the state gradually began to protect racialized persons and/or compensate them for the impact of discrimination. This made it possible for them to avoid the worst jobs and otherwise undercut white hegemony and business profits.

In the early 1980s, the New Right also gained a strong grip on US public policy. Troubled by changes in the class, racial and gendered status quo, its leaders blamed the welfare state for creating a ‘crisis’ in the family (ie the employment of women, high rates of divorce, single motherhood, greater female autonomy and gay rights). In addition to increasing women’s bargaining power at home and on the job, the Right argued that the expanded welfare state had undermined the patriarchal family by undercutting gender norms, weakening personal responsibility, parental authority and traditional ‘family values’.\textsuperscript{17} The Right also argued that the civil rights movement had solved the problem of racism leaving no other anti-racism work to be done.\textsuperscript{18}

\textsuperscript{16} Ibid.
A. Neo-Liberalism: The U-Turn in Public Policy

In contrast to the crisis of the '30s, in the 1970s the national elite concluded that the welfare state was part of the problem, rather than part of the solution and called for its demise. The resulting attack on the welfare state was part of a broader economic recovery strategy designed to restore profitability by redistributing income and wealth upwards from the have-nots to the haves, downsizing the state, and advancing family values. This historic U-turn in public policy known as neo-liberalism but also Reaganomics and Supply-Side Economics, first surfaced in the mid-1970s when President Carter campaigned for the Democratic Party’s nomination on an anti-Washington platform.19 Launched in full by the Reagan Administration in 1981, the policies have been pursued in varying degrees by every US administration since then.

Hoping to promote economic growth by returning to the old laissez-faire or market-driven economic model, the neo-liberal strategy sought to undo the New Deal by (1) limiting the role of the federal government, (2) shrinking the welfare state, (3) lowering labour costs, and (4) weakening the influence of social movements best positioned to resist this austerity plan. The now familiar tactics include (1) tax cuts, (2) retrenchment of social programmes, (3) devolution or the shift of social welfare responsibility from the federal government back to the States, and (4) privatization or the transfer of public responsibility of the private sector. At the same time, the New Right called for (5) restoring patriarchal ‘family values’ and a colour-blind social order.

Now that three decades have passed, we can ask: How has neo-liberalism worked? The rest of the chapter contextualizes well-known policies and events in relation to long-term trends. Using federal budget data from the late 1940s to the present it both (1) documents the U-turn in public policy that occurred in the mid- to late 1970s and the early 1980s and (2) assesses the impact of this historic paradigm shift on the capacity of families to maintain themselves, that is to carry out the complex tasks of social reproduction. The data show that, in the short run, neo-liberalism helped to: (1) downsize the state (domestic side), (2) redistribute income upwards, (3) restore ‘family values’ and a colour-blind social order, (4) shift costs of social reproduction from the state to women and families, and (5) weaken social movements. However, in the long run, the data suggest that neo-liberalism may be undermined by its own internal contradictions.20

(i) Downsizing The State: The Era of Big Government is Over

The first goal of neo-liberalism aimed at downsizing the domestic role of the state on the grounds that large tax cuts and less social spending would stimulate economic growth by favouring private over public spending and putting money in the hands of those most likely to save and invest. The following federal budget data document the reversal of the New Deal policies marked by the decline of federal tax revenues and federal spending, and the retrenchment of three core welfare state programmes: Aid To Dependent Children/Temporary Aid to Needy Families, Unemployment Insurance, and Social Security. As President Bill Clinton explained in 1996, ‘the era of big government is over’.21

(a) Reduced Tax Revenues

During the post-war years revenues based on a progressive income tax system covered the cost of running the country reasonably well.

With some fluctuation (see Table 1) federal tax revenues rose as a percentage of the Gross Domestic Product (GDP) from 1949 (14.5 per cent) to

Table 1—Federal Revenues as a % of the GDP, 1948–2007

![Graph showing federal revenues as a percentage of GDP from 1948 to 2007.]

a post-war high in 1969 (19.7 per cent). However, as neo-liberalism eroded the progressivity of tax collections federal revenues gradually declined as a share of the economy. Except for two economic booms, revenues remained below the 1969 peak and by 2004 had dropped back to their lowest level since 1950.\(^\text{22}\) Although record high profits and wealth increased federal revenues to 18.8 per cent of the GDP in 2007, they still fell below the pre-neo-liberal high of 19.5 per cent in 1969.\(^\text{23}\)

(b) Reduced Federal Spending

Federal spending followed the same pattern of post-war expansion and neo-liberal contraction. Total federal spending (see Table 2) rose from 1948 (11.6 per cent of GDP) to a post-war peak in 1983 (23.5 per cent of GDP). During the neo-liberal ‘80s and ‘90s federal spending dropped steadily reaching 18.4 per cent of the GDP in 2000.\(^\text{24}\)

**Table 2—Total Federal Spending as a % of the GDP, 1948–2006**


\(^{24}\) *Ibid.*
Due largely to rising military and health care costs, overall outlays jumped to 20 per cent of the GDP in 2007, the same as 1954—before Medicare, Medicaid, and the Interstate Highway system existed—and below the 1983 high! Domestic discretionary (non-military, non-international) spending (see Table 3 below) rose from 2.5 per cent of the GDP in 1962 (first reliable data) to a peak of 4.8 per cent in 1978.

In the following period, neo-liberal retrenchment led these outlays to fall steadily to 3.1 per cent of the GDP in 1989. They rose to 3.4 per cent in the early 1990s and to 3.6 per cent in 2001 due largely to increasing health care costs but then fell back to 3.4 per cent in 2007. Total mandatory or entitlement spending (see Table 4 below) also grew as a share of the economy from 4.9 per cent of the GDP in 1962 to 10.6 per cent in 1983. With the advent of neo-liberalism the mandatory spending stream fell as a percentage of the GDP and did not exceed its 1982 high (10.6 per cent) until 2001 when the growth of Medicare, Medicaid and Social Security (the

Table 3—Federal Discretionary Spending (Domestic) as a % of the GDP, 1962–2008

![Graph showing federal discretionary spending as a percentage of GDP from 1962 to 2008.](image)

Table 4—Federal Mandatory Spending as a % of the GDP, 1962–2007

‘big three’) increased spending to 10.9 per cent of the GDP. By 2007 mandatory spending had fallen back to 10.6 per cent of the GDP. All other entitlements grew more slowly than the ‘big three’. If current policy does not change, the other entitlements will consume a much smaller share of the nation’s resources in 2050 than they do today.

(c) Retrenchment of Core Welfare State Programmes

The neo-liberal ‘reformers’ viewed the welfare state as a barrier to cheap labour and cheap money and sought to retrench the nation’s three core social welfare programmes: Aid to Families for Dependent Children/Temporary Aid to Needy Families (AFDC/TANF), Unemployment Insurance (UI), and Social Security (SS). They argued that cutting back these programmes would promote profits and growth by making it harder for people to avoid the lowest-paid jobs and easier for corporations to borrow investment dollars due to lower interest rates. The retrenchment fell especially hard on women, the majority of welfare state clients and workers. In particular, it undercut women’s capacity for care work by reducing benefits and/or shifting the costs of social reproduction from

26 Ibid, Table F-10, p 157.
the state back to women. Given their overrepresentation among the poor (due to racism) women of colour were hit especially hard by the loss of welfare state support.

(d) AFDC/TANF

Neo-liberal reformers pointed to the post-war rise in the cost of AFDC/TANF to build public support for retrenching both this programme for single mothers and the wider welfare state. They regularly reported that total AFDC/TANF spending grew steadily from US$4.9 billion in 1970 to a high of US$26 billion in 1994, just prior to the 1996 welfare reform. However, they won their argument by misleading the public on two fronts. First they played the race and gender cards to demonize single mothers as lazy and unfit. Then they presented dollar figures that failed to account for the impact of inflation on programme costs. When controlled for inflation (2005 dollars) it is clear that spending peaked in 1976, much earlier and long before welfare reform. Thereafter actual spending fell steadily from 1976 (US$33.8 billion) to 1996 (US$29.2 billion). Since the 1996 federal welfare overhaul spending plummeted to a low of US$12.9 million in 2002 and US$13 billion in 2005. The deep cuts left many eligible women and children out in the cold (see below).

The reformers also pointed to the growing number of women and children on AFDC to discredit the programme. But once again they did not publicize the most accurate numbers. The total number of individuals on welfare rose steadily from the end of World War II to 1994 when it peaked at nearly 14 million (see Table 5 below). Following welfare reform the numbers dropped steadily reaching 3.7 million in 2008.

However, the public was not informed that when measured as a proportion of the total population (see Table 6 below) the proportion actually fell much earlier—from a peak of 5.2 per cent in 1973 to a low of 4.4 per cent in 1988. The essentially flat percentage inched up to 5.4 per cent in 1993 and then dropped back to 4.5 per cent in 1996—also prior to welfare reform.

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Table 5—Total Number of AFDC/TANF Recipients, 1970–2005

Table 6—Recipients as a % of the total pop and the poverty population, 1970–2005
During the post-war years, the AFDC caseload also grew as a share of the poverty population (the pool from which eligible recipients are actually drawn) (see Table 6 above). But like its share of the total population the caseload peaked as a share of the poverty population in 1973 at 46.7 per cent—much earlier than touted by the welfare reformers. Then it fell steadily to 33.3 per cent in 1996—the year Congress passed the federal welfare overhaul but before it was implemented. By 2005 only 1.7 per cent of the total population and 13.5 per cent of the poverty population received benefits. Since welfare reform the per cent of the eligible families helped by the programme dropped by half from 80 per cent in 1980s and 85.7 per cent in 1993 to only 42 per cent in 2005! How are the others making ends meet?

(e) Unemployment Insurance (UI)

The UI programme followed the same up and down pattern. Pressed during the post-war years by the trade union and civil rights movements, Congress added more occupations to the UI programme so that today it extends to more than 90 per cent of US civilian employment. Funded by a tax on employers, the average tax amounted to 0.96 per cent of payroll from 1947 to 2005. However, tax cuts for employers led tax collections to fall by 33 per cent during the 1990s. The rate reached a record low of just half of one per cent (0.51 per cent) in 2001 and averaged only 0.64 per cent from 2000–2005. In addition, Congress deprived the States of the federal resources necessary to cover the basic costs of administering their UI programmes. Of the 21 high-income Organization for Economic Development and Cooperation (OECD) countries with populations of at least one million persons, only Greece and Japan spend less than the US on UI benefits as a percentage of payroll.

Despite widespread occupational coverage, not all workers in covered occupations qualify for benefits. With periodic ups and down, the percentage of jobless workers receiving UI benefits (the recipiency rate) has declined
steadily from nearly 50 per cent in the 1950s to just over 40 per cent in the 1960s and 1970s. The neo-liberal changes in the UI programme marked the end of a strong and stable relationship between the number of UI claimants and the number of job losers.\[38\] The recipiency rate fell to 28.5 per cent in the 1980s—the lowest recorded percentage since 1947. In the 1990s for the first time, the ratio of claimants to the total number of unemployed workers did not increase significantly even as the unemployment rate peaked.\[39\] The recipiency rate rose to 31 per cent in 2004 and 36 per cent in 2006—but remained below the 1960s and 1970s level.\[40\] In 2007 in nine states less than 25 per cent of unemployed workers collected jobless benefits. The UI programme has always served only a minority of unemployed workers, but not the worst off.\[41\] Although low-waged workers (where women and racialized people predominate) are almost two and a half times as likely to be out of work as higher-wage workers, they are half as likely to receive UI benefits.\[42\]

(f) Social Security (SS)

The push to shrink SS took longer given the programme’s historic widespread public support. Spending on SS rose from 2.5 per cent of the GDP (1962) to a high of 4.9 per cent in 1983. As the Reagan Administration raised the retirement age from 65 to 67, reduced the age at which benefits for the children of a widow or widower ceased from 18 to 16 years, cut benefits for post-secondary school students, and otherwise tightened the rules,\[43\] SS spending dropped steadily, reaching 4.2 per cent of the GDP, the same as in the late 1970s. The effort to cut the programme by diverting a portion of the payroll tax into the stock market rose to the top of President Bush’s agenda but failed to gain ground even before the financial meltdown in 2008.

(ii) Redistributing Income Upwards

The second the major goal of the neo-liberal strategy sought to redistribute income and profits upwards by simultaneously lowering market wages, shrinking the welfare state, and reversing the post-war trend toward greater equality.

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38 McMurrer and Chasanov, Trends in Unemployment Insurance Benefits (above n 34).
39 McMurrer and Chasanov (above n 34).
40 Emsellem, Testimony (n 36 above); Vroman (above n 35).
41 Emsellem (n 36 above).
(a) Lower Market Wages

A central feature of the relatively peaceful and productive post-war period was mass upward mobility: the income of individuals rose sharply through much of their careers and each generation lived better than the last. From 1947 to 1973 productivity and real median income grew hand-in-hand, increasing by 103.7 per cent and 103.9 per cent respectively. The real minimum wage (in 2006 dollars) increased from US$2.82 an hour in 1948 to a high of US$7.17 in 1968 and real private sector wages grew from US$7.86 per hour (in 1982 dollars) in 1964 to a high of US$8.99 in 1976. Median family income also improved during these years more than doubling from US$20,102 in 1947 to US$40,656 in 1977 as the rising tide of productivity lifted most, if not all, boats.

However, during the second crisis of the twentieth century this close relationship broke down. Since the mid-1970s, productivity gains have not translated into raised income for most US workers. Faced with rising global competition and falling profits firms searched for ways to lower labour costs. They moved manufacturing jobs and production from the high-paid states in the US North (the ‘frost belt’) to the low-unionized states in the US South (the ‘sunbelt’) and from US cities to foreign nations. Employers also slashed manufacturing pay-cheques, sacked thousands of industrial workers, and wrung major concessions from organized labour.

And wages fell. America’s median hourly wage is barely higher than it was 35 years ago when adjusted for inflation. The real average hourly wage declined from a 1972 high of US$8.99 an hour to US$8.24 an hour in 2006 (1982 dollars). From 2006 to 2007 real hourly (and weekly) earnings fell about one per cent. The real minimum wage (in 2006 dollars) dropped from the 1968 high of US$7.71 an hour to US$5.15 an hour in 2005—the lowest in over 50 years. From 1973 to 2004 productivity grew by only 75.7 per cent and family median income rose by only 21.8 per cent—less than one-third the rate of productivity and less than during the post-war

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50 Ibid.
years.\textsuperscript{51} The income of a man in his 30s is now 12 per cent below that of a man his age three decades ago.\textsuperscript{52} The fall in the standard of living since the mid-1970s led family members, especially women, to greatly increase their time in the workforce just to help households make ends meet. While boosting family income and women’s independence, women’s employment lessened the time available for the work of social reproduction—given the prevailing gender division of labour and the lack of needed supports for working mothers.

(b) Lower Social Welfare Benefits

Following the neo-liberal paradigm, leaders in business and government took aim at cash benefits as well as market wages to increase profits but also to contain the role of the government. Cash benefits increased government spending, and as noted earlier, strengthened the bargaining power of workers on the job, women in the home, racialized persons in white-dominated society. Although the monthly AFDC/TANF benefit per family grew steadily from US$121 in 1962 to US$370 in 2005,\textsuperscript{53} when inflation is taken into account the real value of the welfare cheque reached its post war high of US$805 (in 2005 dollars) much earlier—in the 1970s. With the advent of neo-liberalism the purchasing power fell steadily to US$370 in 2005.\textsuperscript{54} Benefits failed to match the rising cost of living due to both the anti-government agenda and State budget cuts. Today the combination of welfare and food stamps does not lift a family of three above the poverty line in any State.

The value of weekly UI benefit also dropped from its post war levels under neo-liberalism. Reduced revenues lowered the ratio of the average UI weekly benefit to the average weekly wage in covered employment. Known as the replacement rate, the ratio rose during the post-war years from 33.6 per cent in 1943 to 37.7 per cent in 1976 and in 1982. During the 1990s the ratio fell to 32.9 per cent as Washington taxed workers’ UI benefits and cut payments to the states forcing them to restrict eligibility. The share of lost income replaced by UI benefits declined by five percentage points across the nation so that in 1999 UI benefits replaced only 33 per cent of an average worker’s lost earnings.\textsuperscript{55} By 2000, the replacement rate equaled 32.9 per cent. It inched up to 34.1 per cent in 2007\textsuperscript{56}—still below the 1968 level and far

\textsuperscript{51} M Bernstein and S Allegretto, \textit{The State of Working America} (above n 44).
\textsuperscript{53} US Department of Health and Human Services, \textit{Indicators of Welfare Dependence} (2007), Table TANF 6, A-14.
\textsuperscript{54} \textit{Ibid}.
\textsuperscript{55} H Boushey and J Wenger, ‘Coming Up Short: Current Unemployment Insurance Benefits Fail To Meet Basic Family Needs’ (October 2001) \textit{Economic Policy Institute Brief} #169.
below what a family of four needs just to get by.57 Similarly, the number of workers who exhausted their benefits prior to finding a job fell during the post-war years from about from 27.5 per cent in 1948 to about 21.5 per cent in 1965.58 In contrast, by 2003 the number had soared to a new high of 43.7 per cent, despite relatively low joblessness. This is the highest rate since 1941. It is also higher than the 1985 rate of 31.2 per cent—a year when unemployment exceeded 10 per cent. The rate dropped steadily from 2003 to a low 35 per cent in 2007 but has since crept up to nearly 42 per cent.59

Likewise for Social Security benefits. The wage replacement rate for the average worker rose steadily from 15.8 per cent in 1948 to a high of 51.7 per cent in 1981. Once the Reagan Administration programme changes set in the wage replacement of the average earner’s SS benefit fell steadily to 41.7 per cent in 2007.60 It is expected to drop to 36 per cent over the next two decades as Social Security’s ‘normal retirement age’ rises to 67 years.61 Since the introduction of the automatic cost of living adjustment (COLA) from 1975 to 1981 the annual benefit increase fluctuated between five per cent and 14 per cent. In contrast, except for 1990, the much lower increase varied from only 1.3 per cent to 4.7 per cent between 1982 and 2007.62

In sum, lowering spending and benefits helped to downsize the scale, scope and cost of the welfare state. The retrenchment both transferred the cost of care work from the state back to women and helped to drive labour costs down by flooding the labour market with thousands of desperate workers in need of jobs. In 2004, The New York Times reported that the influx of women into low-wage jobs since the welfare overhaul had depressed the median wage of all workers.63 The increased competition for jobs created by declining welfare, UI and SS benefits made it easier for employers to pay less and harder for unions to negotiate good contracts. Given their overrepresentation among programme recipients, the cuts hit

57 Boushey and Wenger, Coming Up Short (above n 55).
60 Social Security Administration, Office of Chief Actuary, VLF10—‘Estimated Annual Scheduled Benefit Amounts1 for Retired Workers with Scaled Medium Pre-Retirement Earnings Pattern Based on Intermediate Assumptions Calendar Years 1940–2080’, at: www.ssa.gov/OACT/TR/TR05/lr6F10-2.html.
women and racialized individuals especially hard and belied the promise of equal opportunity for all. Championing the neo-liberal victory, Alan Greenspan, the former chair of the US Federal Reserve Board, declared that the economy’s ‘extraordinary’ and ‘exceptional’ performance during the late 1990s was, in part, due to ‘a heightened sense of job insecurity’ that helps to subdue wage gains.64

(c) Less Economic Equality

Rather than causing resources to trickle down to the average household as promised, the neo-liberal policies reversed the downward distribution of income launched by the New Deal. During the post-war years, everyone prospered, but those at the bottom gained the most. From 1947 to 1979 the real family income of the bottom fifth income group rose by 116 per cent, compared to 111 per cent for the middle fifth and 99 per cent for the top fifth. From 1979 to 2005 neo-liberalism reversed this equalizing trend. During this time real family income for the bottom fifth dropped by one per cent, while the middle fifth gained 25 per cent, and the top fifth gained a stunning 53 per cent.65 The personal saving rate evidenced the same pattern. It rose from five per cent in 1949 to 11.2 per cent in the 1976 after which it fell steadily to 1.1 per cent in 2006.66

The data on real after tax income—one of the best measures of income distribution collected since 1979—documents the widening gap. According to the Congressional Budget Office the after-tax income of the top 20 per cent of households rose 80 per cent (or US$76,500) from 1979 to 2005 compared to 21 per cent (or US$8700) for the middle fifth and just six per cent (or US$900) for the bottom fifth. The after-tax income for the top one per cent rose by 228 per cent (or US$745,100)!67 Given that the neo-liberal tax cuts favoured the highest earners, by 2007 the concentration of after-tax income at the top was greater than at any time since 1929.68 The experts predict that if tax policy does not change, the top 20 per cent of households will receive 75 per cent of the future tax cuts compared to just eight per cent for the middle group and a dramatic zero per cent for the bottom fifth.69 Grover Norquist, President of Americans for Tax Reform championed this neo-liberal victory. He told US News and World Report that tax cuts for the rich had a strategic value because they ‘drain the government of its lifeblood’

65 ‘By the Numbers’, at: Inequality.org/www.demos.org/inequality/numbers.cfm.
66 Ibid.
68 Ibid.
and ‘make the average person’s blood boil with rage, leading them to call for even more tax cuts’.70

(iii) Restoring Family Values and a Colour-Blind Social Order

The third neo-liberal/Right agenda item focused on restoring family values and a colour-blind social order. The Right argued that the welfare state created a crisis in the family by undermining personal responsibility, appropriating parental authority, and perhaps most important, increasing women’s autonomy at home and on the job. To stem these tides the Right endorsed a family values agenda in all three core welfare state programmes. The results exploited women’s financial needs by forcing them to comply with prescribed gender roles in exchange for government support and undercut state support and responsibility for care in the home.

(a) AFDC/TANF

Welfare reform supports ‘family values’ by punishing single motherhood and promoting heterosexual marriage ‘as the foundation of society’.71 Reflecting the historic distrust of social reproduction carried out by single mothers especially by single mothers of colour,72 the 1996 federal welfare law included distinct efforts to curb their child bearing. The child exclusion rule denied aid to children born to women on welfare, the ‘illegitimacy bonus’ divided US$100 million a year among the five states reporting the largest decrease in non-marital birth without an increase in abortions, and the ‘abstinence-only’ policy earmarked US$250 million for school programmes that taught children to postpone sex until marriage but prohibited talk of contraception or safe sex. The Bush Administration has also actively pursued a large-scale marriage-promotion programme. Pro-family-values rules additionally limit access to public housing and other social programmes. Some see welfare’s harsh work mandates as a punishment for single motherhood.

(b) Unemployment Insurance

The differential treatment of women and men by the UI programme also upholds family values. Throughout the post-war years the UI programme reflected family values by employing eligibility criteria that reflected

white male work patterns. Endorsing the outdated male-breadwinner framework it ignored how women’s care-giving responsibilities limited women’s work options. The rules penalized employed women and low-wage workers of colour, in particular in several ways. They required recipients to show a ‘substantial’ labour force attachment, meaning full time work, in order to qualify for benefits and measured ‘attachment’ in terms of wages earned rather than hours worked. The programme also shut out new entrants to the work force (eg workers with no reported work experience in the last 18 months) and workers who ‘voluntarily’ left work due to pregnancy, to care for a family member or to relocate with a spouse—two groups in which women predominate due to the gender division of labour.

Pressed by the women’s movement, in the mid-1970s some States began to weaken or eliminate some of these sexist rules, but with only partial success. For example by the late 1990s although 25 per cent of women who left their jobs did so because of care-giving responsibilities, only 20 States included domestic circumstances in their ‘good-cause quit’ regulations. Fewer than 15 States provided benefits to women if they ‘voluntarily’ quit their job due to sexual harassment at work or male violence at home. Thus women who quit their jobs were 32 per cent less likely than were men who quit to qualify for benefits. In 1976 the Supreme Court finally allowed UI benefits to pregnant women. In 2008, 67.7 million women or 56.6 per cent of all women aged 16 and over worked outside the home. Yet in 2007 the UI programme served 57.2 per cent of jobless men but only 42.7 per cent of jobless women, a pattern that existed in 41 of the 50 States.

(c) Social Security (SS)

The SS programme also encoded an outdated male-breadwinner framework that ignored how the economic dependence of women on men and the gender division of labour kept women economically insecure. Its programmes favour married over husbandless women and full-time homemakers over working wives, and end all benefits once a women’s care-giving responsibilities cease (eg, once her husband and/or children are no longer in the

74 A Um’tani and V Lovell, Research In Brief, (Place, Institute for Women’s Policy Research, November 1999) #A122; Smith, McHugh, Stettner and Segal, Between a Rock and a Hard Place (above n 73).
home). The benefit formula continues to privilege high-earning workers and those with long work histories—a practice that mirrors male work patterns and disadvantages women of all races who earn low wages and take time out of the workforce for family responsibilities. Women often do better by taking one-half of their husband’s pension rather than the smaller amount available to them on their own work record, marking them as economic dependents of men. The same pattern disadvantages low-earning men of colour.

These rules continue to enforce the prevailing gender division of labour despite the massive entry of women into the workforce. While the number of women entitled to benefits as workers rose from 43 per cent in 1960 to 70 per cent in 2006,\textsuperscript{77} the Reagan Administration ignored the gender-equity proposals proposed by mainstream feminist groups in favour of neo-liberal ‘reforms’ that disadvantaged women. The Reagan ‘reforms’ included the elimination of the minimum benefit, the later retirement age, the reduced benefit for early retirees, and the lowering of the age at which benefits ended for children of a deceased parent. The proposed privatization of SS—that is, the investment of some social security dollars in the stock market by individuals or the government—would also be problematic for women retirees, leading to lower grants, and ending the spousal benefit, the life and disability insurance for parents caring for children under age 16, and the current guarantee of benefits in later life. The reliance on the stock market would expose women to many unaffordable financial risks\textsuperscript{78}—as the 2008 financial meltdown made all too clear.

\textit{(iv) Social Movements: Weakened}

The fourth neo-liberal goal targeted the influence of the social movements that had contributed to the strength of the welfare state in the post-war years. Beginning in the mid-1970s, business and government placed the social movements—well positioned to resist the new austerity programme—on the defensive. On top of the loss of income and jobs incurred by changes in the domestic and global economy, the neo-liberal assault on workers, women, and racialized communities took its toll. One administration after another along with the courts have taken back many of the hard won gains made by the trade union, civil rights, gay rights, and women’s liberation movements, as well as weakened workplace, consumer and environmental protections.


\textsuperscript{78} C Hill, ‘Privatizing Social Security is Bad, Particularly for Women (Nov/Dec 2000) \textit{Dollars and Sense} 17–19, 35.
Despite strenuous efforts it has been very difficult for the movements to defend past gains or to secure new ones.

IV. THE IMPACT OF NEO-LIBERALISM: SOCIAL REPRODUCTION UNDERMINED

For almost 30 years US economic policy has been guided by the idea that the market is unfailingly wise, that the government should stay out of its way, and that the benefits of laissez-faire policies would trickle down to all. In the short run corporate America clearly enjoyed the economic fruits of neo-liberalism. The share of national income going to profits soared from nine per cent in 1970 to an all-time high of 13.6 per cent in 2006 while the share going to wages fell from 59.3 per cent to 51.6 per cent—the lowest level since 1929! This contrasts sharply with the post-war period when the share of national income going to profits dropped from 13.6 per cent to nine per cent while the share going to wages grew from 55.7 per cent (1950) to 59.3 per cent (1970).\textsuperscript{79} Neo-liberalism reversed the trend toward greater equality, exposed the nation to the perils of slavish reliance on market forces, and increased the cost and burdens of women’s care work in the home. Sluggish economic growth, a new pattern of economic recoveries without job growth, a less equal distribution of income, and compromised social reproduction—plus the economic crisis of 2008—suggest that in the long run the neo-liberal strategy is failing and appears to have created the conditions of its own demise.

A. Less Economic Growth

The promised economic growth has failed to materialize. In fact economic growth during the earlier post-war years outdid that of the neo-liberal period. Between 1948 and 1973—the era of so-called ‘big government’—the real per capita GDP (the average share of output per person) grew about 2.47 per cent a year. However, from 1973 to 2006—the era of neo-liberal tax and spending cuts—the per capita GDP increased by only 1.85 per cent a year.\textsuperscript{80} Brookings Institute economist Peter Orszag pointed to a lasting impact: ‘deficit-financed tax cuts [the central neo-liberal retrenchment strategy] are

\textsuperscript{79} A Aron-Dine and I Shapiro, \textit{Share Of National Income Going To Wages and Salaries at Record Low In 2006: Share of Income Going to Corporate Profits at Record High} (Center on Budget and Policy Priorities, rev 29 March 2007), at: www.cbpp.org/8-31-06inc.htm.

\textsuperscript{80} Measuringworth.com (Annualized Growth Rate of Various Historical Economic Series, at: www.measuringworth.com/growth/growth_resultf.php?begin%5B%5D=1973&end%5B%5D=2007&beginP%5B%5D=&endP%5B%5D=&US%5B%5D=GDPCP.
unlikely to have significant positive effects on economic growth in the long term, and may well reduce it’. Even before the economic meltdown of 2008 became a reality, the Congressional Budget Office projected that real gross domestic product would be lower in 2007 and every year for the next 10 years than it had earlier projected.

B. Longer (and Jobless) Economic Recoveries

During the post-war period the economy, especially employment, typically bounced back to pre-recession levels reasonably quickly. It took payrolls 17 months to regain their post-recession level in 1945 and 24 months in 1963. Since 1981 the number of months for payrolls to reach pre-recession peaks has jumped from 28 (1981) to 46 (2001). Similarly, in the post-war years, job growth five years after the high-point of a business cycle increased steadily from 9.9 per cent (April 1960 to April 1965) to 13.5 per cent (November 1973 to November 1978). In contrast the neo-liberal period is known for its jobless recoveries. Job growth five years after a business cycle peak declined steadily from 8.6 per cent (July 1981 to July 1986), to 6.8 per cent (July 1990 to July 1995) to a low of 1.9 per cent (March 2001 to March 2006). Reporting in January 2008, the Center on Budget and Policies Priorities stated that current economic recovery is either the weakest or among the weakest since World War II.

Long before the economic crisis of 2008, the middle class had no margin for error. The slowed economy and jobless recovery had people worrying that worse was yet to come. In June 2007 34 per cent of Americans said that they worry ‘all of the time’ (21 per cent) or ‘most of the time’ (13 per cent) that their total household income will be not be enough to meet their family’s expenses and bills, more so among blacks and Hispanics, up from 21 per cent in 1998 and 24 per cent in 2004. In a January 2008 Gallup Poll, 82 per cent of Americans said that they thought that economic conditions were


82 Mishel, Bernstein and Allegretto (above n 44).


getting worse—a Gallup poll high up to that point. They were not wrong. Nearly half of America’s top 1,000 companies were actively experimenting with sending service as well as manufacturing jobs off-shore. Between 2001 and 2004 business has exported from 400,000 to one million white-collar jobs abroad, mostly to India and other Asian nations. Experts expect 3.3 million more to follow over the next decade, saving US corporations 30 to 80 per cent on labour costs and eliminating roughly 25,000 American jobs per month. In 2004 a University of California study concluded that international wage disparities have rendered 14 million domestic service jobs vulnerable to possible displacement. In autumn 2008, the US economy collapsed. By early December private and government payrolls combined had shrunk for 11 months in row for a total loss of 1.9 million jobs—two-thirds of them between September and November. The percentage of the population with a job fell to 61 per cent, the lowest since 1993. Economists predicted that should this ‘recession’ continue past April 2009, it would produce a recession longer than any in the post-war record.

C. Less Time for Care Work

Social reproduction depends heavily on women’s unpaid care work in the home. However, the time available for care work has declined since the 1970s when the ideas of the women’s movement and the rapid expansion of low-paid service jobs converged with declining wages and reduced public benefits to draw more and more women into the paid work force. In 2005, 75 per cent of prime-age women (aged 25 to 45) and 71 per cent of mothers worked for wages outside the home. Their earnings represented more than one-third of the family’s income. The typical American now works more each year than he or she did 30 years ago, putting in 350 more hours a year than the average European. From 1979 to 2004 middle-income wives aged 25–54 with children increased their annual hours of work by 56 per cent (from 849 to 1327 hours) the equivalent of more than 13 full-time weeks. Their husbands increased their annual work hours from 2134 hours in 1979 to 2195 hours in 2004, or only 2.9 per cent during the same

period.91 There are also more single-parent families than a generation ago: one-in-six in 2005, up from one-in-sixteen in 1964.92

The gender division of labour continues to assign women near-exclusive responsibility for care work—even when they work outside the home. The employment of women has increased their economic independence but reduced the time available to women for care work in the home.93 The toll taken on social reproduction is exacerbated by the lack of child care programmes, the absence of paid family leave, flexi time, and minimal help from men—all of which would allow women to better balance work and family responsibilities. During the 1980s, men temporarily increased their hours of housework and the gender gap in housework grew smaller. However, by the end of the 1990s, men’s hours of housework had fallen below their 1970 level.94

D. More Hardship

The economy’s failure to assure the level of income needed for families to buy basic necessities often results in serious hardships that both reflect reduced support for social reproduction and undermine the household’s future capacity to successfully carry out its tasks. Rising poverty, falling wages and reduced cash benefits translate into serious deprivation even among the non-poor. The Economic Policy Institute reported that in 1996 almost 30 per cent of US poor but also working-class families with children did not earn enough to buy needed food, housing, health services and child care—even in prosperous times.95 In 2003, 20 per cent of all families with children surveyed by the Census Bureau, 47 per cent of poor families, and 16 per cent of non-poor families experienced at least one such hardship: either overcrowded housing, hunger or the risk of hunger (ie food insecurity) or lack of needed medical care—with greater hardship rates for families of colour. In 2007, some one million households containing 36.2 million people did not earn enough to buy needed groceries. In one-third of these someone skipped meals or otherwise ate less due to lack of money.96 Forty-five million Americans, or more than 15 per cent of the population, also lacked health insurance in 2007 far above the 39.8 million or 14.1 per cent

91 Mishel, Bernstein and Allegretto (above n 44).
92 Boushey (above n 89).
94 Boushey (above n 89).
in 2001. In 2007 more than 40 million adults had skipped at least one type of needed health care (medical, dental, mental health, prescription drugs, etc) in the previous year due to lack of money.

In 2005, 16 million poor households paid more of their income in rent than the federally-defined affordability standard or lived in overcrowded or substandard housing. Six million of these paid more than half of their income for rent and utilities or lived in severely substandard housing. Almost two million poor households could not pay their full rent (or mortgage) at least once in the previous year. Nearly three million poor households fell behind on their gas, oil or electric bill. In 2007 some 1.5 million homeowners received foreclosure notices, more than twice as many as in 2006. About half—disproportionately low-income and homeowners of colour—had the now infamous ‘sub-prime’ mortgage. Exposure to substandard housing also increased health problems. The 2.5 million households occupying substandard housing in 2002 were more likely than those living in better-housing to suffer serious problems such as asthma, stunted growth, lead poisoning and other debilitating conditions that often lead to learning disorders, reading disabilities, school failure, aggression, anti-social behaviour and other problems that are known to complicate the work of social reproduction.

Meanwhile neo-liberal budget cuts compromised the ability of families as well as schools, health care programmes, and other societal institutions to cushion the impact of the conflict between the requirements of profitable economic production (low wages, high unemployment) and successful social reproduction (health, food and housing security). Estimates made prior to the current economic free-fall predicted that the ‘big three’ programmes (Medicare, Medicaid and Social Security) would grow faster than the economy between 2007 and 2050 but that all other domestic programmes would shrink.

98 Center on Budget and Policy Priorities, Poverty and Hardship Affect Tens of Millions of Americans (20 December 2007), at: www.cbpp.org/12-20-07pov.htm#_edn5.
E. Less Well-being and More Stress

Such material hardship often generates stress that can further undermine family wellbeing. A 1997 Urban Institute survey found high stress among many families that experienced overcrowding, poor health, insufficient food, mortgage payment problems, and lack of access to health services. Twenty-two per cent of all the surveyed children under age 18 lived in a stressful family environment; 50 per cent in lower-income households. Family stress was, in turn, linked to less engagement in school, more behavioural and emotional problems, and parental distress that clearly interferes with effective social reproduction.102

Lynch et al also reported that sustained economic hardship led to poorer physical, psychological and cognitive functioning.103 A 2004 study of Mexican American and European American families found that unstable work led to feelings of economic pressure that, in turn, were associated with higher rates of depression for mothers and fathers. Despite income differences between the two national groups, in both, economic deprivation correlated with depression and depressive symptoms and yielded more marital problems and more hostile parenting.104 Indeed, parents pre-occupied with stressful circumstances often cannot provide an optimal home environment for their children. When overwhelmed some may even become harsh or coercive. During the neo-liberal era the rate per 1000 children under age 18 in foster care jumped from 4.2 in 1982 to 6.2 in 1990, to a high of 8.1 in 1999 before falling to 7.0 in 2005105 due to pressure to lower the child welfare caseload as well as the TANF caseload.

The mounting stress associated with low wages, reduced benefits and material hardship provide graphic measures of the ways in which the neo-liberal agenda has undermined the capacity of families to meet basic needs, provide essential care, and otherwise carry out the tasks of social reproduction. These adverse outcomes suggest how much neo-liberalism...
has also limited the capacity of the welfare state to mediate the structural contradiction between profitable economic production and successful social reproduction—its historic function. The question is: How long can corporate capitalism manage without the programmes that keep the current and future workforce healthy, educated and productive, and that mediate the disruptive impact of too much class, race and gender inequality? Can capitalism thrive if its success means undermining effective social reproduction on which both family wellbeing and profitable production depends? Or will the falling standard of living generate pressure for change?

V. CONCLUSION

Corporate America—whose profits had fallen during the post-war period—clearly benefited from the ensuing neo-liberal policies that produced economic expansion and massive profits. However, as it runs its course, neo-liberalism appears to be undoing the very conditions required for the long-term survival of capitalism (as well as patriarchy and white hegemony). More specifically, the ability of neo-liberalism to promote expansion and profits may have reached its end in the mid-2000s.106 The record high inequality and the falling standard of living have given pause to some who influence national policy. Writing in The New York Times, Peter Goodman noted in 2007 that ‘unease with market forces can be heard ... [t]he invisible hand is being asked to account for what it has wrought’.107 Cited in the April 2000 issue of Business Week, William R Cline, a trade expert at the Institute of International Finance Inc. observed: ‘What worries many people about globalization [strongly linked to neo-liberalism] is that the US does little to help those who lose out. You want to make sure that the benefits of trade are fairly shared’.108

Mainstream economists including Robert E Rubin (Clinton’s Treasury Secretary, and Economic Advisor to President Obama) and scholars at The Brookings Institute worry about the impact of mounting inequality on economic growth and political stability. Brookings’ Hamilton Project led by Robert Rubin recommends greater government investment in both human capital and greater fairness.109 Its 2006 report concluded that

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simply ‘getting government out of the way’ is fundamentally misguided, since sound government policy is essential to ‘maximizing long-term [economic] growth’. To advance ‘America’s promise of opportunity, prosperity and growth’ the Report calls for government supported access to financial assistance, educational training opportunities, and basic health care to ensure the productivity of workers but also to ‘lessen political demands against protectionism and other growth-diminishing policies’. Market forces ‘must be supported and supplemented by an effective public role, one in which government ensure[s] that the rules of the game are fair, transparent, and binding for all parties’.

Others worry that mounting inequality will lead to a backlash by those with less. As early as 1998 economic report for Morgan Stanley, Stephen Roach stated:

With worker rewards (compensation) lagging worker contributions (productivity) since the early 1980s, I have argued that it was only a matter of time before a politically-inspired backlash would occur that would shift the pendulum of economic power from capital (shareholders) back to workers. While it hasn’t happened yet, there is no reason to believe that such a reflex action won’t occur at some point in the not-so-distant future.

More recently former Federal Reserve Chairman Alan Greenspan stated that

an increased concentration of income … is not the type of thing which a democratic society, a capitalist democratic society can really accept without addressing … because excluding significant parts of the population from the fruits of economic growth risks a backlash that can threaten prosperity.

Writing during the 2008 Presidential primaries, David Brooks, the conservative New York Times columnist, declared that ‘Supply Side Economics had a good run, but continual tax cuts can no longer be the centerpiece of Republican economic policy [because] workers are walking away from the GOP’. The only way to ‘win back them back is by listening to their economic concerns’. He added that today’s ‘Republicans [must] envision a different role for government than the 1980’s Republicans … They [workers] want a government that is on their side’. Brooks goes on to call for child tax credits to reduce stress on young families, a tuition tax credit to help with education, universal health care, and wage subsidies for laid-off workers forced to take low-paying jobs.

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110 Ibid.
112 Altman, Brodoff, Orszag and Rubin (above n 109).
114 Ibid.
Despite their political differences, Brooks and the Hamilton Project openly now regard neo-liberal tax cuts and hostility to government as counterproductive. While the policies they recommend rely more on tax credits than direct spending, they implicitly acknowledge that the government needs to restore its support for social reproduction in order to foster family well-being, profitable economic growth, and political stability. That is, the state must mediate rather than continue to exacerbate the inherent conflict between economic production and social reproduction as well as the conflict between the democratic promise of equal opportunity and the persistence of class, race and gender inequality. According to Kotz, rather than just another financial downturn, the United States and the world may be facing a systemic crisis of capitalism that will only be resolved through major restructuring of the political economy. That is the state will inevitably step in to mediate the neo-liberal crises.\textsuperscript{115}

However, whoever benefits from the eventual restructuring of the economy will depend on the outcome of political struggle among various groups and classes. If social movements remain weak, state intervention is more likely to promote profits over people. In contrast, the revitalization of mass movements has the potential to force business to compromise with these movements in ways that will redistribute income, power and other resources downward and otherwise mediate the tension between profitable production and sustained social reproduction. The next step is for the public to rise up angry and to demand policies that truly value care-giving, put people before profits, and promote equality and justice for all.