
A couple of years before he was convicted of securities fraud, Martin Shkreli was the chief executive of a pharmaceutical company that acquired the rights to Daraprim, a lifesaving antiparasitic drug. Previously the drug cost \$13.50 a pill, but in Shkreli's hands, the price quickly increased by a factor of 56, to \$750 a pill. At a health care conference, Shkreli told the audience that he should have raised the price even higher. "No one wants to say it, no one's proud of it," he explained. "But this is a capitalist society, a capitalist system and capitalist rules." This is a capitalist society. It's a fatalistic mantra that seems to get repeated to anyone who questions why America can't be more fair or equal. But around the world, there are many types of capitalist societies, ranging from liberating to exploitative, protective to abusive, democratic to unregulated. When Americans declare that "we live in a capitalist society" — as a real estate mogul told *The Miami Herald* last year when explaining his feelings about small-business owners being evicted from their Little Haiti storefronts — what they're often defending is our nation's peculiarly brutal economy. "Low-road capitalism," the University of Wisconsin-Madison sociologist Joel Rogers has called it. In a capitalist society that goes low, wages are depressed as businesses compete over the price, not the quality, of goods; so-called unskilled workers are typically incentivized through punishments, not promotions; inequality reigns and poverty spreads. In the United States, the richest 1 percent of Americans own 40 percent of the country's wealth, while a larger share of working-age people (18- 65) live in poverty than in any other nation belonging to the Organization for Economic Cooperation and Development (O.E.C.D.). Or consider worker rights in different capitalist nations. In Iceland, 90 percent of wage and salaried workers belong to trade unions authorized to fight for living wages and fair working conditions. Thirty-four percent of Italian workers are unionized, as are 26 percent of Canadian workers. Only 10 percent of American wage and salaried workers carry union cards. The O.E.C.D. scores nations along a number of indicators, such as how countries regulate temporary work arrangements. Scores run from 5 ("very strict") to 1 ("very loose"). Brazil scores 4.1 and Thailand, 3.7, signaling toothy regulations on temp work. Further down the list are Norway (3.4), India (2.5) and Japan (1.3). The United States scored 0.3, tied for second to last place with Malaysia. How easy is it to fire workers? Countries like Indonesia (4.1) and Portugal (3) have strong rules about severance pay and reasons for dismissal. Those rules relax somewhat in places like Denmark (2.1) and Mexico (1.9). They virtually disappear in the United States, ranked dead last out of 71 nations with a score of 0.5. Those searching for reasons the American economy is uniquely severe and unbridled have found answers in many places (religion, politics, culture).

But recently, historians have pointed persuasively to the gnatty fields of Georgia and Alabama, to the cotton houses and slave auction blocks, as the birthplace of America's low-road approach to capitalism. Slavery was undeniably a font of phenomenal wealth. By the eve of the Civil War, the Mississippi Valley was home to more millionaires per capita than anywhere else in the United States. Cotton grown and picked by enslaved workers was the nation's most valuable export. The combined value of enslaved people exceeded that of all the railroads and factories in the nation. New Orleans boasted a denser concentration of banking capital than New York City. What made the cotton economy boom in the United States, and not in all the other far-flung

parts of the world with climates and soil suitable to the crop, was our nation's unflinching willingness to use violence on nonwhite people and to exert its will on seemingly endless supplies of land and labor. Given the choice between modernity and barbarism, prosperity and poverty, lawfulness and cruelty, democracy and totalitarianism, America chose all of the above. Nearly two average American lifetimes (79 years) have passed since the end of slavery, only two. It is not surprising that we can still feel the looming presence of this institution, which helped turn a poor, fledgling nation into a financial colossus. The surprising bit has to do with the many eerily specific ways slavery can still be felt in our economic life. "American slavery is necessarily imprinted on the DNA of American capitalism," write the historians Sven Beckert and Seth Rockman. The task now, they argue, is "cataloging the dominant and recessive traits" that have been passed down to us, tracing the unsettling and often unrecognized lines of descent by which America's national sin is now being visited upon the third and fourth generations. They picked in long rows, bent bodies shuffling through cotton fields white in bloom. Men, women and children picked, using both hands to hurry the work. Some picked in Negro cloth, their raw product returning to them by way of New England mills. Some picked completely naked. Young children ran water across the humped rows, while overseers peered down from horses. Enslaved workers placed each cotton boll into a sack slung around their necks. Their haul would be weighed after the sunlight stalked away from the fields and, as the freedman Charles Ball recalled, you couldn't "distinguish the weeds from the cotton plants." If the haul came up light, enslaved workers were often whipped. "A short day's work was always punished," Ball wrote. Cotton was to the 19th century what oil was to the 20th: among the world's most widely traded commodities. Cotton is everywhere, in our clothes, hospitals, soap. Before the industrialization of cotton, people wore expensive clothes made of wool or linen and dressed their beds in furs or straw. Whoever mastered cotton could make a killing. But cotton needed land. A field could only tolerate a few straight years of the crop before its soil became depleted. Planters watched as acres that had initially produced 1,000 pounds of cotton yielded only 400 a few seasons later. The thirst for new farmland grew even more intense after the invention of the cotton gin in the early 1790s.

Before the gin, enslaved workers grew more cotton than they could clean. The gin broke the bottleneck, making it possible to clean as much cotton as you could grow. The United States solved its land shortage by expropriating millions of acres from Native Americans, Above: Women and children in a cotton field in the 1860s. It then sold that land on the cheap — just \$1.25 an acre in the early 1830s (\$38 in today's dollars) — to white settlers. Naturally, the first to cash in were the land speculators. Companies operating in Mississippi flipped land, selling it soon after purchase, commonly for double the price. Enslaved workers felled trees by ax, burned the underbrush and leveled the earth for planting. "Whole forests were literally dragged out by the roots," John Parker, an enslaved worker, remembered. A lush, twisted mass of vegetation was replaced by a single crop. An origin of American money exerting its will on the earth, spoiling the environment for profit, is found in the cotton plantation. Floods became bigger and more common. The lack of biodiversity exhausted the soil and, to quote the historian Walter Johnson, "rendered one of the richest agricultural regions of the earth dependent on upriver trade for food."

...Slavery, wrote one of its defenders in *De Bow's Review*, a widely read agricultural magazine, was the "nursing mother of the prosperity of the North." Cotton planters, millers and consumers were fashioning a new economy, one that was global in scope and required the movement of capital, labor and products across long distances. In other words, they were fashioning a capitalist economy. "The beating heart of this new system," Beckert writes, "was slavery."

Perhaps you're reading this at work, maybe at a multinational corporation that runs like a soft-purring engine. You report to someone, and someone reports to you. Everything is tracked, recorded and analyzed, via vertical reporting systems, double-entry record-keeping and precise quantification. Data seems to hold sway over every operation. It feels like a cutting-edge approach to management, but many of these techniques that we now take for granted were developed by and for large plantations. When an accountant depreciates an asset to save on taxes or when a midlevel manager spends an afternoon filling in rows and columns on an Excel spreadsheet, they are repeating business procedures whose roots twist back to slave-labor camps. And yet, despite this, "slavery plays almost no role in histories of management," notes the historian Caitlin Rosenthal in her book *Accounting for Slavery*. Since the 1977 publication of Alfred Chandler's classic study, *The Visible Hand*, historians have tended to connect the development of modern business practices to the 19th-century railroad industry, viewing plantation slavery as precapitalistic, even primitive. It's a more comforting origin story, one that protects the idea that America's economic ascendancy developed not because of, but in spite of, millions of black people toiling on plantations. But management techniques used by 19th-century corporations were implemented during the previous century by plantation owners. Planters aggressively expanded their operations to capitalize on economies of scale inherent to cotton growing, buying more enslaved workers, investing in large gins and presses and experimenting with different seed varieties. To do so, they developed complicated workplace hierarchies that combined a central office, made up of owners and lawyers in charge of capital allocation and long-term strategy, with several divisional units, responsible for different operations.

Rosenthal writes of one plantation where the owner supervised a top lawyer, who supervised another lawyer, who supervised an overseer, who supervised three bookkeepers, who supervised 16 enslaved head drivers and specialists (like bricklayers), who supervised hundreds of enslaved workers. Everyone was accountable to someone else, and plantations pumped out not just cotton bales but volumes of data about how each bale was produced. This organizational form was very advanced for its time, displaying a level of hierarchical complexity equaled only by large government structures, like that of the British Royal Navy. Like today's titans of industry, planters understood that their profits climbed when they extracted maximum effort out of each worker. So they paid close attention to inputs and outputs by developing precise systems of record-keeping. Meticulous bookkeepers and overseers were just as important to the productivity of a slave-labor camp as field hands. Plantation entrepreneurs developed spreadsheets, like Thomas Affleck's *Plantation Record and Account Book*, which ran into eight editions circulated until the Civil War.

...The uncompromising pursuit of measurement and scientific accounting displayed in slave plantations predates industrialism. Northern factories would not begin adopting these techniques until decades after the Emancipation Proclamation. As the large slave-labor camps grew increasingly efficient, enslaved black people became America's first modern workers, their productivity increasing at an astonishing pace. During the 60 years leading up to the Civil War, the daily amount of cotton picked per enslaved worker increased 2.3 percent a year. That means that in 1862, the average enslaved fieldworker picked not 25 percent or 50 percent as much but 400 percent as much cotton than his or her counterpart did in 1801. Today modern technology has facilitated unremitting workplace supervision, particularly in the service sector. Companies have developed software that records workers' keystrokes and mouse clicks, along with randomly capturing screenshots multiple times a day. Modern-day workers are subjected to a wide variety of surveillance strategies, from drug tests and closed-circuit video monitoring to tracking apps and even devices that sense heat and motion. A 2006 survey found that more than a third of companies with work forces of 1,000 or more had staff members who read through employees' outbound emails. The technology that accompanies this workplace supervision can make it feel futuristic. But it's only the technology that's new. The core impulse behind that technology pervaded plantations, which sought innermost control over the bodies of their enslaved workforce. The cotton plantation was America's first big business, and the nation's first corporate Big Brother was the overseer. And behind every cold calculation, every rational fine-tuning of the system, violence lurked....Because overseers closely monitored enslaved workers' picking abilities, they assigned each worker a unique quota. Falling short of that quota could get you beaten, but overshooting your target could bring misery the next day, because the master might respond by raising your picking rate. Profits from heightened productivity were harnessed through the anguish of the enslaved. This was why the fastest cotton pickers were often whipped the most. It was why punishments rose and fell with global market fluctuations...

Witnessing the horrors of slavery drilled into poor white workers that things could be worse. So they generally accepted their lot, and American freedom became broadly defined as the opposite of bondage. It was a freedom that understood what it was against but not what it was for; a malnourished and mean kind of freedom that kept you out of chains but did not provide bread or shelter. It was a freedom far too easily pleased. In recent decades, America has experienced the financialization of its economy. In 1980, Congress repealed regulations that had been in place since the 1933 Glass-Steagall Act, allowing banks to merge and charge their customers higher interest rates. Since then, increasingly profits have accrued not by trading and producing goods and services but through financial instruments. Between 1980 and 2008, more than \$6.6 trillion was transferred to financial firms. After witnessing the successes and excesses of Wall Street, even non financial companies began finding ways to make money from financial products and activities.

Ever wonder why every major retail store, hotel chain and airline wants to sell you a credit card? This financial turn has trickled down into our everyday lives: It's there in our pensions, home mortgages, lines of credit and college-savings portfolios. Americans with some means now act like "enterprising subjects," in the words of the political scientist Robert Aitken. As it's usually narrated, the story of the ascendancy of American finance tends to begin in 1980,

with the gutting of Glass-Steagall, or in 1944 with Bretton Woods, or perhaps in the reckless speculation of the 1920s. But in reality, the story begins during slavery. Consider, for example, one of the most popular mainstream financial instruments: the mortgage. Enslaved people were used as collateral for mortgages centuries before the home mortgage became the defining characteristic of middle America. In colonial times, when land was not worth much and banks didn't exist, most lending was based on human property. In the early 1700s, slaves were the dominant collateral in South Carolina. Many Americans were first exposed to the concept of a mortgage by trafficking in enslaved people, not real estate, and "the extension of mortgages to slave property helped fuel the development of American (and global) capitalism," the historian Joshua Rothman told me... As America's cotton sector expanded, the value of enslaved workers soared. Between 1804 and 1860, the average price of men ages 21 to 38 sold in New Orleans grew to \$1,200 from roughly \$450. Because they couldn't expand their cotton empires without more enslaved workers, ambitious planters needed to find a way to raise enough capital to purchase more hands. Enter the banks.

The Second Bank of the United States, chartered in 1816, began investing heavily in cotton. In the early 1830s, the slaveholding Southwestern states took almost half the bank's business. Around the same time, state-chartered banks began multiplying to such a degree that one historian called it an "orgy of bank-creation." When seeking loans, planters used enslaved people as collateral. Thomas Jefferson mortgaged 150 of his enslaved workers to build Monticello. People could be sold much more easily than land, and in multiple Southern states, more than eight in 10 mortgage-secured loans used enslaved people as full or partial collateral. As the historian Bonnie Martin has written, "slave owners worked their slaves financially, as well as physically from colonial days until emancipation" by mortgaging people to buy more people. Access to credit grew faster than Mississippi kudzu, leading one 1836 observer to remark that in cotton country "money, or what passed for money, was the only cheap thing to be had." Planters took on immense amounts of debt to finance their operations. Why wouldn't they? The math worked out. A cotton plantation in the first decade of the 19th century could leverage their enslaved workers at 8 percent interest and record a return three times that. So leverage they did, sometimes volunteering the same enslaved workers for multiple mortgages. Banks lent with little restraint. By 1833, Mississippi banks had issued 20 times as much paper money as they had gold in their coffers. In several Southern counties, slave mortgages injected more capital into the economy than sales from the crops harvested by enslaved workers. Global financial markets got in on the action. When Thomas Jefferson mortgaged his enslaved workers, it was a Dutch firm that put up the money. The Louisiana Purchase, which opened millions of acres to cotton production, was financed by Baring Brothers, the well-heeled British commercial bank. A majority of credit powering the American slave economy came from the London money market.

Years after abolishing the African slave trade in 1807, Britain, and much of Europe along with it, was bankrolling slavery in the United States. To raise capital, state-chartered banks pooled debt generated by slave mortgages and repackaged it as bonds promising investors annual interest. During slavery's boom time, banks did swift business in bonds, finding buyers in Hamburg and Amsterdam, in Boston and Philadelphia.

Du Bois wrote: “The mere fact that a man could be, under the law, the actual master of the mind and body of human beings had to have disastrous effects. It tended to inflate the ego of most planters beyond all reason; they became arrogant, strutting, quarrelsome kinglets.” What are the laws of economics to those exercising godlike power over an entire people? We know how these stories end. The American South rashly overproduced cotton thanks to an abundance of cheap land, labor and credit, consumer demand couldn’t keep up with supply, and prices fell. The value of cotton started to drop as early as 1834 before plunging like a bird winged in midflight, setting off the Panic of 1837. Investors and creditors called in their debts, but plantation owners were underwater. Mississippi planters owed the banks in New Orleans \$33 million in a year; their crops yielded only \$10 million in revenue. They couldn’t simply liquidate their assets to raise the money. When the price of cotton tumbled, it pulled down the value of enslaved workers and land along with it. People bought for \$2,000 were now selling for \$60. Today, we would say the planters’ debt was “toxic.” Because enslavers couldn’t repay their loans, the banks couldn’t make interest payments on their bonds. Shouts went up around the Western world, as investors began demanding that states raise taxes to keep their promises. After all, the bonds were backed by taxpayers. But after a swell of populist outrage, states decided not to squeeze the money out of every Southern family, coin by coin. But neither did they foreclose on defaulting plantation owners. If they tried, planters absconded to Texas (an independent republic at the time) with their treasure and enslaved work force. Furious bondholders mounted lawsuits and cashiers committed suicide, but the bankrupt states refused to pay their debts. Cotton slavery was too big to fail. The South chose to cut itself out of the global credit market, the hand that had fed cotton expansion, rather than hold planters and their banks accountable for their negligence and avarice...

That culture would drive cotton production up to the Civil War, and it has been a defining characteristic of American capitalism ever since. It is the culture of acquiring wealth without work, growing at all costs and abusing the powerless. It is the culture that brought us the Panic of 1837, the stock-market crash of 1929 and the recession of 2008. It is the culture that has produced staggering inequality and undignified working conditions. If today America promotes a particular kind of low-road capitalism — a union-busting capitalism of poverty wages, gig jobs and normalized insecurity; a winner-take-all capitalism of stunning disparities not only permitting but awarding financial rule-bending; a racist capitalism that ignores the fact that slavery didn’t just deny black freedom but built white fortunes, originating the black-white wealth gap that annually grows wider — one reason is that American capitalism was founded on the lowest road there is.