

## Was there a phase transition in the United States around 1975?

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### Summary

Empirical observation shows that in the United States around 1975 there was an abrupt change in the trend of many social and economic variables. Because other developed countries did not simultaneously display the same changes, it is hardly possible to attribute them to the sharp increase in the price of oil which occurred in the mid-1970s. This raises the question of how such a turning point can be explained.

As a working hypothesis (to be confirmed by subsequent studies) we propose an explanation based on a segmentation process. This process results into splitting social groups into two (or more) different kinds of subpopulations, thus justifying the expression of *phase transition* that we used in the title. Among the consequences of this process one can mention the following effects.

- Holding companies and “absentee landlords” control an ever increasing percentage of firms and corporations.
- The gulf between the super-rich (top 1% of the households) and the rest of the population widens rapidly.
- The divide between the very-poor (bottom 5% of the households) and the rest of the population deepens.
- The so-called “white flight” of the middle class population toward suburban areas and the rapid development of gated communities brings about a new kind of housing segregation.
- The fact that the development of communication infrastructures (electrical power grid, interstate railways, suburban subways, congested airports) has been lagging behind during the past 20 years tends to reduce the forces that hold different regions together.

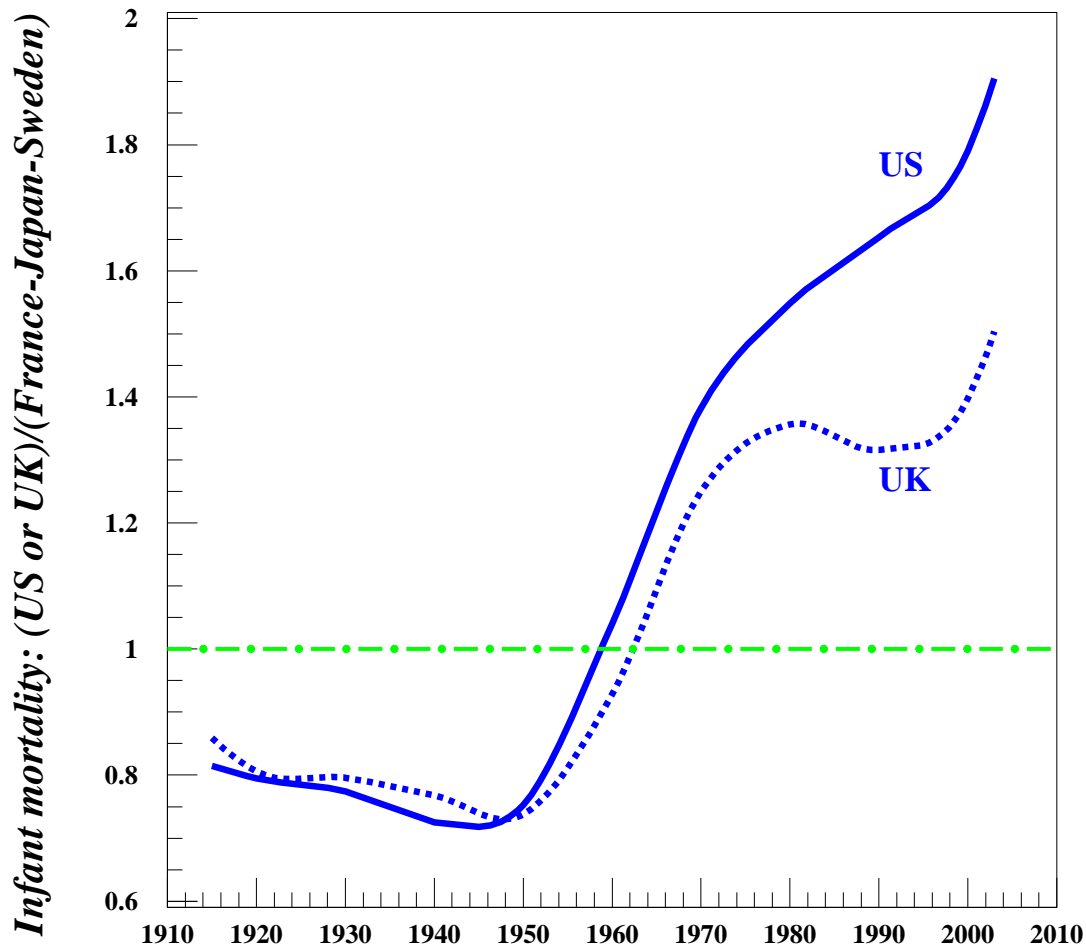
***Was there a phase transition in the  
United States around 1975?***

***Part I: Empirical observations***

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- **Basic indicators: infant mortality, prisoners, ...**
- **Closer look: changes in income, tax rates, ...**
- **Segmentation syndroms**

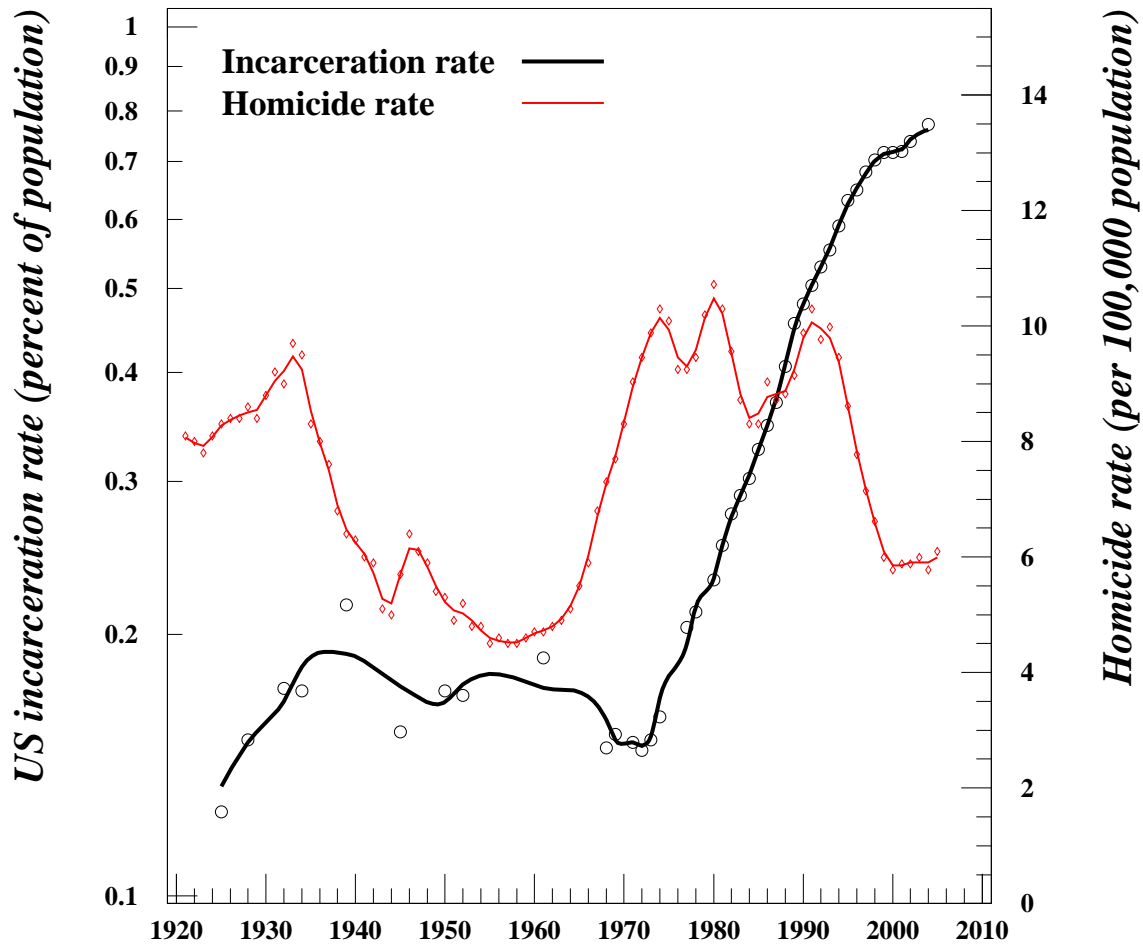


### Ratio of infant mortality rates in the USA and in France-Japan-Sweden

Infant mortality refers to the mortality of infants between birth and one year of age. Because this variable reflects conditions of hygiene and health care in all social strata it is considered a significant indicator of welfare in the total population of a country.

The graph shows that in the 1950s there was a change in the trend. The new trend displays a growing gulf between the US (and also the UK) and other developed countries.

*Sources: Statistical Yearbooks of respective countries.*

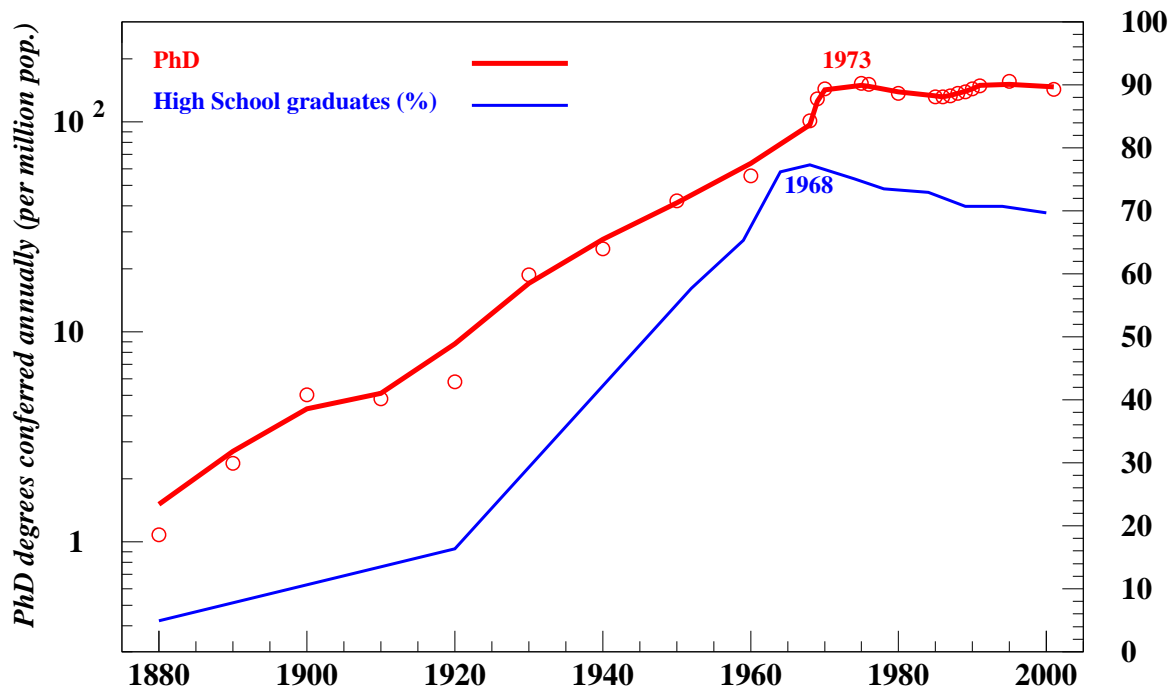


### Rate of incarceration and homicide rate.

The marked increase in the rate of incarceration after 1975 resulted in a reduction in the homicide rate which began around 1990.

Between 1930 and 1955 the homicide rate fell fairly steadily; this fall seems to have little or no connection with the (small) increase in the incarceration rate that occurred between 1925 and 1935.

*Sources: Statistical Abstract of the United States.*

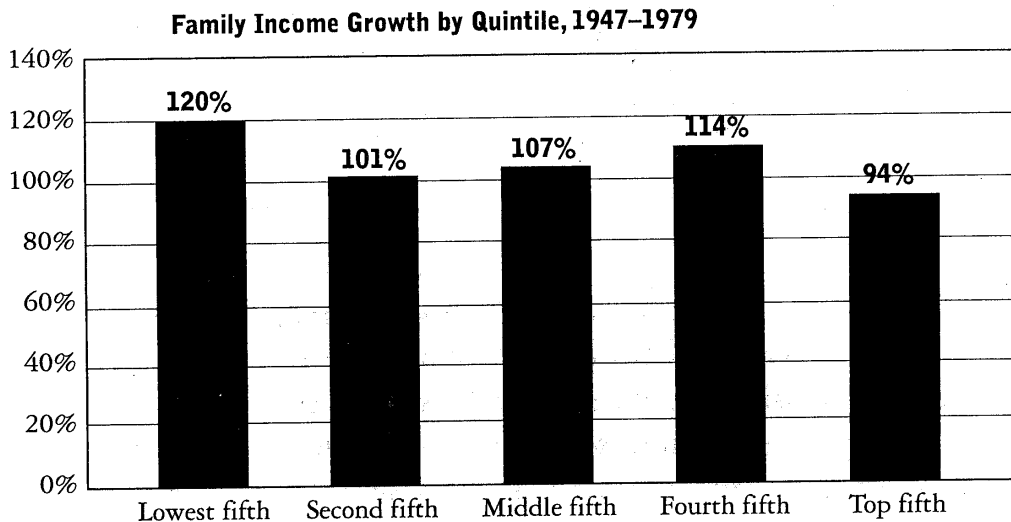


### Number of high school graduates and PhD in the United States

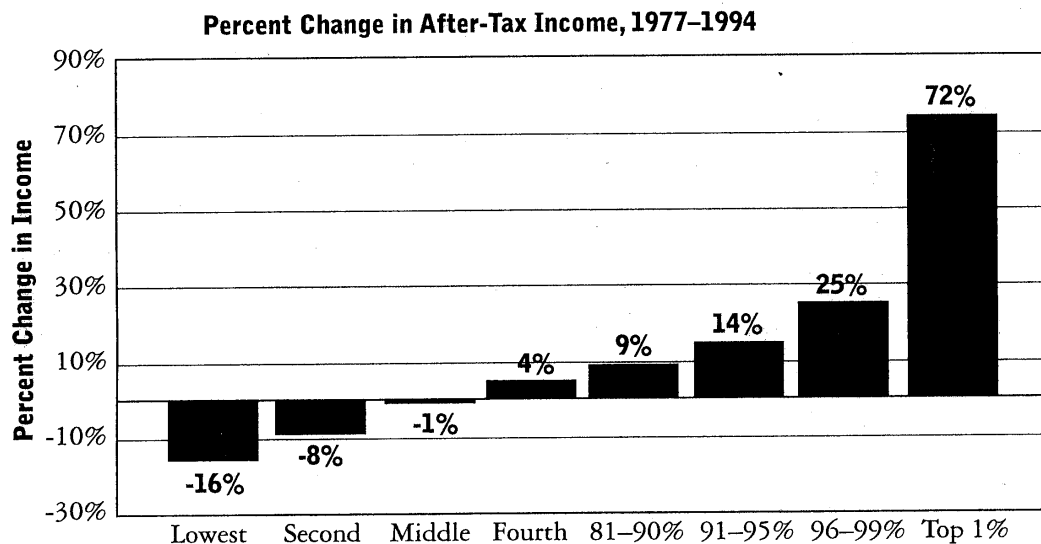
A marked change in the trend of both curves occurred around 1968-1975. These changes suggest that two transformations took place simultaneously: (i) A stagnation (at least relative to total population) of the upper middle class who previously had furnished a large part of PhD graduates. (ii) A widening of the poorest segment whose children leave school without graduating.

It can be observed that in contrast with high school and doctorates, the proportion of Bachelors has continued to increase albeit at a rate that is smaller than during the decades before 1970.

*Sources: PhD: Statistical Abstract of the United States; high school graduates: Barton (P.E.) 2005: One-third of a nation. Policy Information Center Educational Testing Service.*



Source: Economic Policy Institute.

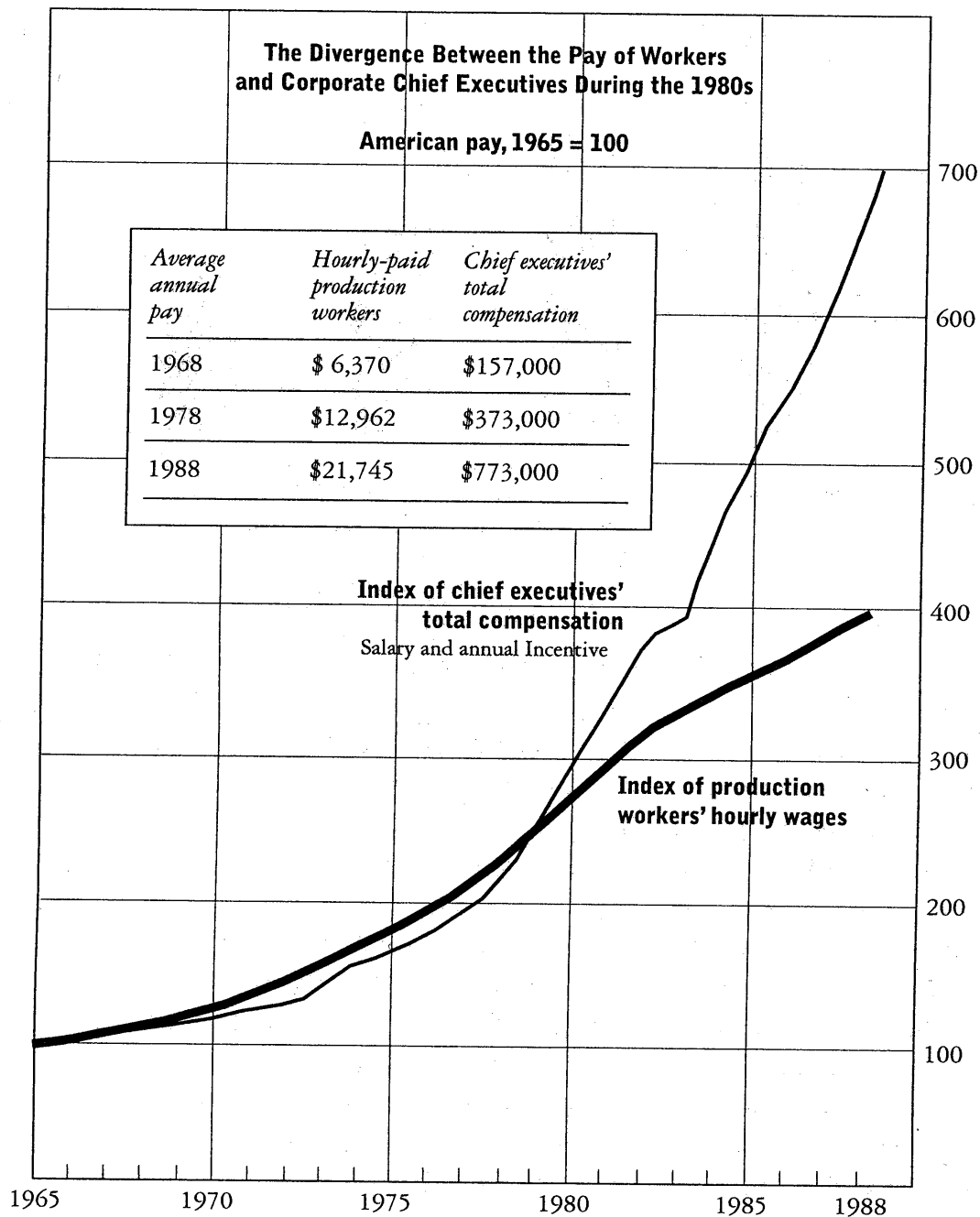


Source: Congressional Budget Office.

## Change in the income pattern in the United States

After 1979 substantial income increases were confined to the highest income strata and particularly to the top 1% component.

Source: “Wealth and Democracy” by Kevin Phillips (2002, p. 138)

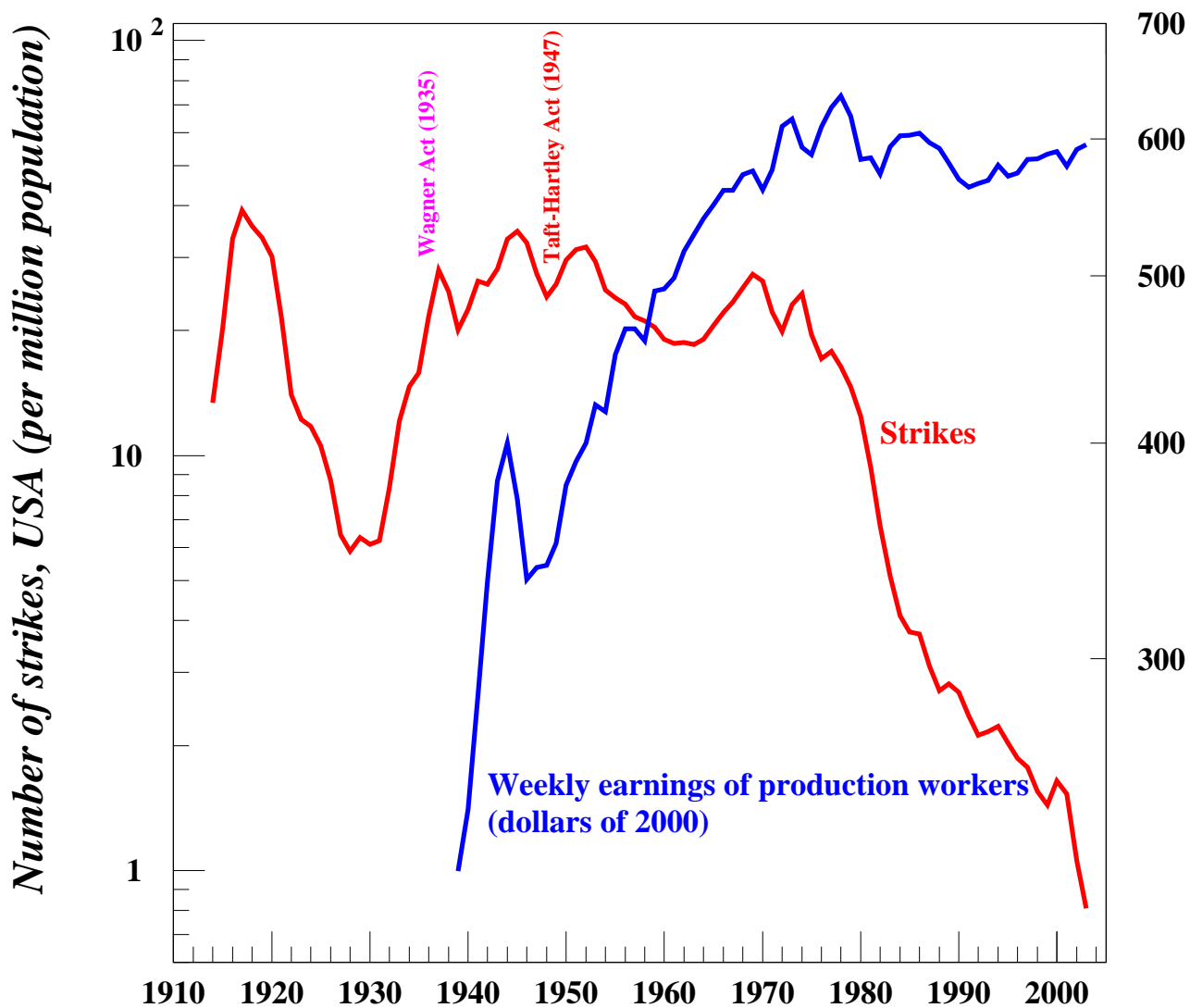


Source: Sibson & Company and *The Economist*, June, 1989.

## Change in the income pattern in US corporations

After 1979 a growing gap developed between the two incomes.

Source: "Wealth and Democracy" by Kevin Phillips (2002, chart 3.22)



### Consequence in terms of earnings of the loss of influence of American labor unions.

There has been a dramatic decline in the number of strikes after 1970. Real wages reached their maximum in 1973. After this date the largest part of GDP was absorbed by the growth of non-salary earnings (e.g. income from financial assets, real estate profits, etc.) the share of which increased from 35% in 1950 to 55% in 2004. *Sources: Statistical Abstract of the United States; Website of the US Department of Labor.*