

ROBERT B. REICH

*Why the Rich Are Getting Richer
and the Poor, Poorer*

ROBERT B. REICH (b. 1946), University Professor in the Heller Graduate School at Brandeis University, who served as secretary of labor in the first Clinton administration, holds a graduate degree from Yale Law School, and unlike his former colleagues in the John F. Kennedy School of Government at Harvard, he does not hold a Ph.D. in economics. Nonetheless, he has written numerous books on economics and has been a prominent lecturer for a dozen years. One of his most recent books, *Locked in the Cabinet* (1997), is a memoir of his four years as secretary of labor. *The Work of Nations* (1991), from which this essay comes, is the distillation of many years' analysis of modern economic trends.

As a college student, Reich was an activist but not a radical. In 1968 he was a Rhodes scholar, studying at Oxford University with Bill Clinton and a number of others who became influential American policymakers. Reich is a specialist in policy studies—that is, the relationship of governmental policy to the economic health of the nation. Unlike those who champion free trade and unlimited expansion, Reich questions the existence of free trade by pointing to the effect of government taxation on business enterprise. Taxation—like many governmental policies regarding immigration, tariffs, and money supply—directly shapes the behavior of most companies. Reich feels that government must establish and execute an industrial policy that will benefit the nation.

Even though organized labor groups, such as industrial unions, have rejected much of his theorizing about labor, Reich has developed a reputation as a conciliator who can see opposite sides of a question and resolve them. He is known for his denunciation of mergers, lawsuits, takeovers, and other deals that he believes



simply churn money around rather than produce wealth. He feels that such maneuvers enrich a few predatory people but do not benefit labor in general—and, indeed, that the debt created by such deals harms labor in the long run.

In *The Next American Frontier* (1983), Reich insists that government, unions, and businesses must cooperate to create a workable program designed to improve the economy. Trusting to chance and free trade, he argues, will not work in the current economy. He also has said that the old assembly-line methods must give way to what he calls “flexible production,” involving smaller, customized runs of products for specific markets.

Reich's *The Work of Nations* (1991), whose title draws on Adam Smith's classic *The Wealth of Nations* (1776), examines the borderless nature of contemporary corporations. Multinational corporations are a reality, and as he points out in the following essay, their flexibility makes it possible for them to thrive by moving manufacturing plants from nation to nation. The reasons for moving are sometimes connected to lower wages but more often are connected to the infrastructure of a given nation. Reliable roads, plentiful electricity, well-educated workers, low crime rates, and political stability are all elements that make a location attractive to a multinational corporation.

Reich's Rhetoric

The structure of “Why the Rich Are Getting Richer and the Poor, Poorer” is built on a metaphor: that of boats rising or falling with the tide. As Reich notes, “All Americans used to be in roughly the same economic boat” (para. 2), and when the economic tide rose, most people rose along with it. However, today “national borders no longer define our economic fates”; Reich therefore views Americans today as being in different boats, depending on their role in the economy, and his essay follows the fates of three distinct kinds of workers.

Examining the routine worker, he observes, “The boat containing routine producers is sinking rapidly” (para. 3). As he demonstrates, the need for routine production has declined in part because of improvements in production facilities. Much labor-intensive work has been replaced by machines. Modern factories often scramble to locate in places where production costs are lowest. People in other nations work at a fraction of the hourly rate of American workers, and because factories are relatively cheap to establish, they can be easily moved

Reich continues the boat metaphor with “in-person servers.” The boat that carries these workers, he says, “is sinking as well, but somewhat more slowly and unevenly” (para. 20). Workers in restaurants, retail outlets, car washes, and other personal service industries often work part-time and have few health or other benefits. Their jobs are imperiled by machines as well, although not as much as manufacturing jobs are. Although the outlook for such workers is buoyed by a declining population, which will reduce competition for their jobs, increased immigration may cancel this benefit.

Finally, Reich argues that the “vessel containing America's symbolic analysts is rising” (para. 28). This third group contains the population that identifies and solves problems and brokers ideas. “Almost everyone around the world is buying the skills and insights of Americans who manipulate oral and visual symbols” (para. 33). Engineers, consultants, marketing experts, publicists, and those in entertainment fields all manage to cross national boundaries and prosper at a rate that is perhaps startling. As a result of an expanding world market, symbolic analysts do not depend only on the purchasing power of routine and in-service workers. Instead, they rely on the same global web that dominates the pattern of corporate structure.

Reich's essay follows the fate of these three groups in turn to establish the pattern of change and expectation that will shape America's economic future. His metaphor is deftly handled, and he includes details, examples, facts, and careful references to support his position.

PREREADING QUESTIONS: WHAT TO READ FOR

The following prereading questions may help you anticipate key issues in the discussion on Robert B. Reich's “Why the Rich Are Getting Richer and the Poor, Poorer.” Keeping them in mind during your first reading of the selection should help focus your reactions.

- Why and how does an individual's position in the world economy depend on the function he/she performs in it?
- What are routine producers? What will be their fate in the future?
- What are in-person servers? What is their role in our economy? How does one become

Why the Rich Are Getting Richer and the Poor, Poorer

The division of labour is limited by the extent of the market.

—ADAM SMITH.

*An Inquiry into the Nature
and Causes of the Wealth of Nations* (1776)

Regardless of how your job is officially classified (manufacturing, service, managerial, technical, secretarial, and so on), or the industry in which you work (automotive, steel, computer, advertising, finance, food processing), your real competitive position in the world economy is coming to depend on the function you perform in it. Herein lies the basic reason why incomes are diverging. The fortunes of routine producers are declining. In-person servers are also becoming poorer, although their fates are less clear-cut. But symbolic analysts—who solve, identify, and broker new problems—are, by and large, succeeding in the world economy.

All Americans used to be in roughly the same economic boat. Most rose or fell together as the corporations in which they were employed, the industries comprising such corporations, and the national economy as a whole became more productive—or languished. But national borders no longer define our economic fates. We are now in different boats, one sinking rapidly, one sinking more slowly, and the third rising steadily.

The boat containing routine producers is sinking rapidly. Recall that by midcentury routine production workers in the United States were paid relatively well. The giant pyramidlike organizations at the core of each major industry coordinated their prices and investments—avoiding the harsh winds of competition and thus maintaining healthy earnings. Some of these earnings, in turn, were reinvested in new plant and equipment (yielding ever-larger-scale economies); another portion went to top managers and investors. But a large and increasing portion went to middle managers and production workers. Work stoppages posed such a threat to high volume production that organized labor was able to exact an ever larger premium for its cooperation. And the pattern of wages established within the core corporations influenced the pattern throughout the national economy. Thus the growth of a relatively affluent middle class, able to purchase all the wondrous things produced in high volume by the core corporations.

But, as has been observed, the core is rapidly breaking down into global webs which earn their largest profits from clever problem-solving, -identifying, and brokering. As the costs of transporting standard things and of communicating information about them continue to drop, profit margins on high-volume, standardized production are thinning, because there are few barriers to entry. Modern factories and state-of-the-art machinery can be installed almost anywhere on the globe. Routine producers in the United States, then, are in direct competition with millions of routine producers in other nations. Twelve thousand people are added to the world's population every hour, most of whom, eventually, will happily work for a small fraction of the wages of routine producers in America.¹

The consequence is clearest in older, heavy industries, where high-volume, standardized production continues its ineluctable move to where labor is cheapest and most accessible around the world. Thus, for example, the Maquiladora factories cluttered along the Mexican side of the U.S. border in the sprawling shanty towns of Tijuana, Mexicali, Nogales, Agua Prieta, and Ciudad Juárez—factories owned mostly by Americans, but increasingly by Japanese—in which more than a half million routine producers assemble parts into finished goods to be shipped into the United States.

The same story is unfolding worldwide. Until the late 1970s, AT&T had depended on routine producers in Shreveport, Louisiana, to assemble standard telephones. It then discovered that routine producers in Singapore would perform the same tasks at a far lower cost. Facing intense competition from other global webs, AT&T's strategic brokers felt compelled to switch. So in the early 1980s they stopped hiring routine producers in Shreveport and began hiring cheaper routine producers in Singapore. But under this kind of pressure for ever-lower high-volume production costs, today's Singaporean can easily end up as yesterday's Louisianan. By the late 1980s, AT&T's strategic brokers found that routine producers in Thailand were eager to assemble telephones for a small fraction of the wages of routine producers in Singapore. Thus, in 1989, AT&T stopped hiring Singaporeans to make telephones and began hiring even cheaper routine producers in Thailand.

The reader should note, of course, that lower wages in other areas of the globe do not particularly attract new global capital unless workers there are sufficiently unorganized to demand a lower cost of production which is lower than in the United States. In fact, the workers in the west of Europe have

The search for ever-lower wages has not been confined to the industry. Routine data processing is equally footloose. Key punch operators located anywhere around the world can enter data on computers, linked by satellite or transoceanic fiber-optic cable, and take it out again. As the rates charged by satellite networks continue to drop, and as more satellites and fiber-optic cables become available (reducing communication costs still further), routine data processors in the United States find themselves in ever more direct competition with their counterparts abroad, who are often eager to work for far less.

By 1990, keypunch operators in the United States were earning, at most, \$6.50 per hour. But keypunch operators throughout the rest of the world were willing to work for a fraction of this. Hence, many potential American data-processing jobs were disappearing, and the wages and benefits of the remaining ones were in decline. Typical was Saztec International, a \$20-million-a-year data-processing firm headquartered in Kansas City, whose American strategic brokers contracted with routine data processors in Manila and with American-owned firms that needed such data-processing services. Compared with the average Philippine income of \$1,700 per year, data-entry operators working for Saztec earn the princely sum of \$2,650. The remainder of Saztec's employees were American problem-solvers and -identifiers, searching for ways to improve the worldwide system and find new uses to which it could be put.²

By 1990, American Airlines was employing over 1,000 data processors in Barbados and the Dominican Republic to enter names and flight numbers from used airline tickets (flown daily to Barbados from airports around the United States) into a giant computer bank located in Dallas. Chicago publisher R. R. Donnelley was sending entire manuscripts to Barbados for entry into computers in preparation for printing. The New York Life Insurance Company was dispatching insurance claims to Castleisland, Ireland, where routine producers, guided by simple directions, entered the claims and determined the amounts due, then instantly transmitted the computations back to the United States. (When the firm advertised in Ireland for twenty-five data-processing jobs, it received six hundred applications.) And McGraw-Hill was processing subscription renewal and marketing information for its magazines in nearby Calicut. Indeed, literally millions of routine workers around the world were receiving information, converting it into computer-readable

and sending it back—at the speed of electronic information—it came.

The coding of computer software has also entered into the scene. India, with a large English-speaking population of twenty-five million, is proving to be an attractive to global webs in need of this service. By 1989, instruments maintained a software development facility linking fifty Indian programmers by satellite to TI's headquarters. Spurred by this and similar ventures, the Indian government was building a teleport in Poona, intended to attract and less expensive for many other firms to send their software design specifications for coding.³

Multitude of routine production jobs from advanced to development is a great boon to many workers in such nations who would be jobless or working for much lower wages. These nations, in turn, now have more money with which to purchase analytic services from advanced nations (often embedded in sorts of complex products). The trend is also beneficial to the rest of the world who can now obtain high-volume, standard products (including information and software) more cheaply than before.

These benefits do not come without certain costs. In particular, the burden is borne by those who no longer have good-paying production jobs within advanced economies like the United States. Many of these people used to belong to unions or at least to agreements from prevailing wage rates established in collective bargaining. But as the old corporate bureaucracies have flattened into global webs, bargaining leverage has been lost. Indeed, the national bargain is no more.

Despite the growth in the number of new jobs in the United States, union membership has withered. In 1960, 35 percent of all nonagricultural workers in America belonged to a union. But by 1989, that portion had fallen to just under a quarter, and by 1990 to 17 percent. Excluding government employees, union membership was down to 13.4 percent.⁴ This was a smaller proportion than in the early 1930s, before the National Labor Relations Act created a legally protected right to labor representation. The decline in union membership has been accompanied by a growing number of

² John Maxwell Hamilton, "Indian Satellite Link Stands to Cut Software Costs," *Wall Street Journal*, 1990, p. 1.

³ *Time*, 1990, p. 10. ⁴ *Time*, 1990, p. 10. ⁵ *Time*, 1990, p. 10. ⁶ *Time*, 1990, p. 10. ⁷ *Time*, 1990, p. 10. ⁸ *Time*, 1990, p. 10. ⁹ *Time*, 1990, p. 10. ¹⁰ *Time*, 1990, p. 10. ¹¹ *Time*, 1990, p. 10. ¹² *Time*, 1990, p. 10. ¹³ *Time*, 1990, p. 10. ¹⁴ *Time*, 1990, p. 10. ¹⁵ *Time*, 1990, p. 10. ¹⁶ *Time*, 1990, p. 10. ¹⁷ *Time*, 1990, p. 10. ¹⁸ *Time*, 1990, p. 10. ¹⁹ *Time*, 1990, p. 10. ²⁰ *Time*, 1990, p. 10. ²¹ *Time*, 1990, p. 10. ²² *Time*, 1990, p. 10. ²³ *Time*, 1990, p. 10. ²⁴ *Time*, 1990, p. 10. ²⁵ *Time*, 1990, p. 10. ²⁶ *Time*, 1990, p. 10. ²⁷ *Time*, 1990, p. 10. ²⁸ *Time*, 1990, p. 10. ²⁹ *Time*, 1990, p. 10. ³⁰ *Time*, 1990, p. 10. ³¹ *Time*, 1990, p. 10. ³² *Time*, 1990, p. 10. ³³ *Time*, 1990, p. 10. ³⁴ *Time*, 1990, p. 10. ³⁵ *Time*, 1990, p. 10. ³⁶ *Time*, 1990, p. 10. ³⁷ *Time*, 1990, p. 10. ³⁸ *Time*, 1990, p. 10. ³⁹ *Time*, 1990, p. 10. ⁴⁰ *Time*, 1990, p. 10. ⁴¹ *Time*, 1990, p. 10. ⁴² *Time*, 1990, p. 10. ⁴³ *Time*, 1990, p. 10. ⁴⁴ *Time*, 1990, p. 10. ⁴⁵ *Time*, 1990, p. 10. ⁴⁶ *Time*, 1990, p. 10. ⁴⁷ *Time*, 1990, p. 10. ⁴⁸ *Time*, 1990, p. 10. ⁴⁹ *Time*, 1990, p. 10. ⁵⁰ *Time*, 1990, p. 10. ⁵¹ *Time*, 1990, p. 10. ⁵² *Time*, 1990, p. 10. ⁵³ *Time*, 1990, p. 10. ⁵⁴ *Time*, 1990, p. 10. ⁵⁵ *Time*, 1990, p. 10. ⁵⁶ *Time*, 1990, p. 10. ⁵⁷ *Time*, 1990, p. 10. ⁵⁸ *Time*, 1990, p. 10. ⁵⁹ *Time*, 1990, p. 10. ⁶⁰ *Time*, 1990, p. 10. ⁶¹ *Time*, 1990, p. 10. ⁶² *Time*, 1990, p. 10. ⁶³ *Time*, 1990, p. 10. ⁶⁴ *Time*, 1990, p. 10. ⁶⁵ *Time*, 1990, p. 10. ⁶⁶ *Time*, 1990, p. 10. ⁶⁷ *Time*, 1990, p. 10. ⁶⁸ *Time*, 1990, p. 10. ⁶⁹ *Time*, 1990, p. 10. ⁷⁰ *Time*, 1990, p. 10. ⁷¹ *Time*, 1990, p. 10. ⁷² *Time*, 1990, p. 10. ⁷³ *Time*, 1990, p. 10. ⁷⁴ *Time*, 1990, p. 10. ⁷⁵ *Time*, 1990, p. 10. ⁷⁶ *Time*, 1990, p. 10. ⁷⁷ *Time*, 1990, p. 10. ⁷⁸ *Time*, 1990, p. 10. ⁷⁹ *Time*, 1990, p. 10. ⁸⁰ *Time*, 1990, p. 10. ⁸¹ *Time*, 1990, p. 10. ⁸² *Time*, 1990, p. 10. ⁸³ *Time*, 1990, p. 10. ⁸⁴ *Time*, 1990, p. 10. ⁸⁵ *Time*, 1990, p. 10. ⁸⁶ *Time*, 1990, p. 10. ⁸⁷ *Time*, 1990, p. 10. ⁸⁸ *Time*, 1990, p. 10. ⁸⁹ *Time*, 1990, p. 10. ⁹⁰ *Time*, 1990, p. 10. ⁹¹ *Time*, 1990, p. 10. ⁹² *Time*, 1990, p. 10. ⁹³ *Time*, 1990, p. 10. ⁹⁴ *Time*, 1990, p. 10. ⁹⁵ *Time*, 1990, p. 10. ⁹⁶ *Time*, 1990, p. 10. ⁹⁷ *Time*, 1990, p. 10. ⁹⁸ *Time*, 1990, p. 10. ⁹⁹ *Time*, 1990, p. 10. ¹⁰⁰ *Time*, 1990, p. 10.

collective bargaining agreements to freeze wages at current levels, reduce wage levels of entering workers, or reduce wages overall. This is an important reason why the long economic recovery that began in 1982 produced a smaller rise in unit labor costs than any of the eight recoveries since World War II—the low rate of unemployment during its course notwithstanding.

Routine production jobs have vanished fastest in traditional unionized industries (autos, steel, and rubber, for example), where average wages have kept up with inflation. This is because the jobs of older workers in such industries are protected by seniority; the youngest workers are the first to be laid off. Faced with a choice of cutting wages or cutting the number of jobs, a majority of union members (secure in the knowledge that there are many who are junior to them who will be laid off first) often have voted for the latter.

Thus the decline in union membership has been most striking among young men entering the work force without a college education. In the early 1950s, more than 40 percent of this group joined unions; by the late 1980s, less than 20 percent (if public employees are excluded, less than 10 percent).⁵ In steelmaking, for example, although many older workers remained employed, almost half of all routine steelmaking jobs in America vanished between 1974 and 1988 (from 480,000 to 260,000). Similarly with automobiles: During the 1980s, the United Auto Workers lost 500,000 members—one third of their total at the start of the decade. General Motors alone cut 150,000 American production jobs during the 1980s (even as it added employment abroad). Another consequence of the same phenomenon: the gap between the average wages of unionized and nonunionized workers widened dramatically—from 14.6 percent in 1973 to 20.4 percent by end of the 1980s.⁶ The lesson is clear. If you drop out of high school or have no more than a high school diploma do not expect a good routine production job to be awaiting you.

Also vanishing are lower- and middle-level management jobs involving routine production. Between 1981 and 1986, more than 780,000 foremen, supervisors, and section chiefs lost their jobs through plant closings and layoffs.⁷ Large numbers of assistant chief

⁵ Calculations from Current Population Surveys by F. Katz and A. L. Reich, "Changes in the Structure of Wages: U.S. and Japan," National Bureau of Economic Research, September 1989. [Reich's note]

⁶ U.S. Department of Commerce, Bureau of Labor Statistics, "Unionized and Non-Unionized Workers: Various Issues," (Reich's note).

⁷ U.S. Department of Labor, Bureau of Labor Statistics, "The Changing Structure of American Employment," BLS Bulletin 1141, 1987.

union heads, assistant directors, assistant managers, and vice presidents also found themselves jobless. GM shed more than 40,000 white-collar employees and planned to eliminate another 25,000 by the mid-1990s.⁸ As America's core pyramids metamorphosed into global webs, many middle-level routine producers were as obsolete as routine workers on the line.

As has been noted, foreign-owned webs are hiring some Americans to do routine production in the United States. Philips, Sony, and Toyota factories are popping up all over—to the self-congratulatory applause of the nation's governors and mayors, who have lured them with promises of tax abatements and new sewers, among other amenities. But as these ebullient politicians will soon discover, the foreign-owned factories are highly automated and will become far more so in years to come. Routine production jobs account for a small fraction of the cost of producing most items in the United States and other advanced nations, and this fraction will continue to decline sharply as computer-integrated robots take over. In 1977 it took routine producers thirty-five hours to assemble an automobile in the United States; it is estimated that by the mid-1990s, Japanese-owned factories in America will be producing finished automobiles using only eight hours of a routine producer's time.⁹

The productivity and resulting wages of American workers who do such robotic machinery may be relatively high, but there may be many such jobs to go around. A case in point: in the late 1980s, Nippon Steel joined with America's ailing Inland Steel to build a new \$400 million cold-rolling mill fifty miles west of Gary, Indiana. The mill was celebrated for its state-of-the-art technology, which cut the time to produce a coil of steel from twelve days to just one hour. In fact, the entire plant could be run by a small number of technicians, which became clear when Inland subsequently laid off two of its old cold-rolling mills, laying off hundreds of the workers. Governors and mayors take note: your much-ballyhooed foreign factories may end up employing distressingly few of your constituents.

Overall, the decline in routine jobs has hurt men more than women. This is because the routine production jobs held by men in routine metal bending manufacturing industries had paid 10 to 15 percent more than the routine production jobs held by women in metal fabricating. As both sets of jobs have been lost,

American women in routine production have gained more equal footing with American men—equally poor footing, that is. This is a major reason why the gender gap between male and female wages began to close during the 1980s.

The second of the three boats, carrying in-person servers, is sinking as well, but somewhat more slowly and unevenly. Most in-person servers are paid at or just slightly above the minimum wage and many work only part-time, with the result that their take-home pay is modest, to say the least. Nor do they typically receive all the benefits (health care, life insurance, disability, and so forth) garnered by routine producers in large manufacturing corporations or by symbolic analysts affiliated with the more affluent threads of global webs.¹⁰ In-person servers are sheltered from the direct effects of global competition and, like everyone else, benefit from access to lower-cost products from around the world. But they are not immune to its indirect effects.

For one thing, in-person servers increasingly compete with former routine production workers, who, no longer able to find well-paying routine production jobs, have few alternatives but to seek in-person service jobs. The Bureau of Labor Statistics estimates that of the 2.8 million manufacturing workers who lost their jobs during the early 1980s, fully one-third were rehired in service jobs paying at least 20 percent less.¹¹ In-person servers must also compete with high school graduates and dropouts who years before had moved easily into routine production jobs but no longer can. And if demographic predictions about the American work force in the first decades of the twenty-first century are correct (and they are likely to be, since most of the people who will comprise the work force are already identifiable), most new entrants into the job market will be black or Hispanic men, or women—groups that in years past have possessed relatively weak technical skills. This will result in an even larger number of people crowding into in-person services. Finally, in-person servers will be competing with growing numbers of immigrants, both legal and illegal, for whom in-person services will comprise the most accessible jobs. (It is estimated that between the

¹⁰ The growing portion of the American labor force engaged in in-person services, relative to routine production, thus helps explain why the number of Americans lacking health insurance increased by at least 10 million during the 1980s. [Reich's note]

¹¹ U.S. Department of Labor, Bureau of Labor Statistics, *Employment, Wages, and Hours in Manufacturing, Wholesale and Retail Trade, and Services Industries* (Washington, D.C.: U.S. Government Printing Office, 1987), p. 10.

mid-1980s and the end of the century, about a quarter of all workers entering the American labor force will be immigrants.¹²)

Perhaps the fiercest competition that in-person servers face comes from labor-saving machinery (much of it invented, designed, fabricated, or assembled in other nations, of course). Automated tellers, computerized cashiers, automatic car washes, robotized vending machines, self-service gasoline pumps, and all similar gadgets substitute for the human beings that customers once encountered. Even telephone operators are fast disappearing, as electronic sensors and voice simulators become capable of carrying on conversations that are reasonably intelligent and always polite. Retail sales workers—among the largest groups of in-person servers—are similarly imperiled. Through personal computers linked to television screens, tomorrow's consumers will be able to buy furniture, appliances, and all sorts of electronic toys from their living rooms—examining the merchandise from all angles, selecting whatever color, size, special features, and price seem most appealing, and then transmitting the order instantly to warehouses from which the selections will be shipped directly to their homes. So, too, with financial transactions, airline and hotel reservations, rental car agreements, and similar contracts, which will be executed between consumers in their homes and computer banks somewhere else on the globe.¹³

Advanced economies like the United States will continue to generate sizable numbers of new in-person service jobs, of course, the automation of older ones notwithstanding. For every bank teller who loses her job to an automated teller, three new jobs open for aerobics instructors. Human beings, it seems, have an almost insatiable desire for personal attention. But the intense competition nevertheless ensures that the wages of in-person servers will remain relatively low. In-person servers—working on their own, or else dispersed widely amid many small establishments, filling all sorts of personal-care niches—cannot readily organize themselves into labor unions or create powerful lobbies to limit the impact of such competition.

In two respects, demographics will work in favor of in-person servers, buoying their collective boat slightly. First, as has been noted, the rate of growth of the American work force is slowing. In

¹² U.S. Department of Labor, Bureau of Labor Statistics, *Statistical Yearbook* (Washington, D.C.: U.S. Government Printing Office, 1986), p. 10.

¹³ For a discussion of the impact of automation on the labor market, see Reich's book, *The Work Ethic* (New York: Basic Books, 1987), pp. 10-11.

particular, the number of young workers is shrinking. Between 1985 and 1995, the number of the eighteen- to twenty-four-year-olds will have declined by 17.5 percent. Thus, employers will have more incentive to hire and train in-person servers whom they might previously have avoided. But this demographic relief from the competitive pressures will be only temporary. The cumulative procreative energies of the postwar baby-boomers (born between 1946 and 1964) will result in a new surge of workers by 2010 or thereafter.¹⁴ And immigration—both legal and illegal—shows every sign of increasing in years to come.

Next, by the second decade of the twenty-first century, the number of Americans aged sixty-five and over will be rising precipitously, as the baby-boomers reach retirement age and live longer. Their life expectancies will lengthen not just because fewer of them will have smoked their way to their graves and more will have eaten better than their parents, but also because they will receive all sorts of expensive drugs and therapies designed to keep them alive—barely. By 2035, twice as many Americans will be elderly as in 1988, and the number of octogenarians is expected to triple. As these decaying baby-boomers ingest all the chemicals and receive all the treatments, they will need a great deal of personal attention. Millions of deteriorating bodies will require nurses, nursing-home operators, hospital administrators, orderlies, home-care providers, hospice aides, and technicians to operate and maintain all the expensive machinery that will monitor and temporarily stave off final disintegration. There might even be a booming market for euthanasia specialists. In-person servers catering to the old and ailing will be in strong demand.¹⁵

One small problem: the decaying baby-boomers will not have enough money to pay for these services. They will have used up their personal savings years before. Their Social Security payments will, of course, have been used by the government to pay for the previous generation's retirement and to finance much of the budget deficits of the 1980s. Moreover, with relatively fewer young Americans in the population, the supply of housing will likely exceed the demand, with the result that the boomers' major investments—their homes—will be worth less (in inflation-adjusted dollars) when

they retire than they planned for. In consequence, the huge cost of caring for the graying boomers will fall on many of the same people who will be paid to care for them. It will be like a great sump pump: in-person servers of the twenty-first century will have an abundance of health-care jobs, but a large portion of their earnings will be devoted to Social Security payments and income taxes, which will in turn be used to pay their salaries. The net result: no real improvement in their standard of living.

The standard of living of in-person servers also depends, indirectly, on the standard of living of the Americans they serve who are engaged in world commerce. To the extent that these Americans are richly rewarded by the rest of the world for what they contribute, they will have more money to lavish upon in-person services. Here we find the only form of "trickle-down" economics that has a basis in reality. A waitress in a town whose major factory has just been closed is unlikely to earn a high wage or enjoy much job security; in a swank resort populated by film producers and banking moguls, she is apt to do reasonably well. So, too, with nations. In-person servers in Bangladesh may spend their days performing roughly the same tasks as in-person servers in the United States, but have a far lower standard of living for their efforts. The difference comes in the value that their customers add to the world economy.

Unlike the boats of routine producers and in-person servers, however, the vessel containing America's symbolic analysts is rising. Worldwide demand for their insights is growing as the ease and speed of communicating them steadily increases. Not every symbolic analyst is rising as quickly or as dramatically as every other, of course; symbolic analysts at the low end are barely holding their own in the world economy. But symbolic analysts at the top are in such great demand worldwide that they have difficulty keeping track of all their earnings. Never before in history has opulence on such a scale been gained by people who have earned it, and done so legally.

Among symbolic analysts in the middle range are American scientists and researchers who are busily selling their discoveries to global enterprise webs. They are not limited to American customers. If the strategic brokers in General Motors' headquarters refuse to pay a high price for a new means of making high-strength ceramic engine dreamed up by a team of engineers affiliated with Carnegie Mellon University in Pittsburgh, the strategic brokers of Honda or Chrysler, Ford, are likely to be more than willing.

Of course with the influx of American ubiquitous managing men and women, who are not as skilled as the few remaining top people, the quality of the work will be lower. The quality of the work will be lower, and the quality of the work will be lower.

¹⁴U.S. Bureau of the Census, Current Population Reports, Series P-23, no. 133, tables 2-1, 4-6. See W. Johnson, A. Packer, et al., *Workforce 2000: Work and Wages for the 21st Century* (Indianapolis: Hudson Institute, 1988); *Ritch notes*.

¹⁵The Census Bureau estimates that by the year 2000, at least 100 million people will work in health care, a well over a doubling of the 40 million people who were in health care in 1980.

energy consultants, sold for even larger sums to Arab sheikhs. American design engineers are providing insights to Olivetti, Mazda, Siemens, and other global webs; American marketers, techniques for learning what worldwide consumers will buy; American advertisers, ploys for ensuring that they actually do. American architects are issuing designs and blueprints for opera houses, art galleries, museums, luxury hotels, and residential complexes in the world's major cities; American commercial property developers, marketing these properties to worldwide investors and purchasers.

Americans who specialize in the gentle art of public relations are in demand by corporations, governments, and politicians in virtually every nation. So, too, are American political consultants, some of whom, at this writing, are advising the Hungarian Socialist Party, the remnant of Hungary's ruling Communists, on how to salvage a few parliamentary seats in the nation's first free election in more than forty years. Also at this writing, a team of American agricultural consultants is advising the managers of a Soviet farm collective employing 1,700 Russians eighty miles outside Moscow. As noted, American investment bankers and lawyers specializing in financial circumnavigations are selling their insights to Asians and Europeans who are eager to discover how to make large amounts of money by moving large amounts of money.

Developing nations, meanwhile, are hiring American civil engineers to advise on building roads and dams. The present thaw in the Cold War will no doubt expand these opportunities. American engineers from Bechtel (a global firm notable for having employed both Caspar Weinberger and George Shultz for much larger sums than either earned in the Reagan administration) have begun helping the Soviets design and install a new generation of nuclear reactors. Nations also are hiring American bankers and lawyers to help them renegotiate the terms of their loans with global banks, and Washington lobbyists to help them with Congress, the Treasury, the World Bank, the IMF, and other politically sensitive institutions. In fits of obvious desperation, several nations emerging from communism have even hired American economists to teach them about capitalism.

Almost everyone around the world is buying the skills and insights of Americans who manipulate oral and visual symbols—musicians, sound engineers, film producers, makeup artists, directors, cinematographers, actors and actresses, boxers, scriptwriters, songwriters, and set designers. Among the wealthiest of symbolic analysts are Steven Spielberg, Bill Cosby, Charles Schulz, Eddie Murphy, Sylvester Stallone, Madonna, and other star-director-and-performers, who are almost as well known on the streets of the United States as the Fiat 127 or the Ford Taurus. In the United States,

less renowned are the unctuous anchors on Turner Broadcasting's Cable News, who appear daily, via satellite, in places ranging from Vietnam to Nigeria. Vanna White is the world's most-watched home-show hostess. Behind each of these familiar faces is a collection of American problem-solvers, -identifiers, and brokers who train, coach, advise, promote, amplify, direct, groom, represent, and otherwise add value to their talents.¹⁶

There are also the insights of senior American executives who occupy the world headquarters of global "American" corporations and the national or regional headquarters of global "foreign" corporations. Their insights are duly exported to the rest of the world through the webs of global enterprise. IBM does not export many machines from the United States, for example. Big Blue makes machines all over the globe and services them on the spot. Its prime American exports are symbolic and analytic. From IBM's world headquarters in Armonk, New York, emanate strategic brokerage and related management services bound for the rest of the world. In return, IBM's top executives are generously rewarded.

The most important reason for this expanding world market and increasing global demand for the symbolic and analytic insights of Americans has been the dramatic improvement in worldwide communication and transportation technologies. Designs, instructions, advice, and visual and audio symbols can be communicated more and more rapidly around the globe, with ever-greater precision and at ever-lower cost. Madonna's voice can be transported to billions of listeners, with perfect clarity, on digital compact discs. A new invention emanating from engineers in Battelle's laboratory in Columbus, Ohio, can be sent almost anywhere via modem, in a form that will allow others to examine it in three dimensions through enhanced computer graphics. When face-to-face meetings are still required—and videoconferencing will not suffice—it is relatively easy for designers, consultants, advisers, artists, and executives to board supersonic jets and, in a matter of hours, meet directly with their worldwide clients, customers, audiences, and employees.

With rising demand comes rising compensation. Whether in the form of licensing fees, fees for service, salaries, or shares in final profits, the economic result is much the same. There are also nonpecuniary rewards. One of the best-kept secrets among symbolic

¹⁶ Even the *Wall Street Journal*, long renowned for its objectivity, has been admonished to the United States by a chief executive officer of a major foreign corporation for allegedly "favoring export industry" in its coverage of the Japanese economy. *Wall Street Journal*, 1989.

analysts is that so many of them enjoy their work. In fact, much of it does not count as work at all, in the traditional sense. The work of routine producers and in-person servers is typically monotonous; it causes muscles to tire or weaken and involves little independence or discretion. The "work" of symbolic analysts, by contrast, often involves puzzles, experiments, games, a significant amount of chatter, and substantial discretion over what to do next. Few routine producers or in-person servers would "work" if they did not need to earn the money. Many symbolic analysts would "work" even if money were no object.

At midcentury, when America was a national market dominated by core pyramid-shaped corporations, there were constraints on the earnings of people at the highest rungs. First and most obviously, the market for their services was largely limited to the borders of the nation. In addition, whatever conceptual value they might contribute was small relative to the value gleaned from large scale—and it was dependent on large scale for whatever income it was to summon. Most of the problems to be identified and solved had to do with enhancing the efficiency of production and improving the flow of materials, parts, assembly, and distribution. Inventors searched for the rare breakthrough revealing an entirely new product to be made in high volume; management consultants, executives, and engineers thereafter tried to speed and synchronize its manufacture, to better achieve scale efficiencies; advertisers and marketers sought then to whet the public's appetite for the standard item that emerged. Since white-collar earnings increased with larger scale, there was considerable incentive to expand the firm; indeed, many of America's core corporations grew far larger than scale economies would appear to have justified.

By the 1990s, in contrast, the earnings of symbolic analysts were limited neither by the size of the national market nor by the volume of production of the firms with which they were affiliated. The marketplace was worldwide, and conceptual value was high relative to value added from scale efficiencies.

There had been another constraint on high earnings, which also gave way by the 1990s. At midcentury, the compensation awarded to top executives and advisers of the largest of America's core corporations could not be grossly out of proportion to that of low level production workers. It would be unseemly for executives who engaged in highly visible rounds of bargaining with labor unions and who routinely responded to government requests to moderate prices, to take home wages and benefits wildly in excess of what other Americans earned. Unless white collar executives felt that they had a good reason for this, they were perceived as greedy.

expected to restrain their own demands for higher wages. Unless both groups exercised restraint, the government could not be expected to forbear from imposing direct controls and regulations.

At the same time, the wages of production workers could not be allowed to sink too low, lest there be insufficient purchasing power in the economy. After all, who would buy all the goods flowing out of American factories if not American workers? This, too, was part of the tacit bargain struck between American managers and their workers.

Recall the oft-repeated corporate platitude of the era about the chief executive's responsibility to carefully weigh and balance the interests of the corporation's disparate stakeholders. Under the stewardship of the corporate statesman, no set of stakeholders—least of all white-collar executives—was to gain a disproportionately large share of the benefits of corporate activity; nor was any stakeholder—especially the average worker—to be left with a share that was disproportionately small. Banal though it was, this idea helped to maintain the legitimacy of the core American corporation in the eyes of most Americans, and to ensure continued economic growth.

But by the 1990s, these informal norms were evaporating, just as (and largely because) the core American corporation was vanishing. The links between top executives and the American production worker were fading; an ever-increasing number of subordinates and contractees were foreign, and a steadily growing number of American routine producers were working for foreign-owned firms. An entire cohort of middle-level managers, who had once been deemed "white collar," had disappeared; and, increasingly, American executives were exporting their insights to global enterprise webs.

As the American corporation itself became a global web almost indistinguishable from any other, its stakeholders were turning into a large and diffuse group, spread over the world. Such global stakeholders were less visible, and far less noisy, than national stakeholders. And as the American corporation sold its goods and services all over the world, the purchasing power of American workers became far less relevant to its economic survival.

Thus have the inhibitions been removed. The salaries and benefits of America's top executives, and many of their advisers and consultants, have soared to what years before would have been unimaginable heights, even as those of other Americans have declined.

QUESTIONS FOR CRITICAL READING

2. What is the apparent relationship between higher education and an educated worker's prospects for wealth?
3. To what extent do you agree or disagree with Reich's description and analysis of routine workers and in-service workers?
4. If Reich's analysis is correct, which gender or social groups are likely to be most harmed by modern economic circumstances in America? Which are most likely to become wealthy? Why?
5. Are symbolic analysts inherently more valuable to our society than routine or in-service workers? Why do symbolic analysts command so much more wealth?
6. Which of the three groups Reich mentions do you see as having the greatest potential for growth in the next thirty years?

SUGGESTIONS FOR WRITING

1. Judging from the views that Reich holds about decreasing job opportunities for all three groups of workers, how will increased immigration affect the American economy? Is immigration a hopeful sign? Is it a danger to the economy? How do most people seem to perceive the effect of increased immigration?
2. To what extent do you think Reich is correct about the growing wealth of symbolic analysts? He says, "Never before in history has opulence on such a scale been gained by people who have earned it, and done so legally" (para. 28). Do you see yourself as a symbolic analyst? How do you see your future in relation to the three economic groups Reich describes?
3. Reich says, "Few routine producers or in-person servers would 'work' if they did not need to earn the money. Many symbolic analysts would 'work' even if money were no object" (para. 36). Is this true? Examine your own experience—along with the experience of others you know—and defend or attack this view. How accurate do you consider Reich to be in his analysis of the way various workers view their work?
4. Describe the changes that have taken place in the American economy since 1960, according to this essay. How have they affected the way Americans work and the work that Americans can expect to find? How have your personal opportunities been broadened or narrowed by the changes? Do you feel the changes have been good for the country or not? Why?
5. Reich's view of the great success of Japanese corporations and of their presence as manufacturing giants in the United States and elsewhere is largely positive. He has pointed out elsewhere that Honda and other manufacturers in the United States provide jobs and training in areas that would otherwise go to other nations. What is your view of the presence of large Japanese corporations in the United States? Do you favor other nations' attempts to attract Japanese investment?

6. Why are the rich getting richer and the poor, poorer? Examine the kinds of differences between the rich and the poor that Reich describes. Is the process of increasing riches for the rich and increasing poverty for the poor inevitable, or will it begin to change in the near future?
7. **CONNECTIONS** To what extent do you think Reich agrees with the position of Milton and Rose Friedman regarding the global free market economy as an economic blessing? Does Reich assume that equality of opportunity is essential in a global context? Does he feel that the economic system he describes is fair to those who have talent and ability? What reservations, if any, does Reich make for protecting the rights of the poor? Is poverty an important issue for either Reich or the Friedmans?