28 percent of the labor force and is widely said to have been the most damaged by corporate downsizing.

From "Jobs: The (Woe Is) Me Generation," by James K. Glassman, *Washington Post*, March 19, 1996.

Why, suddenly, is there such an uproar over job security? Unemployment has dropped from 7.7 percent to 5.5 percent since 1992, workers keeps their jobs as long as they ever did, and many companies (including AT&T) are surprisingly generous with the employees they lay off.

Yes, some workers are cruelly treated…and some companies are greedy and stupid. That's hardly news, yet politicians and journalists are in a lather. Why? I've been puzzling over this mystery for weeks, and I may have the answer: The baby-boom generation is turning 50. That's the age at which an individual's earnings generally start heading down. The *New York Times*, *Newsweek*, Bill Clinton and Pat Buchanan, Dick Gephardt and all the rest are worried about shaky jobs because aging Baby Boomers are worried.…

We Baby Boomers have acted as though we were the first people ever to suffer pangs of moral conscience, to fall in love, to buy houses, to have children, to work long hours. Now Boomers are worried about being replaced by folks who are younger, quicker and smarter.… The problem is compounded because self-centered Baby Boomers occupy lofty positions in the press and government. The Me Generation has become the Woe Is Me Generation, eager to tell its solipsistic story. Never mind the facts or the context.

…While many Baby Boomers do indeed face losing their jobs, so did their parents. In the aggregate, middle-aged workers today are staying at their jobs as long as those of generations past—by some accounts, longer. A recent study found that in 1991 (the most recent statistics), men aged 45 to 54 had been in their current jobs an average of 12.2 years. That's up from 11.0 years in 1978 and 8.8 years in 1966. Tenure for women in this age group has increased as well. It was 7.3 years in 1991, compared with 5.9 years in 1978 and 5.7 years in 1966.…

[During] the late 1950s to the early 1960s, the layoff rate in manufacturing was never lower than 2 percent a month, reports the Bureau of Labor Statistics. Maybe we didn't know it, but our dads had a rough time keeping their jobs when they were our age.

Which brings us to AT&T, the new symbol of corporate ruthlessness after it announced January 2 that it would lay off 40,000 workers. Actually, AT&T seems to be treating its departing employees well—better…than the federal government, which is in the process of shedding 272,000 workers by 1999. (In one breath, Clinton brags about government downsizing; in the next, he complains about the corporate downsizing. But that's another story.)

White-collar AT&T managers get a lump sum of five to 35 weeks' salary (depending on age and tenure with the company). AT&T adds another 20 percent to that lump sum, plus $10,000, which can be used to relocate, get retrained, or buy computer equipment to start a new business. AT&T continues to pay health benefits for a full year for departing employees who have been with the company for more than five years.

A typical manager (42 years old, 16 years of service, making $55,000 a year) gets a package worth $30,000 (plus regular pension).… Blue-collar workers do even better. A clerical employee (44 years old, 18 years of service, making $644 a week) gets a package worth $64,000.

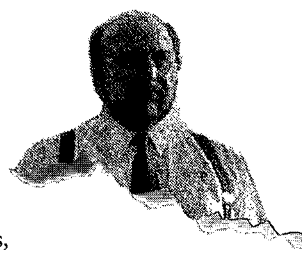
So, stop whining, Baby Boomers. You're getting older, but…you still have the opportunity to get better.

From "Good Times, Bad Vibes," by Herbert Stein, *Wall Street Journal*, March 14, 1996.

In 1995, 4.8 percent of men age 20 and older were unemployed. In the previous 20 years the average had been lower than that only three times, and then not by much. The proportion of the civilian population over the age of 16 holding jobs in 1995 was higher than in any year but one in history. The highly publicized layoffs by large corporations were a tiny fraction of the labor force and a small fraction of the number of people who enter or leave employment each year.

New York Times story of March 5, 1996

Big Holes Where the Dignity Used to Be



By RICK BRAGG

LOS ANGELES — To the beggars downtown that autumn day, every wing-tipped stride of James E. Sharlow seemed to resonate with prosperity. His suit was boardroom gray, his tie was red silk, his creases as crisp as fresh money. One ragged man sidled up to him with a sad story and an outstretched palm.

"Excuse me, sir," he said, "but … you spare $5? I've got a … feed. I haven't worked … ne."

… Mr. Sharlow … the … tter experi- … ey for about …

THE DOWNSIZING OF AMERICA

Third of seven articles:

In the Family, The Good Life Lost

… all want the layoff to be only a ripple in their old life, not the beginning of a new one.

"I believe in the American dream," he said, with a resistance that is part pride, part hope, part denial. "I feel it fading. I still believe."

So while the layoff has eroded his dreams of retirement and stolen his family's long-range security, it has not, on the surface at least, greatly changed the look of their lives. Mr. Sharlow always saved, and over the years put away about $300,000. Now every three months he dips into the money for about $10,000 to pay bills and the mortgage … ny, ranch-style house, with a … of small but … a ar-

And yet we are swamped with reports that American workers feel terribly insecure, especially about their jobs.… I don't doubt that the feeling of insecurity exists. What is less clear is that the feeling is very serious.

Concern with insecurity ought to be evident in real behavior. When people became seriously concerned about their health they reduced their smoking and drinking. When people became seriously concerned about crime, they locked their doors, installed security systems and watched where they walked. If people were seriously concerned about their economic condition one might expect them to save more, but they don't. One would expect men to continue working into their older years to accumulate more financial reserves, but instead they retire at earlier ages. If families were seriously concerned about the economic future of their children, they would turn off the television and make the children study, but they don't. So, I am unsure about how deep or pervasive the feeling of insecurity is.…

One explanation commonly offered for the feeling of insecurity is that the risk of becoming unemployed has now spread to people who did not expect to have that risk, meaning mainly white-collar and professional workers. But the available statistical evidence does not support that belief.... The unemployment rates of white-collar workers rose during the recession of the early 1990s, but they remain less than half as high as for blue-collar workers. Anyway, it is not clear why there should be more national concern over the unemployment of white-collar workers than over that of blue-collar workers....

The public discussion of job insecurity suffers from failure to understand the nature of the employment relationship. The relationship between an employer and an employee entails a number of risks. There is a risk that the employee may not like his work or that he may see better opportunities elsewhere. There is a risk that the employer may not like the employee or that having invested in training and equipping the worker there may be changes in demand or in technology that will make the value of the worker's product less than was initially expected. The risks will be divided between the employer and the employee, and the way they are divided will affect the rate of pay.

New York Times story of May 12, 1996

We're Leaner, Meaner and Going Nowhere Faster

By LOUIS UCHITELLE

FOR years, Americans have been told to place their hopes for a better standard of living in the huge investments in automation and computers and in the tens of millions of layoffs intended to make the nation more efficient and productive. And now there is a growing acknowledgment among economists and others that this strategy has not worked.

What this means, if that conclusion in fact solidifies as a broad consensus, is that many of the layoffs might have been in vain. After nearly 25 years of only minor increases in what economists call productivity, the great hope of an economy vigorous enough to raise just about everyone's income level is still just a hope.

Without rising productivity, an economy cannot really boom. Productivity is the amount, valued in dollars, that a ... produces in a given hour, usi... or complicated ... or a hammer ... hea... ands...

...The employer may agree to guarantee employment for a stipulated period, but he will not be willing to pay the employee as much as he would if he were free to discharge him when employing him became unprofitable. Some unions, for example, bargain for job security in their contracts. Job security is a condition of the contract that has to be traded off against other conditions, and workers have decided that they wanted that more than higher pay.... Perhaps both workers and employers would find it beneficial in some cases to enter into longer-term employment contracts than are now the rule in the U.S.... But it is by no means clear that workers in general would gain, in their lifetime incomes, by arrangements that reduced their risks of unemployment.

This may seem too hardhearted and "economistic" a way to look at the situation. Because they are dealing with human beings, not machines, most employers do not discharge a worker the moment that would maximize profits. Some people would say that employers have a social responsibility to commit themselves to providing more assured employment. But would this social responsibility extend to paying workers as much as they would get without that commitment?... And would consumers have a social responsibility to buy as much product if the commitment entailed higher prices? And who would have a social responsibility to the people who did not get employed in the first place because employing them would have entailed too large a commitment?

The social responsibility approach draws us into a thicket from which escape is not easy. And the problem is not made any easier by the suggestion now being floated around that tax benefits be given to corporations that act responsibly as defined by someone (perhaps the Secretary of Labor).

To search for ways to improve the conditions of employment is desirable. But before changes are made we should try to consider all their implications—not just the ones that first come to mind and to the headlines.

From "Far From Doomsday," by James K. Glassman, *Washington Post*, March 5, 1996.

Robert Reich, the secretary of labor, calls working Americans the "anxious class." But anxiety—a nagging, shapeless worry about the future—has always been part of the human condition, as Freud pointed out long ago....

While anxiety is something we can live with, hysteria is something we can't. And hysteria is rapidly becoming the order of the day in politics and journalism when the subject turns to the economy. The latest manifestation is a seven-part extravaganza on "The Downsizing of America," now running in the *New York Times*....

Our gross domestic product has increased 3 percent annually since the shallow 1990-91 recession, while Japan is mired in stagnation. U.S. job growth in 1994 was the highest in a decade, and inflation is lower than in any other five-year period since the early 1960s. Still, in a recent speech, Sen. Edward Kennedy says we're in a "quiet depression" and that "a storm is coming." Things are so bad that Pat Buchanan wants to wall the nation off against competitors....

Big and clumsy, AT&T shrinks, but the future may be elsewhere. Employment at MCI Communications has grown from 12,000 in 1985 to 48,000 today; Sprint, from 27,000 to 52,000.... Consultants at WEFA Group predict that the new telecommunications deregulation bill alone will add 3.4 million jobs to the U.S. economy in the next 10 years.

But the *Times* favors other figures. The authors write: "Roughly 50 percent more people, about 3 million, are affected by layoffs each year than the 2 million victims of violent crimes." Layoffs, in this subtle comparison, equal violence.

...A recent issue of *The Economist* notes that Baby Boomers, far from being worse off than their parents at the same age, have inflation-adjusted incomes that are 50 percent higher. As for inequality: Sure, it exists, but as Madison affirmed in *Federalist 10*, there's nothing wrong with different people earning different amounts of money or having different degrees of wealth, as long there is a good chance for everyone else to rise. And, as study after study shows, there is.

...The problem with hysteria is that it could lead to damaging solutions. One popular theme, promoted by Reich and Kennedy, with encouragement from President Clinton, is to reward "good" corporations and punish "bad" ones. Kennedy would offer a lower corporate tax rate (30 percent, rather than 34 percent) to what he calls Most Favored Companies—those "avoiding layoffs designed simply to mazimize profits, paying adequate wages, sharing gains, training and upgrading skills, and providing health care and retirement benefits." Minority leader Richard Gephardt would not allow the government to buy anything from "bad" firms.

Just one question: Is AT&T "bad" because it is laying off 40,000 employees, or "good" because it has sharply lowered the cost of making long-distance calls, contributed about $2 billion a year to the Treasury in taxes, invested billions more in buying equipment from

U.S. suppliers, and made 2.3 million shareholders more economically secure in their old age?

This is not to say that the economy does not produce anxiety and pain. But relief won't come from turning corporations into social service agencies and then regulating the hell out of them.

...Forget about eliminating anxiety. Let's just concentrate on hysteria.

From "Downsizing for Growth," by Robert J. Samuelson, *Newsweek*, March 25, 1996.

The hysteria over downsizing—whipped up in part by Labor Secretary Robert Reich and a massive series in the *New York Times*—is just that.... In some respects, downsizing may improve the economy.

It seems counterintuitive. We are uneasy with the possibility that what's bad for individual workers and firms—job insecurity, bankruptcy—may be good for society. But this may be, and the argument is not simply that downsizing enables some companies to survive. The notion is broader: it is that the anxieties and uncertainties that unsettle people may make them more prudent and productive in ways that strengthen and stabilize the economy.

Though little noted, the present economic expansion recently became the third longest since World War II. It has lasted almost five years and is exceeded only by the expansions of the 1960s (106 months, from February 1961 to December 1969) and of the 1980s (92 months, from November 1982 to July 1990). But in some ways, it is superior to these because it hasn't yet spawned higher inflation. Since 1990, inflation has dropped from 6.1 to 2.5 percent. By contrast, it rose in the 1960s, from 1.4 percent in 1960 to 6.2 percent in 1969.

The 1960s boom is often viewed nostalgically as a "golden age," when it actually set the stage for the most turbulent and least productive economic period since 1945. The severity of the two worst postwar recessions...stemmed directly from double-digit inflation (12.3 percent in 1974 and 13.3 percent in 1979). And the global competitiveness of many U.S. industries eroded; between 1971 and 1980, for instance, car imports rose from 15 to 27 percent of U.S. sales.

We are much better off today in most respects. What happened? The answer, I think, is that there has been a profound shift in economic ideas, which, though improving the economy, offends Reich and the *Times*. From the 1960s to the early 1980s, government officials and corporate managers consciously strove to...eliminate recessions and enhance job security.... "Responsible" companies promised, implicitly or explicitly, lifetime jobs.

The experiment failed. The concerted pursuit of...total job security and economic stability gave us higher unemployment as well as higher inflation. In the 1980s, economic ideas changed. The Federal Reserve moved ruthlessly against inflation.... Meanwhile, companies grew less concerned with saving jobs and focused more on raising market share and profits.

The result is that, since then, average unemployment has dropped, the one subsequent recession in 1990-91 was fairly mild (peak monthly unemployment—7.8 percent), and industrial competitiveness has advanced.... We finally recognized that the promises of economic stability and job security were self-defeating....

None of this means that there won't be future recessions (there will), that all downsizing is justified (it isn't), or that some workers don't suffer terribly (they do). But in a market economy, job loss is unavoidable, and the social harm may be muted if layoffs are spread out and not concentrated—as in the past—in slumps or periods of industry crisis. Fired workers can be rehired more quickly in a growing economy. The *Times* visits Dayton, Ohio, where "everything, seemingly, is in upheaval," in part because NCR (absorbed into AT&T) is downsizing. Belatedly, we learn that the county unemployment rate is only 4.8 percent. Contrast that with Flint, Michigan, in the early 1980s, when auto layoffs sent the jobless rate to 20 percent.

What's missing in this debate (and the *Times'* series) is a sense of how jobs are created. Companies hire workers to make a profit; workers take jobs to make a living. If profitable hiring becomes too hard, firms won't do it; if being unemployed becomes too easy, people won't look for jobs. Europeans increasingly admire our flexibility, because their system—though outwardly more compassionate—stifles job creation. They have more generous jobless benefits, steeper payroll taxes (to pay for the benefits), more restrictions on firing, and higher unemployment. In Germany, the jobless rate is 10.3 percent and headed up.

What Europe teaches is that societies can't outlaw job insecurity, but they can inadvertently outlaw job creation. The *Times* ignores Europe's experience, and our own recent experiment with economic security....

From "Capitalism Under Siege," by Robert J. Samuelson, *Newsweek*, May 6, 1996.

It can be said of capitalism what Winston Churchill once said of democracy—it is the worst possible system, except for all the others. We might ponder this now, while commentators are denouncing American capitalism. Increasingly, they find it heartless....

Ask this: What can we expect from our economy? Probably most Americans would answer (a) jobs, (b) rising incomes, and (c) security. By these measures, our system does fairly well. Consider. Between 1985 and 1995, it created 18 million jobs. Living standards? They're slowly rising. Between 1979 and 1989, at least 75 percent of households had income gains, concludes a study by economist Richard Burkhauser of Syracuse University. (As Burkhauser argues, income comparisons need to match similar spots in the business cycle to avoid the distortions of uneven unemployment. Both 1979 and 1989 were business-cycle "peaks.")

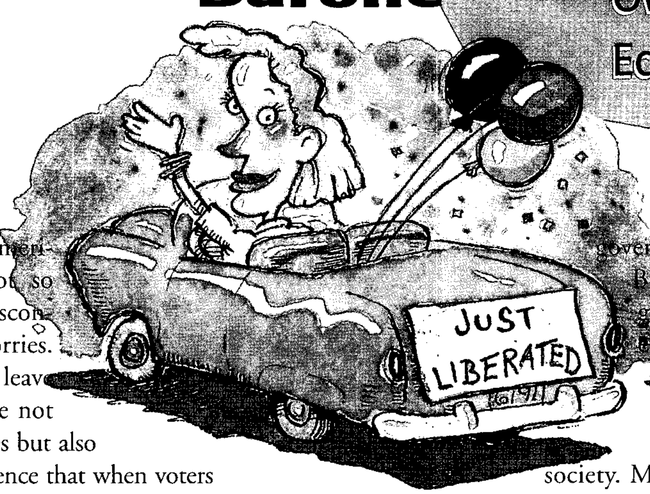
Economic security—or rather the lack of it—is the latest criticism of capitalism.... American economic anxieties are now said to be exceptionally high. Not so. Polls do not "support the premise that the public is 'scared as hell,'" write Frank Newport and Lydia Saad of the Gallup Organization. In March, 49 percent of Americans rated themselves better off financially than a year earlier; that rating is as high as any since 1976.

American capitalism is a structure of rewards and disciplines whose effects need to be judged in their totality. The same freedom that allows errors and excess also encourages new products and efficiencies. The virtues and vices cannot be entirely disentangled, though critics often suppose they can.

High Anxiety

Americans Are Worried—But Not Over Economics

by **Michael Barone**



What is worrying Americans today is not so much financial discontent as social worries. On that point the polls leave little doubt. This is true not only in personal attitudes but also in politics. There is evidence that when voters make their political decisions these days, they lean less on economic criteria than they used to. What is broken in our society, most Americans now recognize, is not the economy. It is our culture.

The worst of the cultural wreckage was done between 1965 and 1980. Over those 15 years, the U.S. violent crime rate *tripled.* Drug use exploded during the same period, peaking in around 1980. Illegitimate births as a percentage of all births increased 139 percent from 1965 to '80, and another 60 percent since. Single-parent families as a percentage of all families nearly doubled from '65 to '80, and rose about 50 percent more since then. These unhappy trends resulted from a plummeting marriage rate and a soaring divorce rate. Since 1980, marriage and divorce rates have plateaued at their new, troubling levels. The percentage of children on AFDC rose from 4 percent in 1965 to 12 percent in 1980, and has increased little since. Annual abortions reached 1.6 million in 1980, a bit higher than today's level. Average combined SAT scores fell from 969 in 1965 to 890 in 1980—and then essentially held steady. Church membership declined from 64 percent of the population in 1965 to 59 percent in 1980—about today's level.

Not all these changes are unalloyedly for the worse. A wider range of students may be taking SATs, some people are better off divorced, and so on. But on balance, these changes are not what the Americans of 1965 would have chosen. And their net impact has been powerfully harmful. The social collapse ushered in by the 1960s generation has caused far more insecurity than the much-lamented economic trends of the 1980s and '90s.

The decline in American culture cannot be attributed to governmental neglect. Quite the contrary: Federal non-defense spending increased from 11 percent of Gross Domestic Product in 1969 to as high as 18 percent in the 1970s, before settling at 17 percent today. If anything, our overlarge and undercompetent government has contributed to our social troubles. But more than the failures of government or the gyrations of markets, three *ideas* have driven U.S. cultural decline. All three were espoused by liberals at the leading edge of the Baby Boom. And beginning in the mid-1960s all three rapidly gained a stronghold in important parts of our society. More recently, there has been a reaction against these ideas—which may be bringing the beginnings of a reversal of our decline.

The first key 1960s idea is liberation from established norms. The second is a preference for ambiguity over clarity. The third is a sense of entitlement to desired economic and personal outcomes. Let's take them one at a time, beginning with the taste for "liberation."

Americans of the 1940s and '50s believed in big government, big business, big labor, a big military, and big cultural institutions. From the advent of the New Deal, they lived with thick rules and regulations, bureaucracies and hierarchies. Big Institution America worked well enough in weathering the Depression, winning a world war, and building postwar prosperity. But, as William Strauss and Neal Howe describe in their book *Generations,* the Baby Boomers chafed at the conformism and "organization man" mentality that marked their parents' generation.

But the Boomers didn't just throw out the social structures of their parents. They also rejected their parents' moral codes and mores—the cultural rules that had made America a successful, disciplined nation with high growth rates, large families, and little crime. Where their elders deferred to authority and revered experts, Boomers rebelled. They set out to create what Daniel Yankelovich called "new rules" for the conduct of human affairs—with limited success. Big government continued to grow. Big labor shrivelled for reasons of its own. But the Boomer rebellion was hugely influential in reshaping the culture. In the 1970s, Strauss and Howe note, the G.I. generation that had grown up in Depression, won a cataclysmic war, and brought postwar America to world leadership suddenly ceded moral leadership and control of the country's values-setting institutions (like universities, the news media, the entertainment industry) to their children the Boomers—the earliest abdication of generational leadership in

Illustrations by Charles Peale