

The Work of Nations*Robert B. Reich*

Knopf, New York, 1991

Reich's Symbolic Anarchists

Although metaphors usually help to convey a message, they sometimes take control of communication and decide what we see and hear. This seems to have been the case in Robert B. Reich's book, *The Work of Nations* (Knopf, 1991). Had his argument been tied to rockets rather than boats, Reich might have told more about long term patterns of global economic thrust and have dwelled less upon America's transitory allocations of work. Ironically, the power of misplaced metaphors is one of Reich's subordinate themes. Believing that our vestigial "picture of the national economic boat, in which all of us sail together... has led to a fraudulent diagnosis of economic and social problems", Reich's purpose is "to paint a new picture of the realities of the emerging global economy and of the societies that are being shaped as a consequence." But, instead of developing a wholly new analogy to orient his work, Reich merely modifies the dimensions of the old. He replaces the comfortable portrait of Americans "rising and falling together, as if in one large national boat" with a picture where "we are increasingly in different small boats." He moves us from a ship to a flotilla.

In the traditional view, Americans had different classes of accommodation on a national ship. Yet, all had to make their economic journey together and they knew it. Now, on Reich's ocean, groups travel independently, feel different currents, and sense only a loose connection to each other's well-being. Moreover, because of the global seas on which they sail and of the actions by passengers on board, the individual ships only move up or down. One boat, carrying "routine producers", is "sinking rapidly". A second, with "in-person servers" in passage, is "sinking as well, but somewhat more slowly and unevenly". A third vessel, containing "symbolic analysts", is "rising steadily".

While the flotilla metaphor would allow Reich to explore the roll of the sea, he pauses and peers overboard only long enough to observe that falling costs of "transporting standard things and of communicating about them" have induced a global wave of peculiar competitive proportions. He then shifts his focus to activities on the various decks. While interactions among passengers on the rising boat can accelerate an ascent to higher levels of living, no amount of

mixing or trading of rooms is able to offset the descent in well-being on the sinking boats. Reich is perplexed. He wonders if, in the 1990s and beyond, the gaps in well-being among the three boatloads of Americans will simply widen. Alternately, he wonders if persons on the rising boat will be so affected by their relative well-being that eventually they will throw elastic lines of support to those on the sinking boats, thereby drawing the disadvantaged towards (but not up to) their higher standards of living. Again, he questions if those on the sinking ships, obviously in the majority, will become so stirred by their dire experiences and prospects that soon they will toss political ropes over the bow of the rising craft and commandeer a free lift, albeit to a still relatively low standard of living.

Reich raises the issues but cannot settle the quandaries. Nevertheless, his book reaches an important conclusion. Even if the boats were to be lashed together with educational and health services, public infrastructures, and transfer payments, it is only an American society that can be salvaged. The American economy as a meaningful entity disappears in the break-up of the big national ship. Ironically, just as on Love Boat, Americans have been too busy mingling and satisfying themselves on the upper decks to notice the global wave that has categorized them from beneath.

The Work of Nations stands alone. More scenario than science, more persuasion than demonstration, and more person- than system-oriented, Reich's book explores national oneness in economic and socio-political spheres where there is increasing specialization and trade. To establish his setting, Reich first goes back to the 17th century where he believes the determinants of the well-being of one citizen were judged separate from those of others and from those of the nation of residence. Man powered his own advance. Reich then moves on to the 19th century where he finds individual well-being rests upon worker specialization and an exchange of output. Moreover, nation-citizen interdependence is taken to rest upon the politics of trade intervention and upon the manufacturing directives of national defense. This was the boat-building era of economic nationalism in both Europe and North America. Reich next looks to the 20th century where, by mid-century, he sees the giant "core corporations" integrating the economic and political lives of citizens and harmonizing them with the economic and socio-political well-being of the nation. This was the one-boat period in the history of the American economy. From this apex of interdependence, Reich looks down upon a retreat from oneness that developed in the 1970s and 1980s. In those decades, he sees the well-being of individuals in fact becoming

The Journal of Social, Political and Economic Studies

as closely linked to that of foreign citizens and businesses as to that of institutions at home. American corporations grow into "international" entities favoring economic winners, while political unity concentrates more attention on the rescue of economic losers than ever before. This is the America of several-boats, an America that Reich thinks is already essentially in place.

The period of dominance of American corporations in economic, social, and political life is obviously brief compared to the four-century evolution of oneness that Reich traces. Still, the era of the core corporation receives an extended emphasis in his book. This is not because Reich has a unique historical conception to offer. In fact, the picture he advances of the American economy in the 1950s and 1960s is the one usually associated with John Kenneth Galbraith and *The New Industrial State* (1987). Oddly, Reich makes no acknowledgment. Reich focuses on the 1950s and 1960s to emphasize that the core corporations constituted the most powerful harmonizing force ever seen in America. Some 500 corporations produced about half the nation's output and reached out through suppliers, services, and distributors to dominate what they did not directly control. To suit their own advantages, these corporations fitted technology to the lowest common denominator of inputs, particularly to "standardized labor", and fitted products to the largest number of consumers or, when advantages of the supply of resources and of the scale of production demanded, fitted consumers to products via persuasive advertising, product design, and price manipulation. Such non-price competition cleared mass markets for both resources and outputs. Outreach to the international economy through trade was relatively limited, but what little there was flowed through and was managed by the core corporations. Even the federal government tried to support the corporate sector by an Employment Act. It also attempted to control inflation and fight recession, the latter typically in rearguard fashion. Together with state and local governments, the federal government built needed roads and other infrastructures with general influence. For their part, the lower-level governments concentrated on educating the work force to a minimal level of competence and joined with the federal government to attend to various economic losers cast aside in the process of growth. Despite some serious inequities, Americans in these years were economic winners. As principles-of-economics texts of the time noted, there was an astonishing harmony between the goods and services Americans wanted and would pay for and the goods and services which technological know-how and resources made American enterprises best at producing.

For Reich, two summary characteristics of the fifties and sixties merit underlining. First, even outside the corporations, there was a widely-recognized interdependence of individual and national well-being and a consequent integration of economic and socio-political interests. Both the economy and the society were seen as closed systems. Accordingly, health in the American corporation registered health in the American economy. Health in the American economy pointed to health in the American society. America was in one big boat in which living levels were pulled up and apportioned from within and for which fueling from the outside was insignificant. Second, the images impressed upon American individuals, businesses, bureaucracies, and politicians during this period had a half-life so long that they would prevail long after becoming irrelevant. In the seventies and eighties, this anachronism became manifest.

The movement from a "big national boat" to "several boats" is cast as taking some twenty to thirty years. Reading through *The Work of Nations*, the time for separation seems much shorter. Perhaps because of his metaphorical thread, Reich has offered little more than the essentials of this transition. Alternatively, maybe there is not that much to say about running aground. More likely, being unduly sensitive to "the reader eager for the plot to thicken," Reich simply wants to hurry on to the principal novelty in his book, the symbolic analyst.

En route to the boat of the analysts, Reich takes time to reflect on two influences which have interacted to undermine the rule of the American core corporation and which have set the stage or the web which is till replacing it. Initially, "it was only a matter of time before manufacturing know-how, arching out into the postwar world, would come around full circle to where it began, like a giant boomerang". Within a "scant two decades," indeed, American know-how returned to the United States. It came back imbedded in "high-volume... standard goods" produced abroad more cheaply and "sometimes at higher levels of quality" than were their American forerunners. Secondly, because of "emerging efficiencies in global transportation and marketing," foreign products could be delivered to Americans at prices that fell outside the tolerances of consumer loyalty to the products of the domestic high-volume production lines. As a result, "fierce" competition replaced price setting in domestic markets. America's big boat was on sand and its break-up was made imminent.

Reich's conception of the competition which destroyed the American core corporation puts *The Work of Nations* on the crumbly edges of economics. Early in his book, the vigorous competition of

The Journal of Social, Political and Economic Studies

manufacturers "against one another, adding capacity and cutting prices" is asserted to be responsible for "profit margins [that] remain too slim to keep the businesses going". Later, and after time for consideration, Reich still speaks of a "[perfect competition – the economist's Rosetta stone – [which] eventually strips away all profits, causing even the best of businesses to fold." Indeed, when American producers "successfully match... foreign costs of production," Reich says they are yet unable to earn profits that can sustain operations. Regardless of the price a domestic corporation may charge, "foreign producers can always lure away customers by charging a still lower price and settling for an even smaller return." Finally, Reich notes that the core corporations survived only as long as they could "avoid ... the harsh winds of competition". When the barriers to entry from proprietary technology failed, the core corporation was exposed to the heavy weather which would take it under.

Although neither the concept of competition nor the account of the grounding of the big boat is satisfying, Reich is convincing in his expectation that counter-productive reactions are likely to follow the stranding. Corporations first seek protection from the "unfair" practices of passing foreign traders. They want a "level" sea for playing. Next, corporations "rationalize" their total operations by cost-cutting at home and out-sourcing abroad. In a spin-off from better times, the core corporations also enlist the support of the U.S. government, of governors and mayors, of the business press, and of luminaries like the United States Trade Representative and even the President. From the U.S. government, they seek and usually win a cheaper dollar, Super 301s, and a national promotion of exports. From governors and mayors, they, and foreign-owned corporations who produce in the U.S., secure promises of tax abatements, fewer services, infrastructure, and debt guarantees. From the business press, they get support in "perpetualiz[ing] the vestigial notion of centralized ownership and control." Through the Trade Representative, the corporations score points for opening foreign markets to companies that already may channel only portions of their earnings back to the U.S. From the President, they bargain for spurs to savings of the well-to-do so that these can be invested in the no-longer truly American businesses. For Reich, these varied appeals and responses are misdirected. In spite of its outreach at home, the American corporation is "becoming disconnected from America." Advantages afforded global corporations headquartered in America no longer assure advantages for American society. "That the strength of the American economy is synonymous with the profitability and produc-

tivity of American corporations [has become] an axiom on the brink of anachronism."

While captive constituencies are able to slow the inevitable, the big national ship finally does break up. As it does, the oneness that marked the era of the 1950s and 1960s disintegrates. But, in Reich's perspective, most Americans were so overwhelmed by inertia and corporate propaganda that they lingered above decks into the seventies and eighties despite their ship's serious listing. Though they sense that the economy neither moves incomes upward as it did nor distributes income in prior ways, they are inclined to keep ministering to what are ostensibly American corporations. Nevertheless, the repeated failures of remedial action gradually undercut confidence. People finally slip away from big economic hulks and a transition to a new economic arrangement gets under way. The transformation, says Reich, is far from smooth.

The movement from the grounded boat to the several boats is presaged by the shifting of the core corporations from high-volume to high-value lines of production and by their total restructuring to meet their new function. Corporations turn from mass markets to niches of particular preference. Instead of buying facilities and hiring employees, they organize networks and contracts. Webs replace pyramids and these ebb and flow horizontally as dictated by the stream of problems to be serviced. Corporations headquarter in one country and team all over the world. The more problems that are identified, solved, and brokered, the better the informal network of nodules becomes at handling other and more challenging problems. In the nodules, profits are earned, not from products, but from the service of "continuous discovery of new linkages between solutions and needs".

At the opening of the third section of the book, "The Rise of the Symbolic Analyst," the nation-ship has been abandoned, Americans are separated in their three smaller boats, and they are too far out at sea for sight of their old shores. One boat carries routine production workers. Its passengers are the least jubilant of the three groups. These are the people who have or seek employment in high-volume standardized production lines operated by foreign- or domestic-based corporations. They are in competition with similarly capable working groups world-wide. Accordingly, for Reich, their opportunities are shrinking. Indeed, relative to the well-being manifest in the other boats, this boat appears to be sinking. Reich spends little time on it.

Reich's second boat carries in-person servers. There is more hope in this boat than in the first. As long as any of America's small

boats rise, the call for in-person servers will grow. But, the relative well-being of these workers lags well behind that of those for whom they work. Once more, Reich sees competition holding people down. Although in-person servers are sheltered from global competition, they compete with routine production workers who jump overboard and generally with all those in America who have limited capacities and few options. However, Reich passes quickly toward the third boat. He must take a big step up for, relative to the second boat, the well-being on board is rising.

Although only about one-fifth of American workers are in the third boat, this is the one Reich has been the most anxious to reach and where he stays the longest. This is the vessel carrying symbolic analysts. Reich believes that these people are at the heart of the "new economy – replete unidentified problems, unknown solutions, and untried means of putting them together." They manipulate symbols – data, words, oral and visual representations. They are formally trained to use analytical skills and to "draw upon established bodies of knowledge with the flick of a computer key." The more problems they experience, the more competent at problem-identifying and problem-solving they become. Their services fit into business webs world-wide. Symbolic analysts go anywhere. They are international in outlook. Wherever involved, symbolic analysts are well remunerated. Importantly, they are paid for neither the time they put in nor the quantity of "work" they put out. Rather, remuneration ties to the "quality, originality, cleverness, and, occasionally, speed with which they solve, identify, or broker new problems." The symbolic analysts on the upper decks of the boat may "have difficulty keeping track of all their earnings." Indeed, in Reich's view, "never before in history has opulence on such a scale been gained by people who have earned it, and done so legally."

Henry Thomassen

Cloak and Gavel: FBI Wiretaps, Bugs, Informers, and the Supreme Court

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The Administration versus the Courts

On June 26, 1968, President Lyndon Johnson announced the

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