

Why the Rich Are Getting Richer and the Poor, Poorer

Robert Reich

Robert Reich (b. 1946) is a professor of Public Policy at the University of California at Berkeley. He served as secretary of labor in the first Clinton administration and, before that, as a professor of economics at Harvard University. He has written numerous books on economics and has been a prominent lecturer for a dozen years. His books include *The Next American Frontier* (1983) and *The Work of Nations* (1991), which takes its title from Adam Smith's classic work on economics *The Wealth of Nations*, written in 1776. Reich is known for his ability to "think outside the box," in other words, to see things from a unique and original perspective. Here he warns of what exists—perhaps in front of our very noses—but that we are too caught up in the moment to consider.

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

—Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776)

- 1 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.
- 2 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.

- 3 The boat containing routine producers is sinking rapidly. Recall that by mid-century 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 plants 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 webs⁴ 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,⁵ standardized production continues its ineluctable move to where labor is cheapest and most accessible around the world. Thus, for example, the Maquiladora factories clustered 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 world are of no particular attraction to global capital unless workers there are sufficiently productive to make the labor cost of producing *each unit* lower there than in higher-wage regions. Productivity in many low-wage areas of the world has improved due to the ease with which state-of-the-art factories and equipment can be installed there.

⁷ The search for ever lower wages has not been confined to heavy industry. Routine data processing is equally footloose. Key punch operators located anywhere around the world can enter data into 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.

⁸ By 1990, key punch operators in the United States were earning, at most, \$6.50 per hour. But key punch operators throughout the rest of the world were willing to work for a fraction of this. Thus, 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

⁹ 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 Castle Island, 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 Galway. Indeed, literally millions of routine workers around the world were receiving information, converting it into computer-readable form, and then sending it back—at the speed of electronic impulses—whence it came.

¹⁰ The simple coding of computer software has also entered into world commerce. India, with a large English-speaking population of technicians happy to do routine programming cheaply, is proving to be particularly attractive to global webs in need of this service. By 1990, Texas Instruments maintained a software development facility in Bangalore, linking fifty Indian programmers by satellite to TI's Dallas headquarters. Spurred by this and similar ventures, the

Indian government was building a teleport in Poona, intended to make it easier and less expensive for many other firms to send their routine software design specifications for coding.³

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

But these benefits do not come without certain costs. In particular the burden is borne by those who no longer have good-paying routine production jobs within advanced economies like the United States. Many of these people used to belong to unions or at least benefited from prevailing wage rates established in collective bargaining agreements. But as the old corporate bureaucracies have flattened into global webs, bargaining leverage has been lost. Indeed, the tacit 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 1980 that portion had fallen to just under a quarter, and by 1989 to about 17 percent. Excluding government employees, union membership was down to 13.4 percent.⁴ This was a smaller proportion even than in the early 1930s, before the National Labor Relations Act created a legally protected right to labor representation. The drop in membership has been accompanied by a growing number of 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

³Udayan Gupta, "U.S.-Indian Satellite Link Stands to Cut Software Costs," *Wall Street Journal*, March 6, 1989, p. B2.

⁴*Statistical Abstract of the United States* (Washington, D.C.: U.S. Government Printing Office, 1989), p. 416, table 684.

²John Maxwell Hamilton, "A Bit Player Buys into the Computer Age," *New York Times Business World*, December 3, 1989, p. 14.

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 the 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 division 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 run such robotic machinery may be relatively high, but there may not be many such jobs to

⁵Calculations from Current Population Surveys by L. Katz and A. Revenga, "Changes in the Structure of Wages: U.S. and Japan," National Bureau of Economic Research, September 1989.

⁶U.S. Department of Commerce, Bureau of Labor Statistics, "Wages of Unionized and Nonunionized Workers," various issues.

⁷U.S. Department of Labor, Bureau of Labor Statistics, "Reemployment Increases among Displaced Workers," *BLS News*, USDL 86-414, October 14, 1986, table 6.

⁸*Wall Street Journal*, February 16, 1990, p. A5.

⁹Figures from the International Motor Vehicles Program, Massachusetts Institute of Technology, 1989.

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 about one hour. In fact, the entire plant could be run by a small team of technicians, which became clear when Inland subsequently closed two of its old cold-rolling mills, laying off hundreds of routine workers. Governors and mayors take note: Your much-ballyhooped 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 high-volume metal bending manufacturing industries had paid higher wages than the routine production jobs held by women in textiles and data processing. 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

¹⁰The 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 6 million during the 1980s.

¹¹U.S. Department of Labor, Bureau of Labor Statistics, "Reemployment Increases among Disabled Workers," October 14, 1986.

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 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 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 thereabouts.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

¹⁴U.S. Bureau of the Census, Current Population Reports, Series P-23, no. 138, tables 2-1, 4-6. See W. Johnson, A. Packer, et al., *Workforce 2000: Work and Workers for the 21st Century* (Indianapolis: Hudson Institute, 1987).

¹⁵The Census Bureau estimates that by the year 2000, at least 12 million Americans will work in health services—well over 6 percent of the total work force.

¹²Federal Immigration and Naturalization Service, *Statistical Yearbook* (Washington, D.C.: U.S. Government Printing Office, 1986, 1987).

¹³See Claudia H. Deutsch, "The Powerful Push for Self-Service," *New York Times*, April 9, 1989, section 3, p. 1.

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.

28 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.

29 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 engines dreamed up by a team of engineers affiliated with Carnegie Mellon University in Pittsburgh, the strategic brokers of Honda or Mercedes-Benz are likely to be more than willing.

30 So, too, with the insights of America's ubiquitous management consultants, which are being sold for large sums to eager entrepreneurs in Europe and Latin America. Also, the insights of America's 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, plays 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.

31 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.

32 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 Americans³³ 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 directors and performers—who are almost as well known on the streets of Dresden and Tokyo as in the Back Bay of Boston. Less well rewarded but no 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 game-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 the³⁴ 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 global³⁵ 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

¹⁶In 1989, the entertainment business summoned to the United States \$5.5 billion in foreign earnings—making it among the nation's largest export industries, just behind aerospace. U.S. Department of Commerce, International Trade Commission, "Composition of U.S. Exports," various issues.

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.

³⁶ 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 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.

³⁷ At mid-century, 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.

³⁸ 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.

³⁹ There had been another constraint on high earnings, which also gave way by the 1990s. At mid-century, 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 restrained themselves, moreover, blue-collar production workers could not be 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.

COMPREHENSION

1. To what does the title allude? Why is this allusion significant to the meaning of the title?
2. To whom does Reich refer when he mentions “symbolic analysts”? Regardless of their occupation, what do all symbolic analysts have in common regarding the nature of their work?
3. What has traditionally been the image of and the nature of work among the white-collar workers to whom Reich alludes? Why are they now one of the groups in danger of losing employment opportunities?