

An international web

Economist Robert Reich predicts the way the next century will work

The Work of Nations: Preparing Ourselves for 21st-Century Capitalism

By Robert B. Reich
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Robert Reich, a political economist from Harvard who believes that the soul of the Democratic Party is worth fighting for, has written a book on "21st-Century Capitalism" that claims an audience in both parties. But actually Reich writes for Mario Cuomo and his handlers.

Can the Democrats devise an economic program that doesn't look like the Night of the Living New Deal? Yes, says Reich, if they will notice that 1940 was a long, long time ago and that the economy is a-changin'. "We are living through a transformation that will rearrange the politics and economics of the coming century," he declares on the first page. "There will no longer be national economies." Furthermore, "high-value enterprises" like IBM or United Airlines are taking over from the old lunch-bucket industries—the old high-volume enterprises of Gary and South Chicago.

The economy he sees is so new that it needs new words and new economics. Top-down bureaucracy, Reich says, is outdated. The best businesses are now enmeshed in "webs." A web of talk has replaced the chain of command. The spiders (so to speak) are those who "have accumulated the most valuable skills in problem-solving, problem-identifying, and strategic brokering."

The old story of American labor struggling with American bosses (or in Republican mythology the other way around) misses the point, Reich says, because "money, technology, information, and goods are flowing across national borders with unprecedented ease." The three classes in the new economy will be "routine producers" on the line, "in-person servers" beside the line and an elite of "symbolic analysts" thinking up new lines.

Symbolic analysts—designers, lawyers, engineers, managers—



Political economist Robert Reich sees a future that belongs to the "symbolic analysts."

can move anywhere, just as the new companies can. If the analysts decide that Monsanto is getting a raw deal in Chicago, they can move the whole company to Capetown or Singapore. A designer in Oak Park can still FAX his stuff to Singapore. Such moves will leave the routine producers with a mortgage and a welfare check, "consigning the less skilled to a declining standard of living."

Get into symbolic analysis, says Reich, or get ready to hew wood and draw water. The international economy is coming, and what we need is "positive economic nationalism." The top one-fifth of the incomes—those same symbolic analysts—should be taxed to pay for "good education, training, health care, and public infrastructure available to all Americans." Return to the tax system of 1977 (Reich was an official in the Carter administration). Roll back Reaganism.

The idea is for the federal government to make as many Americans as possible into symbolic analysts, something in fact that American elite educational institutions (such as Reich's own Kennedy School of Government) are pretty good at doing. And the symbolic analysts need to be billed for the taxes before they get away. Like Southerners in 1861 they have a tendency, as Reich puts it, to secede, sneaking out to tax havens in the Windward Islands. Preserve the Union, strengthen the Feds and raise taxes, doing well by doing good. Abe Lincoln would have approved.

The argument is not all wrong. Reich is correct that the top one-fifth are in political control. They showed it last October by turning back a raise in taxes for a "middle class" consisting of people with a Mercedes in the garage. He is correct that education is the key, and that a system that leaves millions of kids illiterate isn't working. He is correct to resist the usual policies of the left, protectionism and public housing. He notes that the obsession with "made in America" is silly. We do not really know what the balance of trade is, nor does it matter.

But in the end Reich's argument fails, for two reasons. First, he is no historian, but his argument is historical. He has a vision of economic history but can't check it. The historian Alfred Chandler, for example, put forward a military metaphor for American business, the "visible hand" of planning. Reich knows that's not how business works nowadays—his "web" is a better description than the pyramid of planning. But not being a historian, Reich doesn't realize that his "complex enterprise web" is old hat. Adam Smith called it the Invisible Hand, and anyone who has worked (which leaves out most professors) knows that even a military hierarchy has a lot of room for weblike talk and scrounging. The metal trades in Birmingham, England, in the early 19th Century were organized in the way Reich admires in the more advanced industries now.

The end of national economies is not new, either. The greatest of 19th Century political economists wrote what might be a paragraph from Reich: "The bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country. . . . In place of the old local and national seclusion and self-sufficiency, we have . . . universal interdependence of nations." Karl Marx knew that in 1848. He even made some of the same mistakes Reich does.

Second, the author of "The Work of Nations" is no economist. His big argument is that the new "high-value enterprises" depend on human skills. Human skills, he says, improve with use. So a bunch of people who get ahead—American symbolic analysts, say—will stay ahead. The rest of us are doomed: "Such widening divergences may be endemic to a global economy premised on high-value skills rather than on routine labor of capital." But that argument overlooks something pretty important: death. The symbolic analysts can stay ahead only if they never die. Otherwise, every new child has to start out ignorant and then get educated.

In any case, Reich's economic argument contradicts itself. His

vision of the economy draws attention to international competition, as it should: "Routine producers in the United States . . . are in direct competition with millions of routine producers in other nations." So we had all better get out of that business, right? Wrong. If we all do, those who stay in it will get rich, because they will then be the scarce ones. Scarce ones make money, even in old businesses.

Competition drives up all wages. Teachers use the same chalk-and-talk method as did Aristotle 2,300 years ago, yet they are paid now in competition with oil workers and computer jockeys. The business you are in does not determine what you earn; the productivity of the economy does. It is wrong to claim that the routine producers will get poorer. They haven't yet.

In truth, Reich's fluent talk about the international economy is irrelevant to his proposals for the Democrats. If the United States were on the moon he would give the same advice: extract money from the yuppies in order to educate the poor. If the

country were on the moon, in fact, the program would not be as politically self-contradictory as it is. After all, those (aging) yuppies who are to be taxed are the ones who have most of the political power—part of which comes, as Reich argues, from their international mobility.

Who, then, is Reich, and why is he saying those awful things about enterprise unguided by the wise men in Washington? In a nutshell, Reich is The Return of John Kenneth Galbraith (who was himself Son of Thorstein Veblen). And while he lacks the master's gift for phrase-making, he is inviting us to try the Great Society all over again. We are being urged to put our future in the hands of those splendid symbolic analysts from Harvard, the same folks who gave us the Vietnam War and the Cabrini Green housing project.

My recommendation? Find the February issue of the Atlantic Monthly, which contains the 50-minute version of Reich's lecture. And consider a career in symbolic analysis. Until it gets common, it will pay.

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