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The Changing State Of Work

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Last week I introduced the first of five big changes that have defined the American political economy over the past generation -- changes that, also experienced here in Wisconsin, help frame our choices in the new millennium. Last week we considered the stagnation and decline in American working class wages and incomes, and an associated but distinct, and towering, increase in income and wealth inequality. The four changes I want to consider next concern the organization of work, households, lived space (yeah, you read that right) and the environment, and politics -- starting this week with work.

The content of American work -- and the competitive landscape around it -- has changed in fundamental ways. Part of this flows from what always gets the headlines, i.e., globalization -- the growing worldwide integration of product and especially capital markets. The result of such integration is that domestic "price makers," operating in essentially closed competitive environments, have now become "price takers" in a world of competition they don't control. You can measure this internationalization easily enough, and mark the dramatic change over the past generation. From about 1920 to 1970 the combined share of U.S. imports and exports was a scant and stable 10 percent or so of gross domestic product. Over the single decade of the 1970s, that more than doubled -- getting us to roughly a quarter of GDP. It has stayed about there ever since. And with import penetration and export reliance at that level, the competitive effects just described can be felt.

For firms producing goods or services sold internationally, this new world order is basically a never-ending nightmare of new competitors. For the workers they employ, it suggests something a bit worse -- relentless downward wage pressure applied by those prepared to work for less than we are, which is nearly everybody else in the world. It's true that U.S. wages are no longer tops globally, and our non-wage compensation packages -- retirement pensions, holidays, training, other education assists, day care, family leave and other things -- are frankly pathetic as compared to those in other rich nations. Still, with a fifth of the world still surviving on less than \$1 a day, and another three-fifths surviving on something most American working families would barely recognize as a standard of living, that's a lot of people, together applying a lot of pressure.

I'm actually less impressed with the globalization story than most of my radical friends, since while all of the above is true it can also be misleading. Capital markets are more integrated, but foreign

capital flows relative to domestic savings are actually lower now than a century ago. Product markets are also more integrated, but most products and services are in fact not in trade, and indeed a growing share of the economy is in services never likely to face direct international competition. Savings and investment rates still correlate closely by nation, suggesting the continued importance of national institutions for economic ordering. In the United States, at least, most of the goods traded in highly exposed sectors -- for example, manufacturing -- are still traded domestically. That additive import/export share has been stable for some time now, and in fact is down a bit now from previous heights. And most of the trade that does go on goes on with other rich countries. So in general, the folks our firms and workers are in competition with are not dirt-poor countries and desperate workers in the South, but other economies of the developed world, the roughly two-dozen-plus nations of the Organization for Economic Cooperation & Development.

None of which is to say that globalization is not important, of course, or that firms are above exploiting cross-national wage differences -- say, between the United States and oppressed workers just on the other side of the border in Mexico -- to beat up on American unions, but only that the sky is not falling and trade per se is not the biggest source of worker problems. Most of the real downward pressure on wages, for example, although international pressures are forever invoked by employers (and often believed by workers) as their source, in fact owe to other things -- like the lack of unions in the service sector, and changes in the scale (the number of workers, or amount of physical capital, much less land) needed domestically to start a kick-ass business that poses a threat to older ways of doing things.

Technology is what is most important here, along with the shift of demand and employment away from old-style manufacturing. The last generation has seen the "post-industrial" revolution of microelectronics and digitalization. This is now so much a part of our lives that it may be hard to imagine the world as different. So it's always useful to recall that it's only in the past 15 years or so that the middle class began acquiring computers for their homes; less than a decade ago (1993, in fact), that Time magazine made the personal computer its "Machine of the Year"; only in the last five years or so that most of the population mastered the word "Internet."

Combined with shifts in the sectoral composition of employment -- more people working in doctors' offices than steel mills, etc. -- the spread of this technology has made it infinitely easier to combine and then recombine different factors of production and work tasks, and get new products to market more quickly. Given what we value in markets, it has also marginalized the contribution of many. As the great Wassily Leontieff (a Nobel laureate in economics, and the father of modern input-output accounting systems for economies, among other important progeny) put it: "The role of humans as the most important factor of production is bound to diminish, the same way that the role of the horse in agriculture production was first diminished, then eliminated, by the introduction of tractors."

* What this means is not the announcement, which some have made, of "the end of work" -- although employment has disappeared for literally hundreds of millions of able-bodied adults worldwide. What it really means is that the content and organization of work,

the ends of work, and the value attached to different kinds of work are now more fully up for grabs than ever before in human history. Which is scary and mind-boggling, but also incredibly exciting and potentially good.

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