The Global Economy and the Privileged Class

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> Allowing the defenders of privilege to monopolize the term "globalization" for their own vision too easily allows them to portray themselves as agents of an impersonal process and to paint advocates of global justice as narrow specialists or naive opponents of technological progress.
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> –Salih Booker and William Minter, *Nation*, July 9, 2001

In 2001, record layoffs led to the worst U.S. job market since the recession of 1990–91. In the period from January to June, 2001, U.S. companies announced 652,510 layoffs. From manufacturing to high-tech, workers lost jobs at the fastest rate in years. Although the 2001 job cuts were dramatic, they were merely the latest chapter in what has been a long story for U.S. workers. Twenty years earlier we followed 850 workers through what has since become an all-too-familiar pattern for millions of workers.

On December 1, 1982, an RCA television cabinet-making factory in Monticello, Indiana closed its doors and shut down production. Monticello, a town of five thousand people in White County (population twenty-three thousand), had been the home of RCA since 1946. The closing displaced 850 workers who were members of Local 3154 of The United Brotherhood of Carpenters and Joiners. Officials at RCA cited the high manufacturing costs and foreign competition as key factors leading to the closing.

Reactions of displaced workers from RCA were varied, with most expressing either a general sense of despair or a feeling of confidence that they would survive. One worker was hopeful, stating: "Losing one's job is a serious jolt to your attitude of security, preservation, and well-being. However, I feel strongly that we must look forward to hope and faith in our country and its people. Deep inside I want to believe that tough times won't last, but tough people do. This will mean a lot of sacrifice, determination, and change in those people affected by losing one's job." Less hopeful views are revealed in the following remarks:

> We are down to rock bottom and will probably have to sell the house to live or exist until I find a job here or somewhere else. I have been everywhere looking in Cass, White, and Carroll counties. We have had no help except when the electric company was going to shut off the utilities in March and the Trustee [County Welfare] paid that $141. My sister-in-law helps us sometimes with money she's saved back or with food she canned last summer. The factories have the young. I've been to all the factories. (Personal interviews with RCA workers.)

Whether the personal response to the closing was faith, fear, or anger, the common objective experience of the displaced workers was that they had been "dumped" from the "middle class." These displaced factory workers viewed themselves as middle class because of their wages and their lifestyles (home ownership, cars, vacations). Most had worked at RCA for two decades or more. They had good wages, health care benefits, and a pension program. They owned their homes (with mortgages), cars, recreational vehicles, boats, and all the household appliances associated with middle-class membership. All the trappings of the American Dream were threatened as their seemingly stable jobs and secure incomes disappeared. In the space

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of a few months these workers and their families joined the growing new working class—the 80 percent of Americans without stable resources for living.

The severity of this jolt to their sense of well-being and their "downward slide" is also revealed in the bleak picture displaced workers have of their future and the futures of their children: "I'm afraid it will be years before I get up the courage to buy a car, appliance, or anything on a long-term note, regardless of how good the pay is in a new job"; "I have a National Honor Society daughter with one more year of high school. If she can't get aid there's no way she can go to college." (Personal interviews with RCA workers.)

The experiences of the 850 RCA workers from Monticello, Indiana, were part of a national wave of plant closings that swept across the land two decades ago. According to a study commissioned by the U.S. Congress, between the late 1970s and mid-1980s more than 11 million workers lost jobs because of plant shutdowns, relocation of facilities to other countries, or layoffs. Most of these displaced workers were in manufacturing. Subsequent displaced worker surveys commissioned by the Bureau of Labor Statistics estimated that between 1986 and 1991 another 12 million workers were displaced, but now they were predominantly from the service sector (about 7.9 million).[1] When these displaced workers found new jobs, it was often in industry sectors where wages were significantly lower than what they had earned and jobs were often part-time and lacked health insurance and other benefits.

Beginning in the mid-1970s and continuing to the present, the American class structure was being reshaped from the layer-cakelike "middle-class" society into the double-diamond structure. The first step in this reshaping was a privileged-class-led attack on higher-wage unionized workers, eliminating their jobs in the auto industries, steel mills, rubber plants, and textile mills. The reshaping continued through the late 1980s to the mid-1990s, when the strategy was expanded to include not only plant closings and relocations, but "restructuring and downsizing" strategies as well, often directed at eliminating white-collar jobs.

The rush to downsize in some of America's largest and most prestigious corporations became so widespread in the 1990s that a new occupation was needed to handle the casualties. The "outplacement professional" was created to put the best corporate face on a decision to downsize, that is, to terminate large numbers of employees—as many as ten thousand. The job of these new public relations types is to get the general public to accept downsizing as the normal way of life for corporations that have to survive in the competitive global economy. Their job is also to assist the downsized middle managers to manage their anger and to get on with their lives.

The *Human Resources Development Handbook* of the American Management Association provides the operating philosophy for the outplacement professional: "Unnecessary personnel must be separated from the company if the organization is to continue as a viable business entity. To do otherwise in today's globally competitive world would be totally unjustified and might well be a threat to the company's future survival."[2]

The privileged 20 percent of the population are hard at work telling the other 80 percent about the harsh realities of the changing global economy. "Lifetime employment" is out. The goal is "lifetime employability," which workers try to attain by accumulating skills and being dedicated and committed employees. Even Japan's highly touted commitment to lifetime employment (in some firms) is apparently unraveling, as reported in a prominent feature article in the *New York Times*.[3] It should be no surprise that an elite media organization like the *Times*, whose upper-level employees belong to the privileged class, should join in disseminating the myth of the global economy as the "hidden hand" behind the downsizing of America. The casualties of plant closings and downsizings are encouraged to see their plight as part of the "natural laws" of economics.

This enormous transformation of the U.S. economy over a thirty-year period has been described by political leaders and media as the inevitable and therefore normal workings of the emerging global economy. Some, like former president Reagan, even applauded the changes as a historic opportunity to revitalize the economy. In a 1985 report to Congress, he stated, "The progression of an economy such as America's from the agricultural to manufacturing to services is a natural change. The move from an industrial society toward a postindustrial service economy has been one of the greatest changes to affect the developed world since the Industrial Revolution."[4]

A contrasting view posits that the transformation of the U.S. economy is not the result of natural economic laws or the "hidden hand" of global economic markets but, rather, the result of calculated actions by multinational corporations to expand their profits and power. When corporations decide to close plants and move them overseas where they can find cheap labor and fewer government regulations, they do so to enhance profits and not simply as a response to the demands of global competition. In many cases, the U.S. multinationals themselves are the global competition that puts pressure on other U.S. workers to work harder, faster, and for lower wages and fewer benefits.

The Global Economy and Class Structure

> Markets, which in mainstream ideology are as natural as gravity, have frequently been created and deepened through coercive state action—ranging from enclosures (the privatization of common lands) in Britain hundreds of years ago to NAFTA's eviction of Mexican peasants from their land today.
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> –Doug Henwood, *In These Times*, September 30, 1996

Discussion about the new global economy by mainstream media reporters and business leaders generally focuses on three topics. First is the appearance of many new producers of quality goods in parts of the world that are normally viewed as less developed. Advances in computer-based production systems have allowed many countries in Southeast Asia and Latin America to produce goods that compete with those of more advanced industrial economies in Western Europe and North America. Second is the development of telecommunications systems that permit rapid economic transactions around the globe and coordination of economic activities in locations separated by thousands of miles. The combination of advances in computer-based production and telecommunications makes it possible for large firms, especially multinationals, to decentralize their production and locate facilities around the globe. Third is the existence of an international division of labor that makes it possible for corporations to employ engineers, technicians, or production from anywhere in the world. This gives corporations great flexibility when negotiating with their domestic workforce over wages and benefits. These changes in how we produce things and who produces them have resulted in expanded imports and exports and an enlarged role for trade in the world economy. Leading this expansion has been increased foreign investments around the world by the richer nations. It is estimated that two-thirds of international financial transactions have taken place within and between Europe, the United States, and Japan.[5]

The changes just noted are often used as evidence of a "new global economy" *out there* constraining the actions of all corporations to be competitive if they hope to survive. One concrete indicator of this global economy *out there* is the rising level of international trade between the United States and other nations. In the 1960s, the United States was the dominant exporter of goods and services, while the imports of foreign products played a small part in the U.S. economy. Throughout the 1970s foreign imports claimed an increasing share, and by 1981 the United States "was importing almost 26 percent of its cars, 25 percent of its steel, 60 percent of its televisions, tape recorders, radios, and phonographs, 43 percent of its calculators, 27 percent of its metal-forming machine tools, 35 percent of its textile machinery, and 53 percent of its numerically controlled machine tools."[6] Imports from developing nations went from $3.6 billion in 1970 to $30 billion in 1980.

Throughout the 1980s, the United States became a debtor nation in terms of the balance between what we exported to the rest of the world and what we import. By 2000, the U.S. trade deficit indicated that the import of goods and services exceeded exports by $370 billion. This is the largest deficit since the previous high in 1987 of $153.4 billion. But what do these trade figures tell us? On the surface, they appear to be a function of the operation of the global economy, because the figures indicate that we have an $81.3 billion deficit with Japan, $83.8 billion with China, and $24.9 billion with Mexico.[7] It appears that Japanese, Chinese, and Mexican companies are doing a better job of producing goods than the United States and thus we import products rather than producing them ourselves. But is this the correct conclusion? The answer lies in how you count imports and exports.

Trade deficit figures are based on balance of payment statistics, which tally the dollar value of U.S. exports to other countries and the dollar value of foreign exports to the United States; if the dollar value of Chinese exports to the United States exceeds the dollar value of U.S. exports to China, the United States has a trade deficit with China.

This would appear to mean that Chinese companies are producing the goods being exported to the United States. But that is not necessarily the case. According to the procedures followed in calculating trade deficits, "the U.S. balance of payments statistics are intended to capture the total amount of transactions between U.S. *residents* and *residents* of the rest of the world."[8] If "resident" simply identifies the geographical location of the source of an import, then some unknown portion of the $49.7 billion U.S. trade deficit with China could be from U.S.-owned firms that are producing goods in China and exporting them to the United States. Those U.S. firms are residents of China, and their exports are counted as Chinese exports to the United States.

Thus, the global economy that is *out there* forcing U.S. firms to keep wages low so we can be more competitive might actually be made up of U.S. firms that have located production plants in countries other than in the United States. Such actions may be of great benefit to the U.S. multinational firms that produce goods around the world and export them to the U.S. market. Such actions may also benefit U.S. consumers, who pay less for goods produced in low-wage areas. But what about the U.S. worker in a manufacturing plant whose wages have not increased in twenty years because of the need to compete with "foreign companies"? What about the worker who may never get a job in manufacturing because U.S. firms have been opening plants in other countries rather than in the United States? As the comic strip character Pogo put it: "We have met the enemy and it is us."

American multinational corporations' foreign investments have changed the emphasis in the economy from manufacturing to service. This shift has changed the occupational structure by eliminating high-wage manufacturing jobs and creating a two-tiered system of service jobs. There have been big winners and big losers in this social and economic transformation. The losers have been the three out of four Americans who work for wages—wages that have been declining since 1973; these American workers constitute the new working class. The big winners have been the privileged classes, for whom jobs and incomes have expanded at the same time that everyone else was in decline. Corporate executives, managers, scientists, engineers, doctors, corporate lawyers, accountants, computer programmers, financial consultants, health care professionals, and media professionals have all registered substantial gains in income and wealth in the last thirty years. And the changes that have produced the "big losers" and "big winners" have been facilitated by the legislative actions of the federal government and elected officials of both political parties, whose incomes, pensions, health care, and associated "perks" have also grown handsomely in the past two decades.

This chapter demonstrates that the privileged classes have benefited at the expense of the working classes. The profits of corporations and stockholders have expanded because fewer workers produce more goods and services for lower wages. The profits of corporations are distributed to executives, managers, and professionals in higher salaries and benefits because they are able either to extract more work from workers while paying them less, or to justify inequality by providing distracting entertainment for the less fortunate, or control them if necessary. The privileged class is able to maintain its position of advantage because its members control the jobs and incomes of other Americans. They also control the mass media and education, which are the instruments of ideological domination. If all of this is not enough, they also control the means of violence (military, national guard, police, and the investigative and security apparatus) that are used to deal with large-scale dissent.

Creating the Global Economy: The Path to Corporate Profits

> We have entered the era of Empire, a "supranational" center consisting of networks of transnational corporations and advanced capitalist nations led by the one remaining superpower, the United States.
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> –Michael Hardt and Antonio Negri, *Empire,* 2000

When World War II ended in 1945, all but one of the industrial nations involved had experienced widespread destruction of their industrial system and the infrastructure that is necessary for a healthy economy to provide sufficient food, shelter, and clothing for its people. Although all nations that participated in the war suffered terrible human losses, the United States alone emerged with its economic system stronger than it was at the start of the war.

For nearly thirty years following World War II, the United States dominated the world economy through its control of three-fourths of the world's invested capital and two-thirds of its industrial capacity. At the close of the war, there was concern in the United States that the high levels of production, profits, and employment stimulated by war mobilization could not be sustained. The specter of a return to the stagnation and unemployment experienced only a decade earlier during the Great Depression led to the search for a new economic and political system that would maintain the economic, military, and political dominance of the United States.

The postwar geopolitical-economic policy of the United States was designed to provide extensive foreign assistance to stimulate the recovery of Western Europe. This policy would stimulate U.S. investment in Europe and provide the capital for countries to buy U.S. agricultural and industrial products. The policy was also designed to "fight" the creation of socialist governments and socialist policies in Western Europe, governments that might not be sympathetic to U.S. capital, trade, and influence. The foreign assistance policy known as the Marshall Plan was instituted to provide $22 billion in aid over a four-year period and to bring together European nations into a global economic system dominated by the United States.[9]

This system was the basis for U.S. growth and prosperity during the 1950s, the 1960s, and the early 1970s. By the mid-1970s, steady improvements in the war-torn economies of Western Europe and Asia had produced important shifts in the balance of economic power among industrialized nations. The U.S. gross national product was now less than twice that of the Soviet Union (in 1950 it was more than three times), less than four times that of Germany (down from nine times in 1950), and less than three times that of Japan (twelve times in 1950). With many nations joining the United States in the production of the world's goods, the U.S. rate of growth slowed. As England, France, Germany, and Japan produced goods for domestic consumption, there was less need to import agricultural and industrial products from the United States.

The profits of U.S. corporations from the domestic economy were in a steady decline through the late 1960s and into the 1970s. In the early 1960s the annual rate of return on investment was 15.5 percent. In the late 1960s it was 12.7 percent. In the early 1970s it was 10 percent, and after 1975 it slipped below 10 percent, where it remained.

The privileged classes in the United States were concerned about declining profits. This affected their accumulation of wealth from stocks, bonds, dividends, and other investments. It affected corporate, managerial, and professional salaries indirectly, through the high rate of inflation that eroded the purchasing power of consumption capital (i.e., salaries) and the real value of investment capital (i.e., value of stocks, bonds, etc.). To account for the U.S. decline, business leaders and the national media listed the usual suspects.

The leading "explanation" was that U.S. products could not compete in the global economy because of the power of organized labor. This power was reflected in the high labor costs that made products less competitive and in cost-of-living adjustments that increased wages at the rate of inflation (which was sometimes at double digits). Union control of work rules also made it difficult for management to adopt new innovations to increase productivity and reduce dependence on labor.

Next on the list was the American worker, who was claimed to have embraced a declining work ethic, resulting in products of lower quality and higher cost. U.S. workers were portrayed as too content and secure and thus unwilling to compete with the ambitious workers of the rapidly developing economies.

The third suspect was the wide array of new regulations on business that had been adopted by the federal government to protect workers and the environment. Corporate executives complained about the increased cost of doing business that came from meeting the workplace standards of the Occupational Safety and Health Administration (OSHA) or the air and water pollution standards of the Environmental Protection Agency (EPA).

The explanations business leaders put forth for declining profits, selfish unions, lazy workers, and government regulations were said to make American products less competitive in the global economy. They provided the rationale for an attack on unions and on workers' wages and helped to justify massive plant closings and capital flight to low-wage areas. They also served to put the government on the defensive for its failure to be sensitive to the "excessive" costs that federal regulations impose on business.

What was rarely discussed in the business pages of the *New York Times* or the *Wall Street Journal* was the failure of corporate management in major U.S. firms to respond to the increasing competition to the once U.S.-dominated production of autos, steel, textiles, and electronics. In the early 1960s, imports of foreign products played a small part in the American economy, but by 1980 things had changed. In the early 1960s, imports accounted for less than 10 percent of the U.S. market, but by 1980 more than 70 percent of all the goods produced in the United States were actively competing with foreign-made goods.[10]

American corporations failed to follow the well-established management approach to the loss of market share, competitive advantage, and profits. Instead of pursuing long-term solutions, like investing in more efficient technology, new plants, research and development, and new markets, corporate executives chose to follow short-term strategies that would make the bottom line of profits the primary goal. The way was open for increased foreign investment, mergers, and downsizing.

When Your Dog Bites You

> With industrial jobs shrinking in the United States, and so much of what we buy, from clothing to electronics to automobiles, now made abroad, a common perception is that "globalized" production is a primary cause of falling living standards for American workers.
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> –Richard B. DuBoff, *Dollars and Sense*, September-October 1997

While corporate profits from the domestic U.S. economy were declining steadily from the mid-1970s, investment by U.S. corporations abroad showed continued growth. The share of corporate profits from direct foreign investment increased through the 1970s, as did the amount of U.S. direct investment abroad. In 1970, direct investment by U.S. firms abroad was $75 billion, and it rose to $167 billion in 1978. In the 1980–85 period it remained below $400 billion, but thereafter increased gradually each year, reaching $716 billion in 1994. The 100 largest U.S. multinational corporations reported foreign revenue in 1994 that ranged from 30 to 70 percent of their total revenue: IBM had 62 percent of total revenue from foreign sources; Eastman Kodak 52 percent; Colgate-Palmolive 68 percent; and Johnson and Johnson, Coca Cola, Pepsi, and Procter and Gamble each 50 percent.[11]

American multinational corporations sought to maintain their profit margins by increasing investments in affiliates abroad. This strategy may have kept stockholders happy, and maintained the price of corporate stocks on Wall Street, but it would result in deindustrialization—the use of corporate capital for foreign investments, mergers, and acquisitions rather than for investment in domestic operations.[12] Instead of investing in the U.S. auto, steel, and textile industries, companies were closing plants at an unprecedented rate and using the capital to open production facilities in other countries. By 1994, U.S. companies employed 5.4 million people abroad, more than 4 million of whom worked in manufacturing.[13] Thus, millions of U.S. manufacturing workers who were displaced in the 1980s by plant closings saw their jobs shifted to foreign production facilities. Although most criticism of U.S. investment abroad is reserved for low-wage countries like Mexico and Thailand, the biggest share of manufacturing investment abroad is in Germany and Japan—hardly low-wage countries. The United States has large trade deficits with Japan and Western Europe, where the hourly wages in manufacturing are 15–25 percent higher than in the United States.[14] This fact challenges the argument made by multinational corporations that if they did not shift production abroad, they would probably lose the sale of that product.

The movement of U.S. production facilities to foreign countries in the 1980s and 1990s was not simply the result of a search for another home where they could once again be productive and competitive. It appeared as if RCA closed its plant in Monticello, Indiana, because its high-wage workers made it impossible to compete with televisions being produced in Southeast Asia. Saddened by having to leave its home in Indiana of thirty-five years, RCA would have to search for another home where, it was hoped, the company could stay at least another thirty-five years, if not longer. Not likely: Plants did not close in the 1980s to find other homes; the closures were the first step in the creation of the homeless and stateless multinational corporation—an entity without ties to place, or allegiances to people, communities, or nations.

Thus, the rash of plant closings in the 1970s and 1980s began as apparent responses to economic crises of declining profits and increased global competition. As such, they appeared to be rational management decisions to protect stockholder investments and the future of individual firms. Although things may have started in this way, it soon became apparent that what was being created was the *spatially decentered firm*: a company that could produce a product with components manufactured in a half-dozen different plants around the globe and then assembled at a single location for distribution and sale. Although spatially decentered, the new transnational firm was also centralized in its decision making, allowing it to coordinate decisions about international investment. The new firm and its global production system were made possible by significant advances in computer-assisted design and manufacturing that made it unnecessary to produce a product at a single location. They were also made possible by advances in telecommunications that enabled management at corporate headquarters to coordinate research, development, design, manufacturing, and sales decisions at various sites scattered around the world.

The homeless and stateless multinational firm is able to move its product as quickly as it can spot a competitive advantage associated with low wages, cheaper raw materials, advantageous monetary exchange rates, more sympathetic governments, or proximity to markets. This encourages foreign investment because it expands the options of corporations in their choice of where to locate, and it makes them less vulnerable to pressure from workers regarding wages and benefits.

The advantages of the multinational firm and foreign investments are also a product of the U.S. tax code. In addition to providing the largest firms with numerous ways to delay, defer, and avoid taxes, corporate profits made on overseas investments are taxed at a much lower rate than profits from domestic operations. Thus, as foreign investments by U.S. firms increased over the last two decades, the share of total taxes paid by corporations declined. In the 1960s, corporations in the United States paid about 25 percent of all federal income taxes, and in 1991 it was down to 9.2 percent. A 1993 study by the General Accounting Office reported that more than 40 percent of corporations with assets of more than $250 million either paid no income tax or paid less than $100,000.[15] Another study of 250 of the nation's largest corporations reported that in 1998, twenty-four of the corporations received tax rebates totaling $1.3 billion, despite reporting U.S. profits before taxes of $12.0 billion. A total of forty-one corporations paid less than zero federal income tax in at least one year from 1996 to 1998, despite reporting a total of $25.8 billion in pretax profits.[16] In testimony before the Committee on the Budget of the U.S. House of Representatives, Ralph Nader reported that in fiscal year 1999 corporations received $76 billion in tax exclusions, exemptions, deductions, credits, and so forth, and that the estimates for the years 2000–2004 will reach $394 billion in corporate tax subsidies.[17]

Creating the New Working Class

> They call this "global competitiveness," but that's globaloney. Call it by its real name: Class War.
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> –Jim Hightower, *Dollars and Sense*, November-December 1997

When the large multinational firm closes its U.S. facilities and invests in other firms abroad or opens new facilities abroad, the major losers are the production workers who have been displaced and the communities with lower tax revenues and increased costs stemming from expanded efforts to attract new businesses. But this does not mean that the firms are losers, for they are growing and expanding operations elsewhere. This growth creates the need for new employees in finance, management, computer operations, information systems, and clerical work. The total picture is one of shrinking production plants and expanding corporate headquarters; shrinking blue-collar employee rolls and two-tiered expansion of high-wage professional-managerial and low-wage clerical positions.

Having been extraordinarily successful in closing U.S. plants, shifting investment and production abroad, and cutting both labor and labor costs (both the number of production workers and their wage-benefit packages), major corporations now turned their attention to saving money by cutting white-collar employees. In the 1990s, there were no longer headlines about "plant closings," "capital flight," or "deindustrialization." The new strategy was "downsizing," "rightsizing," "reengineering," or how to get the same amount of work done with fewer middle managers and clerical workers.

When Sears, Roebuck and Company announced that it could cut 50,000 jobs in the 1990s (while still employing 300,000 people) its stock climbed 4 percent on the New York Stock Exchange. The day Xerox announced a planned cut of 10,000 employees, its stock climbed 7 percent.

Eliminating jobs was suddenly linked with cutting corporate waste and increasing profits. Hardly a month could pass without an announcement by a major corporation of its downsizing plan. Tenneco Incorporated would cut 11,000 of its 29,000 employees. Delta Airlines would eliminate 18,800 jobs, Eastman Kodak would keep pace by eliminating 16,800 employees, and AT&T announced 40,000 downsized jobs, bringing its total of job cuts since 1986 to 125,000. Not to be outdone, IBM cut 180,000 jobs between 1987 and 1994. The practice continues into the new century; as reported in the *New York Times* (July 13, 2001), Motorola, Inc., announced on July 12, 2001, that it would cut 30,000 jobs in 2001. On that same day, although it reported an operating loss in the second quarter of eleven cents per share, Motorola stock rose by 16 percent.

Even the upscale, more prestigious banking industry joined in the rush to become "lean and mean." A total of ten bank mergers announced in 1995 would result in 32,400 jobs lost because of the new "efficiencies" that come with mergers. Even banks that were already successful in introducing "efficiencies" were not immune to continued pressure for more. Between 1985 and 1995, Chase Manhattan's assets grew by 38 percent (from $87.7 billion to $121.2 billion), and its workforce was reduced 28 percent, from 44,450 to 33,500 employees. Yet when Chase was "swallowed" by Chemical Banking Corporation in a merger, both banks announced further reductions totaling 12,000 people.

Job loss in the 1990s appeared to hit hardest at those who were better educated (some college or more) and better paid ($40,000 or more). Job loss aimed at production workers in the 1980s was "explained" by the pressures of global competition and the opportunities to produce in areas with lower-wage workers. The "explanation" for the 1990s downsizing was either new technology or redesign of the organization. Some middle managers and supervisors were replaced by new computer systems that provide surveillance of clerical workers and data entry jobs. These same computer systems also eliminate the need for many middle managers responsible for collecting, processing, and analyzing data used by upper-level decision makers.

Redesign of organizations was achieved by eliminating middle levels within an organization and shifting work both upward and downward, The downward shift of work is often accompanied by new corporate plans to "empower" lower-level workers with new forms of participation and opportunities for career development. All of this redesign reduced administrative costs and increased the workload for continuing employees.

Investors, who may have been tentative about the potential of profiting from the deindustrialization of the 1980s because it eroded the country's role as a manufacturing power, were apparently delighted by downsizing. During the 1990s and continuing beyond 2000, the stock market skyrocketed from below 3,000 points on the Dow Jones Industrial Average to 10,478 in mid-July 2001—an increase of almost 250 percent. The big institutional investors apparently anticipate that increasing profits would follow the broadly based actions of cutting the workforce.

Downsizing is often viewed by corporations as a rational response to the demands of competition and thereby a way to better serve their investors and ultimately their own employees. Alan Downs, in his book *Corporate Executions*, challenges four prevailing myths that justify the publicly announced layoffs of millions of workers.[18] First, downsizing firms do not necessarily wind up with a smaller workforce. Often, downsizing is followed by the hiring of new workers. Second, Downs questions the belief that downsized workers are often the least productive because their expertise is obsolete: According to his findings, increased productivity does not necessarily follow downsizing. Third, jobs lost to downsizing are not replaced with higher-skill, better-paying jobs. Fourth, the claim that companies become more profitable after downsizing, and that workers thereby benefit, is only half true—many companies that downsize do report higher corporate profits and, as discussed earlier, often achieve higher valuations of their corporate stock. But there is no evidence that these profits are being passed along to employees in the form of higher wages and benefits.

After challenging these four myths, Downs concludes that the "ugly truth" of downsizing is that it is an expression of corporate self-interest to lower wages and increase profits. This view is shared by David Gordon, who documents the growth of executive, administrative, and managerial positions and compensation during the period when "downsizing" was at its highest.[19] Gordon describes bureaucratic "bloat" as part of a corporate strategy to reduce the wages of production workers and increase and intensify the level of managerial supervision. Slow wage growth production workers and top-heavy corporate bureaucracies reinforce each other, and the combination produces a massive shift of money out of wages and into executive compensation and profits. This "wage squeeze" occurred not only in manufacturing (because of global competition) but also in mining, construction, transportation, and retail trade.[20] Although it is to be expected that foreign competition will have an impact on wages in manufacturing, it should not affect the nontrade sector to the same extent. Thus, the "wage squeeze" since the mid-1970s that increased income and wealth inequality in the United States is probably the result of a general assault on workers' wages and benefits rather than a response to global competition.

The impact of these corporate decisions on the working class was hidden from public view by the steady growth of new jobs in the latter part of the 1990s, and by the relatively low rate of unemployment. In his second term in office, President Clinton made frequent mention of the high rate of job creation (without mentioning that they were primarily low-wage service jobs) and the historically low unemployment rate. Unfortunately, the official rate of unemployment can hide the real facts about the nation's economic health. For example, an unemployment rate of 4.2 percent in 1999 excludes part-time workers who want full-time work, and discouraged workers who have given up looking. If these workers are added to the unemployed we have an "underemployment rate" of 7.5 percent, or about 10.5 million workers. The official unemployment rate also hides the fact that unemployment for Black Americans was 8.0 percent in 1999, or that in urban areas there were pockets of unemployment that approached 25 percent.[21]

Thus, the result of more than a decade of plant closings and shifting investment abroad, and less than a decade of downsizing America's largest corporations, has been the creation of a protected privileged class and a working class with very different conditions of employment and job security. The three major segments of the working class are core workers, temporary workers, and contingent workers.

Core Workers

Core workers are employees possessing the skills, knowledge, or experience that are essential to the operation of the firm. Their income levels place them in the "comfort class." They are essential for the firm, regardless of how well it might be doing from the standpoint of profits and growth; they are simply needed for the firm's continuity. Being in the core is not the same as being in a particular occupational group. A firm may employ many engineers and scientists, only some of whom might be considered to be in the core. Skilled blue-collar workers may also be in the core. Core employees have the greatest job security with their employing organizations; they also have skills and experiences that can be "traded" in the external labor market if their firm should experience an unforeseen financial crisis. Finally, core employees enjoy their protected positions precisely because there are other employees just like them who are considered temporary.

Temporary Workers

The employment of temporary workers is linked to the economic ups and downs that a firm faces. When sales are increasing, product demand is high, and profits match those of comparable firms, the employment of temporary workers is secure. When inventories increase, or sales decline sharply, production is cut back, and temporary employees are laid off or fired. The temporary workers' relationship to the firm is a day-to-day matter. There is no tacit commitment to these employees about job security and no sense that they "belong to the family."

A good example of the role of temporary workers is revealed in the so-called transplants—the Japanese auto firms like Toyota, Nissan, and Honda that have located assembly plants in Kentucky, Ohio, Michigan, Illinois, Indiana, and Tennessee. Each of these firms employs between two thousand and three thousand American workers in their plants, and they have made explicit no-layoff commitments to workers in return for high work expectations (also as a way to discourage unionization). However, in a typical plant employing 2,000 production workers, the no-layoff commitment was made to 1,200 hires at start-up time; the other 800 hires were classified as temporary. Thus, when there is a need to cut production because of weak sales or excessive inventory, the layoffs come from the pool of temporary workers rather than from the core workers. Sometimes these temporary workers are not even directly employed by the firm but are hired through temporary help agencies like Manpower. Employment through temporary help agencies doubled between 1982 and 1989, and doubled again between 1989 and 1999.[22] These temporary workers are actually contingent workers.

Contingent Workers

Workers in nonstandard employment arrangements (part time, temporary, independent contractors) are often described as contingent workers. Some of these workers, as noted earlier, are employees of an agency that contract with a firm for their services. About one in four persons in the labor force is a contingent worker, that is, a temporary or part-time worker.[23] These workers can be clerk-typists, secretaries, engineers, computer specialists, lawyers, or managers. They are paid by the temp agency and do not have access to a company's benefit package of retirement or insurance programs. Many of the professionals and specialists who work for large firms via temp firms are often the same persons who were downsized by those same companies. The following experience of a downsized worker is an ironic example of how the contingent workforce is created.

> John Kelley, 48, had worked for Pacific Telesis for 23 years when the company fired him in a downsizing last December. Two weeks later, a company that contracts out engineers to PacTel offered him a freelance job.
>
> "Who would I work for?" Kelley asked.
>
> "Edna Rogers," answered the caller.
>
> Kelley burst out laughing. Rogers was the supervisor who had just fired him, "That was my job," he explained. "You're trying to replace me with myself."[24]

These three groups of workers fit into the bottom part of the double-diamond class structure described and it is only the core workers who have even the slightest chance to make it into the privileged class. Core workers with potential to move up generally have the credentials, skills, or social capital to have long-term job security, or to start their own business, and therefore the possibility of having substantial consumption capital (a good salary) and capital for investment purposes. Let us now consider how the privileged class holds on to its advantaged position in the double-diamond class structure.

Care and Feeding of the Privileged Class

> The federal government of 1997 is a very different creature from that of, say, 1977 —more egregiously corrupt and sycophantic toward wealth, more glaringly repressive, and even less responsive to the needs of low- and middle-income people.
>
> –Barbara Ehrenreich, *Nation*, November 17, 1997

Most people who are in the privileged class are born there, as the sons, daughters, and relatives of highly paid executives, professionals, and business owners. Of course, they do not view their "achievements" that way. As one wag once said of former President George Bush, "He woke up on second base and thought he'd hit a double." But some members of the privileged class have earned their places, whether by means of exceptional talent, academic distinctions, or years of hard work in transforming a small business into a major corporation. Regardless of how much effort was needed to get where they are, however, members of the privileged class work very hard to stay where they are. Holding on to their wealth, power, and privilege requires an organized effort by businessmen, doctors, lawyers, engineers, scientists, and assorted political officials. This effort is often cited to convince the nonprivileged 80 percent of Americans that the privileged are deserving of their "rewards" and that, in general, what people get out of life is in direct proportion to what they put in. This effort is also used to dominate the political process so that governmental policies, and the rules for making policy, will protect and advance the interests of the privileged class.

However, before examining the organized effort of the privileged class to protect its privilege, it is first necessary to examine how members of the privileged class convince one another that they are deserving. Even sons and daughters from the wealthiest families need to develop biographical "accounts" or "stories" indicating they are deserving. This may involve accounts of how they worked their way up the ladder in the family business, starting as a clerk but quickly revealing a grasp of the complexities of the business and obtaining recognition from others of their exceptional talent.

Even without the biographical accounts used by the privileged class to justify exceptional rewards, justification for high income is built into the structure of the organizations they join. In every organization—whether an industrial firm, bank, university, movie studio, law firm, or hospital—there are multiple and distinct "ladders" that locate one's position in the organization. New employees get on one of these ladders based on their educational credentials and work experience. There are ladders for unskilled employees, for skilled workers, and for professional and technical people with specialized knowledge. Each ladder has its own distinct "floor" and "ceiling" in terms of what can be expected regarding salary, benefits, and associated perks. In every organization, there is typically only one ladder that can put you in the privileged class, and this usually involves an advanced technical or administrative career line. This career line can start at entry levels of $70,000–80,000 annual compensation, with no upper limit beyond what the traffic will bear. These are the career ladders leading to upper executive positions providing high levels of consumption capital and opportunities for investment capital.

Claiming Turf

Many young attorneys, business school graduates, scientists, engineers, doctors, economists, and other professionals would like to get entry-level positions on these upper-level career ladders. In fact, there are probably many people who are qualified for entry positions in terms of their educational credentials and work experiences. So how are people selected from among the large number of qualified applicants for such desirable career opportunities? The answer is simple: Once credential qualifications and experience are used to define the pool of eligible applicants, the choice of who gets the job depends on the applicants' social capital. We defined *social capital* as the social ties that people have with members of their college, fraternity or sorority, ethnic group, or religious group. People get jobs through their social networks, which provide them with information about job openings and with references valuable to those doing the hiring.[25] These social networks are usually composed of persons with similar social backgrounds. A recent study examined the social backgrounds of persons in the highest positions in corporations, the executive branch of the federal government, and the military. Although there is increased diversity among leaders today compared with 1950 with respect to gender, ethnicity, and race, the "core group continues to be wealthy white Christian males, most of whom are still from the upper third of the social ladder. They have been filtered through a handful of elite schools of law, business, public policy, and international relations."[26]

A good illustration of how social capital works is found in a study of 545 top position holders in powerful organizations in the United States.[27] Ten institutional sectors were studied, including *Fortune* 500 industrial corporations, *Fortune* 300 nonindustrial corporations, labor unions, political parties, voluntary organizations, mass media, Congress, political appointees in the federal government, and federal civil servants. Within each sector, fifty top position holders were interviewed—persons who may be considered "elites in the institutional sectors that have broad impact on policy making and political processes in the U.S."[28] Although we have no information on the incomes and wealth of the 545 elites, it is very likely they would fit our definition as members of the privileged class.

Table 3.1 provides some of the findings from this study, which identify the ethnic-religious composition of elites and their distribution across different institutional sectors. As can be seen from the first line of the table, 43 percent of all the elites in the study were WASPs (Protestants with ancestry from the British Isles), 19.5 percent were Protestants from elsewhere in Europe, 8.5 percent were Irish Catholics, 8.7 percent were Catholics from elsewhere in Europe, 11.3 percent were Jews, and 3.9 percent were minorities (non-Whites and Hispanics). The second line indicates the percentage of the national population of men born before 1932 from different ethnic-religious backgrounds. The third line indicates the percent of the national population of college-educated men born before 1932 of each ethnic background. A comparison of line (1) with lines (2) and (3) shows the extent to which each ethnic-religious group may be overrepresented or underrepresented among the elites. Thus, WASPs and Jews are overrepresented among elites relative to their composition in the general population. The elite representation of other Protestants and Irish Catholics is comparable to their representation in the national population; and other Catholics and minorities are underrepresented among elites.

More interesting for our purposes are the overrepresentation and under-representation of elites in different institutional sectors. Overrepresentation would suggest the operation of social ties operating to get positions for persons with the same ethnic-religious background. White Anglo-Saxon

Table 3.1 *Ethnic Representation among Elites*

	WASPs	Other Protestants	Irish Catholics	Other Catholics	Jews	Minorities	Probably WASPs
1. Overall elite	43.0	19.5	8.5	8.7	11.3	3.9	5.0
2. Men born before 1932	22.9	22.5	4.2	17.2	2.9	14.4	13.4
3. College-educated men born before 1932	31.0	19.8	6.0	15.5	8.9	5.2	10.3
4. Institutional sectors							
Business	57.3	22.1	5.3	6.1	6.9	0.0	2.3
Labor	23.9	15.2	37.0	13.0	4.3	2.2	4.3
Political parties	44.0	18.0	14.0	4.0	8.0	4.0	8.0
Voluntary organizations	32.7	13.5	1.9	7.7	17.3	19.2	7.7
Mass media	37.1	11.3	4.8	9.7	25.8	0.0	11.3
Congress	53.4	19.0	6.9	8.6	3.4	3.4	5.2
Political appointments	39.4	28.8	1.5	13.6	10.6	3.0	3.0
Civil service	35.8	22.6	9.4	9.4	15.1	3.8	3.8

SOURCE: Alba and Moore (1982), table 1.

Protestants are greatly overrepresented in business and in Congress. Irish Catholics are very overrepresented in labor and politics. Jews are sharply overrepresented in mass media, voluntary organizations, and federal civil service. This ethnic-religious overrepresentation indicates that social capital may be used to get access to career ladders leading to the privileged class. Moreover, there appears to be ethnic-religious specialization in the institutional sectors that they "colonize." People help to get jobs for relatives and friends, whether the job is for a Mexican immigrant in a Los Angeles sweat shop or a young Ivy League graduate in a Wall Street law firm. Parents invest their capital in an Ivy League education for a son or daughter, who then uses the social capital of family or school ties to enter a career path into the privileged class.

Securing Turf

After obtaining positions on career ladders that will make them members of the privileged class, our entry-level managers, attorneys, and faculty become aware of the very high incomes enjoyed by their senior colleagues. One response to these high salaries is to feel that they are unjustified and to exclaim, "Why should the President of the university make $300,000 a year when some of our professors with twenty years experience are making $60,000?" A second response is to recognize that the president's salary is used to justify the $230,000 salaries of the executive vice presidents, which in turn justify the $150,000 salaries of the deans, which in turn justify the $120,000 salaries of senior professors in selected fields. People in positions of power in organizations work together to justify their high salaries by creating beliefs about the need to be competitive in the market or to risk losing valuable people.

The second response is the typical one for people involved in career ladders that promise access to the privileged class. This response might be called symbiotic greed, where the parties are locked together in a mutually beneficial relationship. As the salary of the president rises, so do the salaries of all the others who are on the privileged-class career ladder. The rub is that only a small proportion of all the managers, attorneys, or faculty are on that career ladder, even though they may share the same educational credentials and work experience. This is a form of misguided self-interest, wherein low-level employees support the high salary of their superiors because of the belief that they may one day also have such a high salary.

Although it may seem surprising, members of the privileged class often feel that their incomes are far below what they deserve, or they feel relatively deprived in comparison to those above them in the income hierarchy. A recent story in the *New York Times* ("Well-Off but Still Pressed, Doctor Could Use Tax Cut")[29] provided thinly veiled support for President Bush's tax cut along with a sympathetic story of a surgeon earning $300,000 a year who says he does not feel rich. The good doctor, who lives in a $667,000 four-bedroom house with a pool, frets about his retirement, college tuition, and the anticipated cost of future weddings for his five daughters. Moreover, he is pained by the appearance of the new high-tech millionaires driving around in Porsches. The good doctor's wife exclaims, "We don't have the luxuries that you would think in this bracket," as she describes shopping at cheaper grocery stores and clipping coupons. The message of the article is that there are rich people and super rich people, and both would benefit from a tax cut. In short, you can never have too much money!

Now to the organized effort by businessmen, doctors, lawyers, and the like to protect the interests of the privileged class. This effort is revealed in three ways: (1) Members of the privileged class hold upper-level positions in all the major institutions of American society. These institutions control enormous resources that can be used to shape public awareness, the political process, and the nation's policy agenda. (2) The organizations to which the privileged class belong form associations in order to hire lobbyists, contribute to political campaigns, and shape legislation in their interests. (3) The members of the privileged class who are in professional occupations, like medicine and law, are represented by powerful professional associations that protect their members against any efforts by other groups to encroach on their "turf." Thus, the American Medical Association (AMA) makes sure that state legislatures continue to give doctors a monopoly over what they do by preventing nurses, or pharmacists, or chiropractors, or holistic practitioners from providing certain types of care to clients. Similarly, the American Bar Association acts to prevent paralegals from competing with lawyers in handling wills, estates, or certain types of litigation.

Not every segment of the privileged class is unified on all issues. Doctors are not pleased with the actions of attorneys when they vigorously pursue malpractice suits against doctors and hospitals. The AMA has urged Congress to pass legislation limiting the dollar amount of damages that might be awarded in malpractice claims. Lawyers resist such efforts because they make their living from obtaining 30 percent of the damage awards made to persons suing doctors or hospitals. Similarly, the banking industry and the large industrial corporations may differ on whether they would like to see the Federal Reserve Board raise or lower interest rates. Some sectors of the business community may support giving China special trade concessions, while others may be opposed.

Despite the differences and disagreements over specific policies by members of the privileged class, they are unified in their support for the rules of the game as they are currently played: The privileged class is unified in its view of how the political process should operate. Individuals and organizations should be free to lobby members of Congress on matters of interest to them. Individuals and organizations should be free to contribute money to political action committees and to political parties. And above all else, privileged-class members agree that business should be able to operate in a free and unregulated environment and that the country runs just fine with a two-party system.

Then there are the really big policy issues, where the "payoffs" are substantial to almost all segments of the privileged class. The North American Free Trade Agreement (NAFTA) and the General Agreement on Tariffs and Trade (GATT) were supported by Presidents Reagan, Bush, and Clinton and by a bipartisan majority of both houses of Congress. The new President George W. Bush took office in 2001 and proceeded to promote the so-called Free Trade Area for the Americas (FTAA), which would extend NAFTA throughout the Western Hemisphere. Taken together, NAFTA and FTAA represent the effort of the international privileged class to have countries in the Americas adopt economic policies to attract foreign investment, encourage "free trade," and restrict government efforts to protect the rights of workers. These agreements promise to advance the global economy and the continued pursuit of profits across the globe by multinational corporations.

The privileged class in the United States achieved major victories in the 1980s through their efforts to reduce government spending on a variety of social programs that benefit the working class. Using the scare tactics of budget deficits and the national debt, the privileged class supported a balanced budget agreement that required the president and Congress to reduce spending on welfare, education, Medicare, and Medicaid. In the 1990s, the privileged class turned its attention to the global economy by devising ways to protect opportunities for investment and profit around the globe. The main way to achieve this was to make it easy for large corporations to circle the globe in search of the best opportunities and thereby threaten workers everywhere so as to keep their wages and benefit demands at low levels. Facing the oft-repeated threat that there are "other" workers willing to do the same work for less money, the American working class has lived with declining earnings and disappearing health benefits and employer-provided pensions. And all this occurred during an eight-year economic recovery and a booming stock market!

During the 1990s, major U.S. and foreign corporations joined forces to lobby Washington policy makers to relax federal policies on international trade. This included granting most-favored nation trading status to China (with whom we have a high trade deficit) and passing the North American Free Trade Agreement, which eliminated trade barriers between the United States, Canada, and Mexico. Before the passage of NAFTA, the United States had a $1 billion trade surplus with Mexico, but the year following NAFTA that surplus had become a $16.2 billion deficit.[30]

To garner public support for free trade, President Clinton frequently pointed out that for every $1 billion in goods and services we export to other countries, we create 20,000 jobs at home. This may be true, but the problem is that it also works in reverse: for every $1 billion of goods that we import, we lose 20,000 jobs. And, as indicated earlier in this chapter, in 2000 the United States had a trade deficit of $370 billion with other countries.

Despite claims by officials in Canada, Mexico, and the United States that NAFTA has been a success, an analysis of the impact of NAFTA seven years after its adoption indicates that 766,000 actual and potential jobs have been eliminated in the United States "between 1994 and 2000 because of the rapid growth in the U.S. export deficit with Mexico and Canada."[31] Thus, we lose many more jobs than we create with our free-trade policies. But free trade is not about jobs; it is about profits for corporations and the privileged class.

Defending Turf

In February 1998 the *New York Times* published a two-page open letter to the Congress of the United States, entitled "A Time for American Leadership on Key Global Issues."[32] The letter expresses concern about "a dangerous drift toward disengagement from the responsibilities of global leadership." Congress is asked to approve new fast-track negotiating authority, which would extend NAFTA-like agreements to other countries in Latin America and around the globe, and to support the International Monetary Fund bailout of failed banks in Southeast Asia (although it failed to mention the benefit to U.S. banks and financial institutions that are heavily invested in those economies).

Signatories to this letter include two former presidents (Jimmy Carter and Gerald Ford), 42 former public officials (secretaries of defense, treasury, commerce, and state; CIA directors, national security advisers; U.S. senators), and eighty-eight corporate presidents and CEOs (of AT&T, Boeing, Amoco, Chase Manhattan Bank, IBM, Time Warner, Bank America, etc.). Many of the former public officials now work as lobbyists for the U.S. and foreign multinationals that "feed at the public trough" via tax loopholes and federal subsidies.

Why would these 132 members of the privileged Class spend $100,000 for this two-page ad in the *Times*? Surely not to influence members of Congress. Corporations and the privileged class have more effective ways of doing that, such as the $3 million in campaign contributions by Philip Morris or the $2.5 million that Chiquita Brands CEO Carl Linder gave to both political parties from 1993 to 1996. Perhaps the ad was designed to convince the working class to support fast-track legislation. Probably not. The circulation of the *New York Times* is about 1.6 million, and very few of those readers are from the working class. The most likely targets of the ad were the nationally scattered members of the privileged class that the elite leaders wanted to mobilize at the grass roots. The ad was designed to get the millions of privileged doctors, lawyers, journalists, managers, scientists, stock brokers, and media executives to mobilize public opinion through the hundreds of professional and business associations that represent their interests. The privileged class constitutes 20 percent of the population (about 14 million families), and when mobilized, it can represent a potent political force.

Opposition to the privileged-class agenda on the global economy is fragmented, and operates with limited resources. Critics of NAFTA and the GATT, like Ralph Nader and Jesse Jackson, can hardly stand up to the National Association of Manufacturers or the U.S. Chambers of Commerce. The opposition to NAFTA and the GATT voiced by reactionary populists Ross Perot and Pat Buchanan, who appeared to be "traitors" to the interests of the privileged class, was dealt with swiftly and sharply by the major media. Perot was given the persona of a quirky, eccentric millionaire who was trying to buy the presidency because he had nothing better to do with his time and money. Buchanan was vilified as a crypto-racist, anti-Semite, and general all-around loose cannon.

The attacks on Perot and Buchanan by academics and political commentators on media talk shows should not be surprising. Elite universities and the major media are controlled by the wealthy and corporate elite who are at the top of the privileged class. The major networks of ABC, CBS, NBC, Fox, and Turner Broadcasting determine what the overwhelming majority of Americans will receive as news and entertainment. Two of the major networks are owned by major multinational firms, and institutional investors control substantial percentages of stock in the networks.

Is it any wonder, therefore, that efforts to attack the status quo are immediately marginalized or coopted? An example of this process was revealed during the Republican presidential primary in early 1996. Pat Buchanan was making his usual bombastic attacks on immigration, NAFTA, and the GATT when he suddenly started lobbing some grenades at the corporate elite while yelling about "corporate greed." Here are a few samples, from speeches made in February of 1996: "When AT&T lops off 40,000 jobs, the executioner that does it, he's a big hero on the cover of one of these magazines, and AT&T stock soars"; "Mr. Dole put the interest of the big banks—Citibank, Chase Manhattan, Goldman Sachs—ahead of the American People."[33]

When it appeared that Buchanan's reactionary populist attack on the corporate elite was striking a responsive chord among people on the campaign trail, the *New York Times* decided to take the extraordinary step of publishing a seven-part series, called "The Downsizing of America," which ran from March 3 through March 9, 1996. Some might call this a major public service by the *Times*, designed to inform Americans about an important issue. Others might say it was a clever effort to take the issue out of Buchanan's hands and to shape it and frame it in ways that would deflect the criticisms and attacks on the corporate elite. The *Times* series did not point an accusing finger at corporate America for the loss of millions of jobs. If anything, the series made the reader either feel sorry for everyone, including the "guilt-ridden" managers who had to fire workers ("Guilt of the Firing Squads"), or to blame everyone, including downsized workers. In an extraordinary example of blaming the victim, consider the following "explanation" for downsizing. "The conundrum is that what companies do to make themselves secure is precisely what makes their workers feel insecure. And because workers are heavily represented among the 38 million Americans who own mutual funds, they unwittingly contribute to the very pressure from Wall Street that could take away their salaries even as it improves their investment income."[34]

The *New York Times* series did not help its readers to understand who benefits from downsizing, but it did help to defuse the issue and to take it out of the hands of those who might be critical of corporate America. It is an example of the pacification of everyday life.

Resistance to the Global Economy

> The rules created by NAFTA are imbalanced; they encourage capital mobility by extending trinational protection to investors while protections for workers and the environment are left to national governments … One result has been a rise in inequality and insecurity among working people.
>
> –Jeff Faux, *Nation*, May 28, 2001

We have tried to provide a glimpse of the meaning of the bogeyman global economy. The term has been used to threaten workers and unions and to convince everyone that they must work harder if they want to keep their jobs. The global economy is presented as if it is *out there* and beyond the control of the corporations, which must continually change corporate strategies in order to survive in the fiercely competitive global economy. It is probably more accurate to view the current global economy as an accelerated version of what U.S. financial and industrial corporations have been doing since the end of World War II—roaming the globe in search of profits. The big change is that since the 1980s, U.S. firms have found it easier to invest overseas. They have used this new opportunity to create new international agreements like NAFTA and FTAA that attack organized labor and threaten workers to keep their wage demands to a minimum. In this view, the global economy is composed primarily of U.S. companies investing abroad and exporting their products to the United States (as the largest consumer market in the world) and other countries. These multinational corporations have an interest in creating the fiction that the global economy is some abstract social development driven by "natural laws" of economics, when it is actually the product of the deliberate actions of 100 or so major corporations.

There has been growing popular opposition to the international accords that are creating the new global economy. In December of 1999 the so-called Battle in Seattle signaled the growing resistance to globalization. Tens of thousands protested against the World Trade Organization's "free trade" agenda that would threaten U.S. workers' jobs and wages, and provide little protection against environmental damage. Protesters were confronted by police using pepper spray and tear gas to prevent disruption of the WTO meeting.[35] On April 20–22, 2001, the Third Summit Meeting of the Americas took place in Quebec City, Canada. Heads of state from thirty-four countries in the Americas (Cuba was excluded) assembled for negotiations on the so-called Free Trade Agreement for the Americas. Once again, tens of thousands demonstrated against this new effort to make it easier for international finance capital and multinational corporations to control the global economy.[36]

The resistance that took place in Seattle and Quebec City (as well as in Washington, D.C., and Davos, Switzerland) reveals the operation of the Alternative Power Network. Groups representing labor, environmentalists, anti-sweatshop campaigns, and human rights activists came together to challenge the international agreements that provide few protections for working people throughout the Americas. They are calling for trade agreements that protect the rights of workers to a living wage, regulations on the behavior of multinational corporations and international finance capital, and consideration of environmental protections consistent with economic and social development.

The problem posed by the global economy is that it has increased the influence of large corporations over the daily lives of most Americans. This influence is revealed in corporate control over job growth and job loss, media control of information, and the role of big money in the world of national politics. At the same time that this growing influence is revealed on a daily basis, it has become increasingly clear that the major corporations have abandoned any sense of allegiance to, or special responsibilities toward, American workers and their communities.

This volatile mix of increasing influence and decreasing responsibility has produced the double-diamond class structure, where one in five Americans is doing very well indeed, enjoying the protection that comes with high income, wealth, and social contacts. Meanwhile, the remaining four out of five Americans are exploited and excluded.

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