renewal has, on its face, been successful in bringing about a new economy. But we should not overlook the irony that even cab drivers are now at risk of replacement by automation. Professional-class Democrats counting on "retraining" to make the Rust Belt working class vanish and drop its grievances would do well to take note, and to heed the lesson of these books: the Rust Belt did not just happen, but was made. Those who live through economic restructuring do not always have the same experiences, or interpret those experiences in ways that are predictable. No one is immune to creative destruction, but we are not helpless before it either.

Author Biography

Lily Geismer is an associate professor of history at Claremont McKenna College. She is the author of *Don't Blame Us: Suburban Liberals and the Transformation of the Democratic Party* (Princeton University Press, 2015).

The Winner-Take-All Economy

The Great Convergence: Information Technology and the New Globalization
By Richard Baldwin
Belknap Press, 2016
ISBN: 9780674660489

The Rise and Fall of American Growth: The U.S. Standard of Living since the Civil War
By Robert J. Gordon
Princeton University Press, 2016
ISBN: 9781400873302

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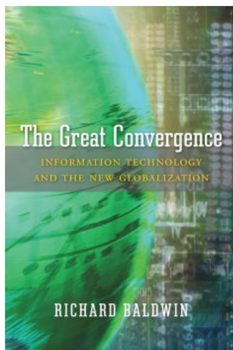

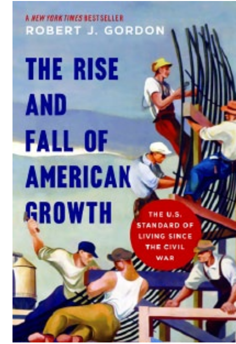

The engineer-entrepreneur inhabits a hallowed place in the American political imagination. Thomas Edison's electrical generator and Gustavus Swift's refrigerated rail car expanded the horizons of consumer choice and reduced prices. Alexander Graham Bell opened new vistas of communication and coordination. Ingenuity and efficiency frequently stand in for collective purpose and a common good, transcending the perennial political contest over control of the state and the distribution of resources. But debates about economic productivity are often little more than roundabout answers to the question of what draws investment into the economy. If we talk about efficiency, we can evade politics.

Professor Richard Baldwin dutifully upholds this tradition with his recent book on the global division of labor, *The Great Convergence: Information Technology and the New Globalization*. Baldwin is the president of the Centre for Economic Policy Research, the European economic think tank (not to be confused with the progressive American outfit of the same name), and founder of their influential economics website VoxEU. He was a doctoral student of the early Paul Krugman—the laissez-faire pioneer of "New Trade Theory" who made his name advocating for President Clinton's trade policy. In his new study of globalization, Baldwin opens true to form, tracing the origins of modern supply chains and their constraints on public macroeconomic policy all the way back to the Paleolithic Era. The spread of humans across the globe set in motion the modern division of labor, he writes, of sweatshops, on-demand production, and even management consulting. "This [first] phase of globalization," he reports, "lasted about 185 millennia."

Projecting specifically modern configurations of power and production into the past as timeless laws carrying the force of nature would be less galling were Baldwin's own moment more secure. At the dawn of post–Cold War capitalism, he served as the senior staff economist to George H. W. Bush's Council of Economic Advisors during negotiations over the World Trade Organization and NAFTA. As the head of one of the leading European economic research providers, he has consulted for the European Commission, the OECD, and the World Bank, among others—a measure of his authority is his textbook *The Economics of European Integration*. In 2012, the British government turned to Baldwin for a white paper on strategies for bringing the island's manufacturing sector into the twenty-first century without offending business or decreasing economic efficiency. All of these projects are now draped in uncertainty.

The book's thesis is that the integration of national economies has taken place in two phases, and that second which we are experiencing operates in fundamentally different ways, to which national governments should adapt. The earlier period, or the "Old Globalization," was characterized by "the unbundling of consumption from production," facilitated by the steamboat, the railroad, and the reduction of tariffs after World War II. (Notwithstanding his grandiose claims about the Stone Age, Baldwin does not include it in "the Old Globalization.") As this process unfolded, primary goods could be produced in one country, processed in another, and consumed in yet a third. By contrast, the "New Globalization," which began around 1990 with advances in information and communications technology, is unbundling knowledge from production—it has further divided production by allowing a geographical separation of management from labor. This fosters further specialization in the international division of labor as tasks once spatially limited by the reach of technical knowledge and managerial oversight are further separated and distributed to the lowest-cost providers across the planet. Not all countries have equal-opportunity access to the supply chain, however. The information technology revolution is running up against a third constraint, Professor Baldwin writes: "the cost of face-to-face interaction." As the limits of the New Globalization are reached, he predicts a "third unbundling" of business growth will be facilitated by the offshoring of service-industry jobs through "telepresence" for knowledge workers and "telerobotics" for more physical service work. Such a dystopia would involve an economy almost completely devoid of face-to-face contact—a cost to be eliminated. The low-wage jobs would come to the willing who would never have to leave the house, though presumably they would still have to pay rent.

What is most striking about Baldwin's analysis is the flat prose with which he predicts what for many would seem a horrifying nightmare of accelerated displacement, ruined traditions, and helpless communities. In the current phase of globalization, "one cannot accurately predict which stages and jobs will be affected next," he writes. "No matter what job you have and no matter what sector you work in, you cannot really be sure that your job won't be the next to suffer or benefit from globalization." These unpredictable changes will be "more sudden and more uncontrollable," raising the stakes for governments to secure the less-mobile, higher "value-added" jobs in the supply chain to their jurisdiction. The near-complete rejection of globalization by the voters of the developed world in 2016 can be understood by recourse to Baldwin's thinking. We now have the advantage of hindsight, but it is astonishing that any observer of both the debates within the subfield of international economics and the lives of working people over the past two decades could be surprised by the course of global politics.

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Despite his dark vision, Baldwin's analysis has an egalitarian moral: Growing inequality within states is outweighed in the moral calculus by greater equality between them. The New Globalization has redistributed income toward the developing world, lending the book its title. Thomas Friedman made a similar claim over a decade ago with his 2005 best-seller *The World Is Flat*, but Baldwin updates the tin-eared pundit's argument by offering policy advice.

Governments must adapt, Baldwin writes, to a world where the "trade-investment-services-intellectual-property nexus" is constantly reorganizing supply chains to whichever location momentarily offers the greatest value-added. This is all to the good, particularly in regard to Baldwin's brief treatment of civil society institutions which do not control production and are therefore reactive. Labor unions organized on a national basis, he writes, are incapable of building influence with employers organized across international supply chains. Government social policy also receives token and cursory treatment. Near the end of the book, he writes that "as today's globalization demands more flexibility from workers, it is even more important to ensure that labor flexibility does not lead to precarious living standards. Governments need to provide economic security and help workers adapt to changing circumstances."

How can states help their citizens adjust? Baldwin does not say, though he does have a repertoire for the endless cycle of beggar-thy-neighbor capital-chasing: Governments can, he argues, take steps to lure the highest-wage sections of the supply chain to their own territory. These include tax-funded research, "private sector R&D subsidies, tax breaks," higher education spending, "training, and retraining," and a host of fiscal and regulatory subsidies. Relaxing antitrust laws, strengthening intellectual property rights, subsidizing industry, and reducing business taxation—beyond these, there is no specific mention of how "security" can be provided, or "precarious living standards" ameliorated.

Still, Baldwin has one idea that may be useful to workers, if only inadvertently. It is the idea of the "city as factory." Public policy in the "New Globalization" should be focused on urban centers, Baldwin writes, which are seen as reservoirs of high-value production inputs. Cities, according to a growing consensus in the union movement, offer an obvious point of leverage for municipal governments used as tools of working-class power. If capital needs cities, it still needs workers and must move into the ambit of their economic and political power.

Preoccupation with technology as the arbiter of social relations is a common legacy of the World War II settlement, when distributional questions were surrendered to the possibility of a rapid growth that could adequately accommodate competing claims. That growth has not been forthcoming since the 1970s. Today, productivity-enhancing technology seems more an accelerant than ameliorator of impending class conflict.

Robert J. Gordon has taken up this issue in his encyclopedic survey of economic progress, *The Rise and Fall of American Growth: The U.S. Standard of Living since the Civil War*. Long-run trends have preoccupied American economists since at least the 1930s, when the full decade of depression and the political crisis it launched gave the subject palpable stakes. Alvin Hansen's posing of the problem in 1939 as one of "secular stagnation" proved vital to the emergent Keynesian consensus.

In December 2013, amid the continued wage stagnation and lethargic employment gains of the Obama recovery, Larry Summers revived Hansen's theory, arguing that private investment had become inadequate to sustain "full employment and strong growth." Expansive public investment, or forcing private investment through negative interest rates, seemed to Summers the only potential source of new growth. In the past three years, the debate among central bankers has focused on the propriety of negative interest rates to induce private investment, with former Federal Reserve Chair Ben Bernanke becoming a strong advocate of the idea. With fiscal policy limited both by high sovereign debt levels—the cost of financial-sector bailouts—and conservative control of governments in the developed world, the long-term question is back with a vengeance.

Gordon's book, then, is a timely arrival. Although he eschews the holistic treatment of the circulation of investment and its relationship to employment and output that Summers, Hansen, and of course Keynes saw as central—ignoring capital markets and, as much as he can, government policy—Gordon still argues forcefully and comprehensively that growth rates will continue to fall given the trend in output per worker over the past 150 years.

One of Gordon's core claims is that advances in technology are the primary source of productivity growth, but most inventions are one-time, stepwise increases. The internal combustion engine, the electrical generator, the telephone, the apartment building—the diffusion of these

devices, once invented, could be financed as a major business activity. They also offered a host of immediate subsidiary gains: electric home appliances, expanded and more efficient work hours. "Thus it was typical over more than a century for output per person to double every generation," Gordon writes. But once the technology was widespread, the productivity increases of the "second industrial revolution" were spent. Now we are left facing "a bleak future in which median real disposable income will barely grow at all."

Gordon's pessimism stems from his appraisal of the third industrial revolution—the new information and communications technologies of the past three decades that Baldwin celebrates. Technology can displace, but it can also promise to create entire new industries which absorb accumulated and uninvested capital and offer new employment. The problem suggested by Gordon's analysis is that the products of today's new industries are not so much labor-saving as they are capital-saving. The computerized firm is a one-time productivity boost, which afterward leaves businesses with smaller investment needs. New technologies have exhausted consumer interest, in Gordon's appraisal. "Smartphones and tablets have saturated their potential market," while the information networking of the home, such as the networking of water, sewer, gas, and electricity that absorbed investment in the first half of the twentieth century, is also a one-time occurrence. With this in mind, the frenetic appeal among businesspeople of the "internet of things"—digitally networked home appliances—becomes less bizarre. For them, it offers the elusive opportunity of another consumer boom.

. . . Gordon's analysis is that the products of today's new industries are not so much labor-saving as they are capital-saving.

As a final indicator of the declining investment demands created by innovations in information and communication technology, Gordon offers the rate of net investment in the country's capital stock, which "has been trending down since the 1960s." From a fifty-year average of 3.2 percent, net private investment as a portion of total private business capital stock has sunk today by two-thirds to one percent. The nature of digital business means that investors have fewer and fewer places to put their profits.

Technological change is not the only way of increasing efficiency, as any line manager or football coach knows. Purpose and punishment can and do motivate. Gordon's argument is confused by these factors; he insists on refining measurements of productivity growth by accounting for political factors. For example, it was the constraints placed on business by organized labor and the wartime government, he writes, that compelled managers to rationalize their enterprises. "Virtually every firm making consumer goods . . . had been forced to make something else during World War II, and every one of those producers learned to be more efficient from the process." Henry Kaiser's government-financed and fully unionized shipyards, to cite one example, reduced the time to build a cargo ship from eight months to a few weeks after its first year of operation.

But technology has never allowed us to avoid the question of how we will treat one another. "The problem of our generation is," Hansen wrote, "above all, the problem of inadequate private investment outlets." It was experienced then as mass unemployment. Wartime expenditures, the baby boom, and state-financed development solved this problem once, by forcing the adoption of late-nineteenth-century technologies and expanding consumer demand. Whether or not work could be devised on terms amenable to private capital was the intractable question. Although it has been postponed, it has never vanished.

Posed against Baldwin, who is similarly preoccupied with "value-added" or output per worker, the debate is reduced to a question of how much new technology can continue to raise returns. The future of capitalism, from this perspective, is essentially a guessing game—waiting for, as they call a big breakthrough in Silicon Valley, a unicorn. This was just as true at the dawn of World War II as in our own moment. "We are thus rapidly entering a world in which we must fall back upon a more rapid advance of technology than in the past if we are to find private investment opportunities adequate to

maintain full employment," Hansen wrote in 1939. Rather than wait for an uncertain future, however, Hansen argued for public policies to ease dependence on private capital. Although Gordon proposes ways of mitigating the languishing effects of slowed productivity growth, none of them are as bold as his analysis indicates. Waiting soberly without illusions is still waiting.

As of this writing, the president-elect's infrastructure program does not appear to consist of any substantial public investment. His website promises a "to help attract new private infrastructure investments through a deficit-neutral system of infrastructure tax credits." Business has not been forthcoming with the new capital outlays necessary for growth, but perhaps the combination of a release of corporate taxes and the presence of an ally in the White House will persuade enough boardrooms to raise investment spending. Corporate cash holdings in 2016 rose to $1.84 trillion, nearly double the incoming administration's promised infrastructure investment price tag. Unless they can be deprived of the privilege or shocked into action, the future will ultimately depend, as usual, on the whims of business leaders.

Author Biography

Andrew Elrod is a graduate student and teaching assistant in the history department at the University of California, Santa Barbara.

In Our Hands Is Placed the Power

The Fight for $15: The Right Wage for a Working America
By David Rolf
The New Press, 2016
ISBN: 978-1-62097-113-0

No Shortcuts: Organizing for Power in the New Gilded Age
By Jane F. McAlevey
Oxford University Press, 2016
ISBN: 9780190624712

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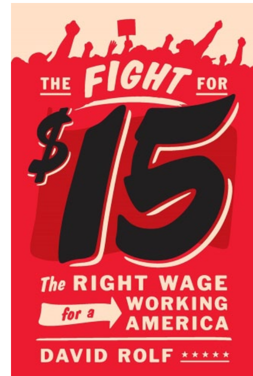

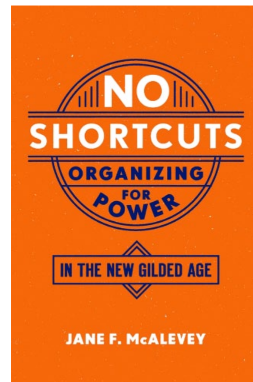

The agonizing debate over how to revitalize the U.S. labor movement now has a history about as long as the labor movement's twentieth-century heyday itself. Just under four decades have passed since Ronald Reagan crushed the Professional Air Traffic Controllers Organization (PATCO) strike, and that was just over four decades after the Flint sit-down strikes. Twenty years have gone by since an insurgent leadership seized control of the AFL-CIO on a promise to organize its way out of the decline. That is as long as the CIO existed on its own. And in recent times, we, too, have seen a new union federation rise, but it quickly withered, torn asunder by internecine warfare as the most monumental economic collapse since the Great Depression left people all over searching for an alternative vision, and for some leadership to help them get there. Now we approach the third decade of the twenty-first century while bracing for a Trump administration. Is the question of how to revitalize organized labor even worth asking anymore? It seems not to have produced much other than wistful nostalgia, along with some academic commentary on whether there is anything to be nostalgic about in the first place.