outside of this confusion, kept deliberately out by the poetic cadence and elevation of the writing, as in the following conclusion to the chapter called "Brothel":

> And still the vision of that young woman drifted there, vague one moment, the next vivid, reaching for me, unloosing the clasp of her skirt that rustled down as I leapt back and came forward, blurring inwardly, making my election.

More important than the boy's perspective is his working-class background, however little Deane wishes to make it an issue. There are, in this world, few places to hide from the indignities that the boy comes to expect. The occasional beatings or taunts administered by local policemen are matched by the assaults of street gangs and the bruising insults of others alert to every prospect of inflicting abuse. Growing up among unsophisticated persons nursing their own memories of want and hurt, the boy has little chance of escaping the vindictive parochialism of his community. Sometimes, in Deane's world, it seems that the worst thing a decent person can do is to talk to a policeman, as if to do so were to sell one's soul to the devil.

As in other Irish works focused on betrayal, the central term in the lexicon of abuse here is "informer." To inform is to forfeit any semblance of self-respect and to sever irreparably one's ties to the community. Forgivable in principle, the informer is in practice regarded as grotesque and out of bounds. When the father utters, about a member of his own family, the words "he was an informer," the son can only beg him to unsay them. "Say nothing," he repeats to himself. "Never say. Never say." Members of families thought to have contained an informer are tainted, carry a curse and may expect at any time to be punished for the unhappiness that has befallen them. To marry into such a family is not only ill-advised, it is a breaking of "sacred laws."

Like everything else in Deane's world, his people may regret certain attitudes and practices regarding informers, but the attitudes are too deeply rooted to deplore or to reform. When the boy finds himself suspected of informing on a few street toughs who had intended to rough him up, he finds no support, even within his own family. Never mind that he gave no information to the policemen who questioned him. Never mind that no movement or organization was at stake, no oath violated. "Have you no self-respect, no pride?" screams his mother.

> "Thank God my father's too ill to hear about this—the shame alone would finish him. A grandson of his going to the police!"
>
> "I didn't go to the police. I threw a stone at them."
>
> "Same thing in the circumstances. . . . "

Nor is the usually more generous father more understanding. "Why didn't I take a few punches. . . ? Didn't I know what sort of people the police were? Had I no guts, no sense, no savvy, no shame?" Tempted to mark up the entire demand-system of the community to "stupidity," the boy concludes that his father and all the others are "right" but "wrong too." To live in such a place, it seems, is to accept that wisdom consists in learning to tolerate what in any case will not change. If it is stupid to be battered for no good reason, and stupid to regard as "informing" what is no such thing, and stupid to live perpetually in fear of disapproval by persons who are ignorant and malicious, it is also stupid to pretend that one can get along in such a place without making substantial concessions to the reigning shibboleths and expectations.

Of course, *Reading in the Dark* is a novel. What would seem contradiction in another genre is here variousness and complexity. Deane need not tell us that he disapproves of much that passes for the facts of life in Derry for us to grasp their awfulness and their sometimes terrible vitality. And, for all the stubborn blindness in many of Deane's characters, there is a tenacity that can seem almost wonderful. The situation of Northern Ireland, discernible here only in fragments, allows for a complicated communal life, however crippling its myths. Deane's novel is driven by an impressive power of remembrance, and by a conviction that the proper business of the novelist is to make ordinary lives in their own way eventful, so that possibility exists even where fatality reigns.

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The global economy and American wages.

Fear Not

BY JAGDISH BHAGWATI

I.

Are we in the midst of a virulent form of mutant capitalism, prompted by the spread of markets and the arrival of the global economy, that permanently imperils the earnings of our blue-collar workers, accentuates economic insecurity among white-collar workers, undermines our sense of personal identity and autonomy, endangers our democracy and is ushering in a dark and unprecedented era that requires us to rethink the economic and social institutions of a vanishing age? Or are we experiencing only transitory difficulty and distress, whose magnitude is exaggerated by the media, with the consequence that pessimistic perceptions have overtaken optimistic realities?

The tug of war between these views is momentous in its consequences. If the dismal view is correct, and we stand aside as silent witnesses to an unfolding history whose import we fail to grasp, we may unleash chaotic responses by the distressed in our society, who will be denied a significant and appropriate response to their predicament. And if we rush in to fix what isn't broken, and wind up denying ourselves the undoubted economic benefits of markets and participation in the global economy, we would be committing an unforced economic error and damaging ourselves and our prospects.

Intellectuals prosper, of course, by proclaiming new ages and new epochs. And the celebrity of intellectuals is immune to the tests of time and refutation. Just ask yourself: Where did "the affluent society" go? It was here to stay, in John Kenneth Galbraith's famous analysis, though it needed repair. And what ever happened to the arrival of "technostructure" and the new era of the long managerial view in corporate planning and of permanent jobs, announced again by Galbraith? Indeed, with many today lamenting the crippling dominance of shareholders bent on "short-termism,"

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and many others blasting "downsizing" as a low road that is undermining jobs, the proponents of the epoch of "technostructure" and "managerial capitalism" have surely lost to the serious scholars who scoffed at them.

And intellectuals tend to prefer pessimism. Recall the "declinism" that swept through the United States in the 1980s—and contrast it to our relative prosperity today as Japan, once feared as omnipotent and touted as a role model by many, is now seen in its distress as having joined the human race after all. And as Europe, with its low growth rates and high unemployment rates, has become in its entirety the sick man of Europe, the sick man that is Europe, where might Lester Thurow hide his confident prediction of 1992 that, of the three economic giants today, Europe would emerge the "winner?" No lesser calamity has overtaken his famous declaration that "GATT is dead," a diagnosis that was especially egregious when he made it in Davos at the World Economic Forum: even as he spoke, GATT was being besieged by lobbyists wanting to include their causes on its agenda while nonmember nations were queuing up to join. And yet the reputations of these prophets are intact.

And things are not easy, conversely, for those who meet the apocalyptics and the theorists of the new age with skepticism. They sound callous at worst, and silly at best, if they question the strength of the economic phenomena that are so "obviously" defining and distressing the new epoch. The skeptics defy the fashions also in fields far from economics, in political theory, philosophy, international relations and sociology, where the assumption increasingly grows that we are now at a turning point in history, in which capitalism has produced a variety of grim to catastrophic consequences. There is an essential connection, we hear, between a lost sense of personal identity and a new anguish about economic prospects, between downsizing and bowling alone. The Global Age is seen even as a threat to democracy itself. We are warned that forces beyond democratic control are dominating economic life. Ralph Nader and others insist that international institutions are constraining and overturning the gains that grass-roots politics made on environmental and health issues: thus GATT, a creature of multinationals that have been routed in battles at the local level, devises agreements behind NGO backs that win the war for the corporations in an end-run around democracy.

So what is really going on? Three questions are begged by all this tumult. Is there really increased distress? If so, what is producing it? And what can we do about it?

II.

The different elements of distress need to be unbundled. Two main phenomena are now thought widely to be afflicting the economic world. On the one hand, the real wages of unskilled blue-collar labor appear to have declined through the 1980s and done not much better in the 1990s. On the other hand, the educated white-collar workers are considered to be vulnerable to job losses to an unprecedented degree. What are the facts?

The evidence for the decline in the wages of our unskilled, the blue-collar workers, is fairly robust. True, they have fallen less than we thought they would fall, when adjustments are made for the recent revision in the Consumer Price Index and for fringe benefits; but they have fallen nonetheless. And, whatever has caused our real wages to fall during the 1980s, and virtually to stagnate through most of the 1990s, appears to have obtained equally in Europe, adding to the high levels of unemployment there, since their labor markets are more "inflexible" than ours.

The Good Life and Its Discontents: The American Dream in the Age of Enlightenment 1945-1995
by Robert J. Samuelson
(Times Books, 293 pp., $25)

The End of Affluence: The Causes and Consequences of America's Economic Dilemma
by Jeffrey Madrick
(Random House, 223 pp., $22)

America Unequal
by Sheldon Danziger and Peter Gottschalk
(Harvard University Press, 220 pp., $15.95 paper)

The decline in real wages in the United States, moreover, has occurred against the backdrop of a rise in income inequality and wealth inequality, well documented by Ed Wolff of New York University and paralleled by studies for several other developed countries. The most recent estimates of income disparity in the United States, just released by the Census Bureau, suggest that the gap between the incomes of the rich and the poor, variously defined, has increased in the last quarter century, and most likely faster during the Clinton years. And yet this is not necessarily an explosive social situation, though it may offend egalitarian sensibilities.

What *does* matter is the coexistence of fallen and stagnant real wages at the bottom of the heap with conspicuous consumption at the top, with substantial remuneration of management (especially a downsizing management) at the workplace itself and with the sense that upward mobility is more and more rare. As Simon Schama has reminded us, the embarrassment of riches among the Dutch burghers provided capitalism with a human face: the burghers pursued wealth, creating prosperity, but the wealth was not spent on personal self-indulgence. It is hard to imagine anything resembling the spirit of Calvinism or Puritanism defining the lives that are described in the style sections of our newspapers.

I suspect that the new visual technologies that bring the lavish consumption of the rich and the super-rich into our homes do not merely satisfy vicarious appetites. For the many who have been experiencing economic difficulties even as the economy has continued to grow, our culture of spectacle feeds frustration and resentment instead. It is the sense that you cannot improve your station, that you cannot get at the higher income, consumption, and wealth that you see others enjoy, that is the ultimate problem, since it undermines the unique basis of American capitalism. Capitalism survives best when it encourages accumulation *and* restraint, and also an abundance of altruism; or when, despite unequal outcomes, it offers the equality of opportunity that we call, sentimentally but appropriately, the American Dream.

In recent years, the impression has become widespread that one's probability of getting up to a higher rung of the income ladder has declined. And this feeling of futility, though it is exaggerated, is not entirely out of line when checked against the statistics. Peter Gottschalk—who, with Sheldon Danziger, has written a careful analysis of poverty and inequality in the United States—argued recently that, of the five contemporary studies of earnings and income mobility in the United States, using longitudinal data that trace incomes over time, two suggest that the trend is down, while three indicate that there is no trend. In none of the studies, however, is there any indication of improved upward mobility, of an increase in income level that would soften the blow from stagnant wages.

But if all this is dismal, it is not the whole picture. There are countervailing developments that should bar us from despair. For a start, the media, for which bad news is good news, often overplays the notions that good jobs are disappearing, that the new service-sector jobs

doom us to a destiny of hamburger flippers, that we are now "overworked" Americans making two ends meet by holding down three jobs. The Council of Economic Advisers, in a brief but incisive study that was held back for some time as the administration's political advisers confronted the obvious difficulty in reconciling Clinton's desire to feel American pain with Clinton's desire to show results, has dealt a mortal blow to these ideas. In particular, the report shows that the vast majority of net new jobs—that is, the jobs produced minus the jobs destroyed—created during the early 1990s are full-time rather than part-time, that nearly two-thirds of the jobs created between February 1994 and February 1996 were in sectors and occupations that paid above-average wages and that the share of workers holding multiple jobs has remained approximately constant since the late 1980s.

Moreover, we know from the work of the labor economist Henry Farber that people who are permanently displaced, including those caught up in the infamous downsizing at big corporations, are not facing a bleaker prospect of finding a new job now than in the early 1980s (though we should not forget that those were less prosperous years). The wrenching stories of the downsized managers who wound up bagging groceries or delivering liquor to their neighbors have no counterpart in statistical reality: the average reduction in wages earned during 1981 to 1993 by the displaced was a sad, but not devastating, 14 percent.

To understand at a deeper level why the public has nonetheless fallen prey to overblown complaints about the vanishing American Dream, we could do no better than read Robert Samuelson's shrewd and optimistic book. It combines first-rate economic analysis with persuasive historical, political and sociological insights. Samuelson, too, destroys some gloomy stereotypes, among the more melodramatic being that, as Juliet Schor argued in her much-cited book *The Overworked American* (1992), the American worker today is overworked and overstressed. Samuelson cites data from a later study that show that this conclusion was "simply wrong," because "women work more on jobs, but the increase is fully offset by doing less homework. Men's working hours have remained roughly stable."

Samuelson's main contribution is his argument that we are the victims of a revolution of rising expectations. The prosperity of the 1950s and 1960s, says Samuelson, was set against the memory of the devastation of the Great Depression, and the austerity of the Second World War and its subsequent anxieties; and it unleashed a sense of exaggerated optimism about the future and about government's ability to keep us steady and rising upwards with the aid of Keynesian economics and a confident new tribe of economists. But there were forces working the other way. The economists' conspicuous failure to fine-tune the economy and to eliminate the scourge of recession, the emerging trade-off between inflation and employment that made the earlier goal of a low-unemployment economy yield to the notion of the higher "natural" rate of unemployment, and the slower growth of GNP since the 1970s, in the post-OPEC era—all these phenomena contrasted sharply with the immediate past of great optimism, producing the exaggerated pessimism that afflicts us today. We are doing better, but we are not doing as well as we thought we would be doing. For this reason, there is immoderate unhappiness where there should be moderate happiness.

Samuelson also assigns a small role in this complicated story to the indirect effects of slow growth: less growth implies less revenues, and less revenues put a damper on the growth of public spending on entitlement programs, even as the demands for such expenditures increase sharply. But Samuelson does not see in slow growth the root of all evil. By contrast, Jeffrey Madrick's shallow book is crippled not merely by an utterly implausible technological explanation of what has caused economic growth to be slow since the early 1970s, but also by a simplistic surrender to economic determinism.

Madrick would have us believe that if only growth since the 1970s had been higher, our problems would have disappeared. Consider this strange assertion: "Our health-care expenditures, our fastest-growing major expense, would have been more affordable if we had continued to grow at the historic [that is, faster] rate." This is good arithmetic, but it is bad economics. Suppose that expensive new technology is invented to attack cardiovascular disease. GNP should grow with this invention since growth reflects "fundamentals" such as capital accumulation and technical change. But if the healthcare system is set up in such a way that most patients cannot be denied the benefits of the best technology, the increased medical expenditures can outstrip substantially the greater economic growth and revenues. Indeed, there is no dispute that this is partly what explains the recent explosion in medical expenditures.

Or consider, from Madrick's book, this outrageous claim:

> Slow economic growth may increasingly set old pensioners against young workers, homeowners against renters, suburbs against cities, natives against immigrants, light-skinned Americans against dark-skinned ones, debtors against creditors, and those with power, by virtue of their own wealth or their paid representation in Washington, against those who have none.

Really! Madrick's illusion that all bad things go together is the flip side of the illusion, the old liberal illusion, that all good things go together, and so we are in danger of civil war, or civil wars.

III.

But all, as I say, is not well. In a survey last summer that asked respondents to choose between "the opportunity to succeed" and "security from falling," 88 percent of those 18 to 29 years old chose the former, a distinct difference from the older generation's response. This is inevitable, perhaps: the young tend to seek opportunity, variety and change, and to dread the prospect of being stuck in lifetime jobs, while older workers see difficulty in change and seek continuity. Still, the latter group's preference may well have been accentuated as the displacement rates have increased for them and created a more acute sense of insecurity. Indeed, insecurity about jobs may be properly seen as increasing if people begin to feel, for good reasons (such as the strong presence of foreign competition), that the probability of holding onto jobs has diminished even if few displacements have actually occurred. So something has indeed changed. The pessimists are not entirely hallucinating. The real wages of the unskilled have fallen. The job insecurity of the skilled has increased, as their displacement rates have risen.

But why are we ailing in this way? There are two answers to the question about causes, two schools of thought. There are those who adduce domestic factors such as technological change, and those who blame the Global Age. But the decline in real wages is to be explained, I believe, as overwhelmingly the product of unskilled-labor-saving technological progress. We are down the wrong track if we worry about the global economy—specifically, about the increase of American trade with, and American investment in, developing countries south of our border and elsewhere. And yet the question of job insecurity does have much to do with the Global Age. Let me explain.

Consider the decline in the real wages

of the unskilled. The evidence that globalism—in the form of trade with, and investment in, poor countries—is a significant cause of this decline is not compelling. Those who think otherwise do not come to grips with a central fact: if such trade is at the heart of the explanation, then the import prices of the labor-intensive goods should have fallen relative to those of other skilled-labor-using goods. For that is the mechanism by which, obviously, the pressure on real wages of labor would arise. But all serious researchers now agree that this was not the case in the 1980s, when the real wages of unskilled labor fell in the United States. In fact, if you look at the behavior of the prices of labor-intensive goods in the 1970s, when real wages kept rising, they actually fell. Thus, when prices of labor-intensive goods were falling (in the 1970s), real wages kept rising; and when they were rising, real wages fell.

This is not as surprising as one might think. After all, the intuition that falling prices of the goods that one produces will necessarily prevent one from sharing in the gains from trade sounds like common sense. But, as Wolfgang Stolper and Paul Samuelson showed half a century ago, it takes heroic assumptions to turn that intuition into an iron law. Economic theorists typically gain recognition by proving a "possibility" theorem which overturns the notion that something is unprovable, or by proving an "impossibility" theorem which overturns the view that something may be possible. The Stolper-Samuelson theorem, that the real wage of labor could be shown *necessarily* to fall when the price of labor-intensive goods fell, belonged to the former class; there were few economists for whom the notion was anything more than a theoretical curiosity.

One need not be an economist to grasp the argument that falling prices of labor-intensive goods can increase the real wage of labor. Consider that my wage at work falls because shoes, textiles, toys, and other labor-intensive goods fall in price. But then I may also be spending a lot of my income to buy these goods, so that my gains as a consumer outweigh my losses as a worker, leaving my "real" wage and my economic welfare higher. As it happens, working people do spend a much higher portion of their budget on such goods than, say, an average reader of this magazine. Again, increased international competitive pressure could snap our industry into greater efficiency, as the Japanese did for Detroit: all productive factors then profit from the increased efficiency. Increased economies of scale in production as freer trade expands markets could also profit all factors. Indeed, modeling the effects of NAFTA in this fashion, the economists Drusilla Brown, Alan Deardorff and Robert Stern had calculated during the debate on NAFTA that its passage would improve, not worsen, our workers' real wages.

I should add that the popular nightmare that our unskilled workers are destined to be swamped by rapidly expanding supplies of labor-intensive products, made in "gigantic" countries such as China and India, ignores two elementary facts. China and India are large; but their economic size, which is the relevant statistic, is not so large. The United States, on some estimates of national income, is six times the size of India and three times the size of China. A "large" rate of growth of supply in the poor countries can be absorbed without difficulty by a "small" rate of growth of rich-country demand. Besides, the world is a continuum of exporters and importers of labor-intensive products, and countries move from one role to another as time passes and incomes change. Hence there is no reason to think that expansion of Chinese and Indian supply of labor-intensive goods will necessarily take place in American markets, or for that matter in the traditionally rich OECD country markets, exclusively.

Indeed, as the Australian economist Ross Garnaut has shown, the ratio of net exports to world imports of labor-intensive manufactures has indeed risen dramatically in the last decade (from negligible levels to roughly 14 percent) for China, but it has simultaneously and symmetrically fallen (from about 14 percent down to virtually zero by 1994) in East Asia, so that the Chinese expansion of such manufactures has been absorbed during the 1980s mainly within the Asian region itself, thus avoiding substantial pressure on structural adjustment in the "old industrial countries." Aggregating these countries into a "South" or an "East" that will come at us like gangbusters is an ugly fallacy that ignores how countries progress up a ladder in comparative advantage.

Thus the argument about trade with poor countries producing paupers in our midst is hard to sustain empirically. And so is the contention that investment is also such a source of the distress of our unskilled. During the 1980s, the United States received more direct foreign investment than it sent out. And if we look at all foreign investment as the flip side of our current account deficit, then we also received net investment. The conclusion is inescapable: economic integra-

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tion with the South does not lie at the core of the difficulty facing our unskilled; and the obvious culprit then has to be unskilled-labor-saving technological change.

But isn't this technological change itself prompted by global competition? Some analysts, such as Ethan Kapstein, think so, but they are wrong. If global integration with the South is driving wages down, then the resulting technological change should be biased toward increasing the use of the cheaper labor. What we see is the opposite. The tendency of technological change is to diminish the reliance on cheaper labor.

I am not suggesting that the Global Age makes no difference in our economic life. Quite the contrary. The Global Age is increasingly, and in a systematic and systemic fashion, beginning to change the landscape in a way that contributes to job insecurity. We have to reckon with what is popularly described as increased foreign competition. More precisely, what we are facing now is a new and steadily encroaching economic universe in which the nature of comparative advantage is becoming thin, volatile, kaleidoscopic and creating vulnerabilities for industries, firms and workers.

In world trade and world investment, there are now greater transactions and greater flows. Trade in goods and services has continued to grow faster relative to national incomes throughout the postwar period. More pertinently, the share of trade within the (hugely tradable) merchandise and primary goods sectors has grown perceptibly, compared to the prewar and the immediate postwar levels. By the 1980s, as the economic historian Douglas Irwin has noted, there was a vast increase in the exposure of tradable industries to international competition: a situation that was more true of primary industries in the prewar period but now characterizes most manufactures today. The substantial exposure to international competition, the fact that few industries today can pretend that they are immune from international competition: this reality is making itself more and more keenly felt.

The continuing integration of the world's financial markets, the increased transnationalization of production by multinationals, and the convergence in technological ability among the OECD countries, have all combined to make competition among firms across nations fierce. Companies in different countries can avail themselves of similar technologies, borrow at similar interest rates and produce where it pays a little more to do so, in a manner which was difficult only a decade ago. The margins of competitive advantage have, therefore, become thinner: a small shift in costs somewhere can now be deadly to your competitiveness. We used to call such industries "footloose"; the ability to hold on to them was fragile, as the "buffer," or margin of competitive advantage, was not substantial. In the old days, few considered such industries to be the norm. Today they are the norm.

There is no better proof of this sense of increased vulnerability in international competition, reflecting what I have called the "kaleidoscopic comparative advantage" of the Global Age, than the fact that firms (the managements and the workers) are increasingly tempted to look over their foreign rivals' shoulders to see if differences in their domestic policies and their domestic institutions are giving them that extra edge in competition which then amounts to "unfair trade." This growing perception of the new volatility of economic advantage also animates all the "fair trade" demands to harmonize the institutions and the policies of other countries with the institutions and the policies of our own, so as to impose "equal burdens" and to "level the playing field," and the lobbying to raise environmental and labor standards in developing countries, and our continuing "system friction" with Japan.

Increased international competition, I suspect, also explains to a degree the tendency to displace older, educated workers, and hence also the general rise in documented displacement rates during 1980 to 1993. The decision to let these workers go, in favor of younger educated workers, may have to do with technical change to which the older generation has not adapted. But there is also a more subtle reason why firms let such people go. This is the labor-market theory that explains why firms rationally prefer wages below productivity early in an employee's tenure, and wages above productivity later in that employee's tenure: it encourages workers to stay at the firm, minimizing voluntary quits. But then the only thing that prevents a firm from firing its senior workers, thus collecting what economists call "rent" (it is better described as a rip-off) from these workers, is simply the "reputation costs" that would stigmatize the firm as an unreliable employer that cheats you out of your greater-than-your-current-productivity wages in the later years. The loss in reputation if the firm cheats is what prevents it from breaking this "implicit contract" between it and its employees; but if a firm can say, "I would love to keep you, but international competition leaves me with no choice but to fire you," it may keep its reputation intact. Yet this phenomenon may not last long, as workers increasingly seek to negotiate explicit contracts to avoid this unpleasant outcome.

IV.

The pressure on wages at the bottom is overwhelmingly due to domestic technological change, and the job insecurity in the middle and at the top is primarily due to the Global Age. Clearly we need a far-seeing, unpanicked intellectual and institutional response to these new circumstances. And such a response is precisely what we are not getting. Instead we have the rampant delusions of isolationism and intrusionism.

The isolationists come in a few varieties. There is, of course, Patrick Buchanan. His prescription, when it is not simply an appeal to nativist prejudice, is that we withdraw from the external threat and hide behind protection, even at our own economic expense. The "moderate" protectionists do not like nativist politics (though they are not above the politics of resentment); they would like to halt the further freeing of trade with poor countries, in the spirit of James Goldsmith's suggestion that we practice free trade only with "like-wage" countries so as to protect the wages of our workers. The "extreme" protectionists would like to unravel even existing trade treaties, such as NAFTA. Moderately or extremely, they propose that we close the door to freer trade with poor countries, denying them and ourselves the certain benefits of a more open economy.

If you are a great power, another response is available to you, the one I call intrusionism. Interest groups concerned about competitiveness may get the American government to cajole, bamboozle, or punish other nations into adopting policies that limit the competition that is the glory of the Global Age. This may not work too well when we face off against other rich and powerful countries: our attempts to force Japan into abandoning its institutional structures have generally failed, except when domestic forces within Japan already leaned in the desired direction. When we face the poor countries of the South, however, we can speak less softly and carry a bigger stick. And we can mobilize as our allies the other rich nations that share our objective. Thus, we have witnessed the recent growth of "unfair trade" demands addressed to the poor nations, including the establishment and increase of minimum wages: this would raise the production costs of our rivals in these poor countries to levels that make their competition more tolerable.

Intrusionism is no less of a chimera than isolationism. It seeks to restrain trade, but from the other end: it is tanta-

mount to "export protectionism." The problem is that the foolishness of intrusionism is less transparent. This is partly because those concerned with competitiveness are often allied with groups that seek to advance the legitimate, moral agendas that set us apart from many other nations. The latter groups perhaps act on John Stuart Mill's remark that no great cause was advanced without someone's special interest being mixed up in it. But they are wrong.

For the anti-competition lobbies have weakened the moral agenda by selectively tilting it against the poor nations and shielding the rich nations, and by linking it closely to trade access instead of advancing it in other ways that are more effective. Thus, our demands for a "social clause" at the World Trade Organization, making conformity to it a precondition for market access, have been reduced to an emasculated "core." The right to unionize and to bargain collectively is included—but then why omit strictures on the restrictions on secondary boycotts and on the practice of hiring replacement workers, both of which can cripple the strikes of workers and have helped reduce American unions to a membership of less than 12 percent of the workforce? Again, there is nothing about sweatshops, rampant in our garment manufacture, or about the rights of migrant workers, who are often subject to abject abuse here, if investigative television reports are to be believed. The heavy hand of "export protectionism" is all too manifest here. And it arouses strong objections from poor countries, who suspect that the Clinton administration is disguising American interests as American values.

Those values are better advanced instead by the political and financial support of the numerous and growing NGOs, both here and abroad, that work ceaselessly to nudge the world in the right direction. Appropriate international institutions such as the ILO on labor rights, and the UNICEF on rights in the Convention of the Child, could be assigned to produce systematic and periodic reviews of member states' conformity to these conventions. This in turn might enable governments to use public censure, and NGOs to use campaigns, labeling and boycotts to shame and pressure firms and nations, both poor and rich symmetrically, to change their offending ways. Used in this way, today's "civil society" can be a very powerful instrument of change. But the Clinton administration, whose public silence over China's egregious violations of human rights is deplorable, has embraced intrusionism, instead in the shape of the social clause—a bone thrown to the unions in an abandonment of genuine commitment to the cause of human rights, and a surrender to export protectionism.

Trade is not the cause of declining real wages; it likely improves them. The Luddite solution to the problems of the unskilled is similarly flawed. (Such a solution has been brilliantly debunked by Steven Marcus in these pages.) The solution to the economic problem that is distressing us has to lie, rather, in a domestic institutional response: in more and different governmental action and architecture, designed so that we can profit less painfully from the new age. The political scientist John Ruggie wrote in 1982 of what he called "embedded liberalism," arguing that the New Deal had embedded liberalism of the marketplace into the "social order," making it tolerable and survivable. The same argument, Ruggie suggested, could be extended to the integration of nations into the world economy.

The flux and adjustment costs seen to be imposed by forces beyond the nation-state create a particularly acute demand for state relief. The communitarian legitimacy of such relief is plain. I have long argued for the creation of institutional support mechanisms to ease the consequences of, and hence to facilitate, the decline and the exit of firms in the context of a vastly more integrated world economy; the most compelling such institution would be the provision of adjustment assistance. Robert Reich, along those lines, has insisted on workers' retraining and educational upgrading. In a time of accelerating technological advancement, enhancing the acquisition of skills through educational reforms, including vouchers, is the right kind of thinking.

Moreover, in a world in which we now have fewer and possibly vanishing jobs with the conventional probability of long tenure, we need to break the tight and time-honored linkages between employment and the benefits that provide basic needs. This problem is especially acute in our provision of health care, which has been tied to employment by a quirk of wartime. As long-held jobs become scarcer, however, young workers also need to become more adept at the art of planning their future, since pensions and other benefits in the package traditionally provided by one's long-term employers have also become increasingly rare. One is now more likely to plan for retirement on one's own.

Institutions often evolve in response to needs. But will they evolve without the state steering in the necessary direction? And, even then, will they evolve fast enough? Only a romantic belief in the virtue of laissez faire, and a cynical disbelief in the capacity of useful state action, can lead one to answer these questions in the affirmative. Besides, a state that stands aside as society is a state that is hobbling itself. It is also a careless and callous state, lacking in the empathy that has been a historical characteristic of our essentially generous society. We must not cast doubt upon the legitimacy, and the necessity, of state action. We must remember what the market-only libertarians among the Republicans have forgotten: that extending a hand, even bearing a few gifts, to the poor, and more generally to the victims of social and economic dislocation, is not merely good for the soul. It is also good for the polity. The Global Age is no time for anti-government politics in America. •

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