Globalizing Production in the United States, Western Europe, and Japan

Since 1945, two economic developments have altered the way people work in the United States, Western Europe, and Japan. First, the production of goods and services in these three regions has been redistributed. Second, the production of goods and services in these regions has been reorganized. The redistribution and reorganization of production has contributed to the globalization of production.

In the period between 1945 and 1970, the redistribution of production generally promoted economic development in the United States, Western Europe, and Japan, the group of countries described for many years as the “first world” or the “West,” and now referred to as the “Triad” or the “North.” But after 1970, the redistribution of production generally came at U.S. expense, a process economists in the 1970s called “deindustrialization” because U.S. industries lost business and jobs to firms based in Western Europe and Japan. This development contributed to changing gender relations in the United States because men lost jobs in manufacturing industries at a time when women found work in increasing numbers in the service sector.

Then, in the 1980s and 1990s, U.S. firms began reorganizing production. Rising stock prices on Wall Street encouraged corporations to buy up other firms and introduce new technologies in the newly merged firms. The resulting reorganization of production made U.S. firms more competitive with businesses in Western Europe and Japan in the 1990s. But this reorganization also led to downsizing, or job loss for many workers in the United States.
To appreciate the causes and consequences of these two developments, we will return to the 1950s, when the process of redistributing production among businesses in the United States, Western Europe, and Japan began.

**REDISTRIBUTING WORK, 1945–1970**

After World War II, male wage workers in the United States produced most of the manufactured goods consumed in the United States, Western Europe, and Japan. Male and female farm households in the United States also produced most of the food consumed in the United States, Western Europe, and Japan. But that changed during the next twenty-five years. By 1973, the United States produced only one-fifth (21.9 percent) of the world’s manufactured goods, down from more than half (56.7 percent) in 1948. Meanwhile, businesses in Western Europe and Japan doubled their share of world manufacturing, from 15 to more than 30 percent. By the mid-1970s, Western Europe had also become self-sufficient in food production, so their consumption of food grown in the United States declined substantially. Essentially, a significant share of manufacturing and agricultural production had shifted from the United States to Western Europe and Japan. This redistribution of production, what may be called the globalization of production, began early in the postwar period. Significantly, production was redistributed primarily from the United States to Western Europe and Japan, not to other poor countries. So the globalization of production was a partial and limited process, not a universal development.

Why was production redistributed during this period? Because governments, businesses, and consumers all adopted policies and practices that shifted the location of jobs in manufacturing and agriculture from the United States to other locations.

U.S. policies played a crucial role in helping redistribute production during the postwar period. Although U.S. policies were designed to promote political and military cooperation and foster economic growth within the core, they also contributed to the redistribution of wage work. Here’s how:

First, the U.S. government provided public aid worth billions of dollars to its allies through the Marshall Plan and related programs. It also directed vast quantities of military aid to Western Europe and Japan, aid amounting to as much as $2 trillion between 1950 and 1970. Public aid provided capital that allied governments used to rebuild wrecked infrastructure and industries destroyed by war. This created jobs for demobilized servicemen in construction and manufacturing. Without this aid, Western Europeans would have been unable to rebuild. U.S. military spending in Western Europe and Japan provided numerous economic benefits (it also caused some social problems). Because the military purchased goods for overseas U.S. bases from local suppliers, U.S. defense spending generated jobs in defense-related industries. U.S. purchases of French aircraft for NATO, for example, created jobs in an industry that would later compete with U.S. aircraft manufacturers. The hundreds of thousands of U.S. servicemen stationed in Western Europe and Japan spent their wages there, resulting in jobs for local businesses and injecting dollars, a scarce and important commodity, into local economies. These practices provided capital and cash that was used to create national and local manufacturing and service industries in Western Europe and Japan. And by serving abroad, U.S. soldiers released young men in Western Europe and Japan from military obligations, so they could take jobs producing goods rather than standing guard.

Second, the U.S. government allowed its allies to levy high tariffs (taxes on goods they imported from the United States) and establish strict controls on capital movements. These policies encouraged U.S. firms to invest heavily in Western Europe. General Electric, for example, quadrupled the number of factories it operated in Western Europe between 1949 and 1969. The $78 billion that U.S. firms invested in Western Europe during the 1950s and 1960s was used to create jobs and produce goods there, so that European consumers could purchase goods made by Europeans rather than buying imported goods made by Americans. Private U.S. investments in this period may have resulted in the loss of two million jobs in the United States. This practice, which was encouraged by government policies in the United States and Western Europe, contributed to the redistribution of production in manufacturing industries.

Third, U.S. officials established a global system of fixed exchange rates during the war. The Bretton Woods agreement, as it was called, allowed Western European and Japanese firms to compete as equals in U.S. markets, even though they were not yet competitive with U.S. firms (see chapter 2). Generous postwar exchange rates, which made Western European and Japanese goods seem cheap in U.S. markets, and low U.S. tariffs on imported goods, encouraged worker-consumers in the United States to purchase toys, sewing machines, radios, and alcohol from Western Europe and Japan. Exchange rates also persuaded U.S. workers to travel abroad. The $4.8 billion that U.S. worker-tourists spent overseas, most of it in Western Europe, generated jobs in service and tourist industries and injected dollars into local economies.

For their part, governments in Western Europe and Japan made the most of opportunities provided by U.S. policies, business practices, and consumer behavior. U.S. public aid, military assistance, private investment, and consumer spending provided them with capital, cash, and markets that they used to create jobs and rebuild industries. Governments
in Western Europe and Japan also adopted policies that tapped another important resource: their own domestic workers.

Generally speaking, governments in Western Europe and Japan adopted monetary, trade, and tax policies designed to discourage consumption by domestic workers, encouraging them instead to save. By making it difficult for them to purchase imported goods or buy big-ticket items such as houses or cars, they forced workers to save a high percentage of their income. Japanese worker households, for example, put aside nearly 20 percent of their income in the 1950s and 1960s. The money that workers deposited in banks and postal accounts was then collected by banks and the government and used to finance the growth of domestic manufacturing industries.

To compensate workers for working hard and saving money, governments in Western Europe gave generous social welfare benefits to workers: pensions, health care, unemployment compensation, and vacations. The “welfare states” established in Western Europe after World War II created electoral support for conservative governments. In Japan, the government took a rather different approach, offering workers few social benefits. Instead, the government provided generous financing to industries, which then paid benefits to male workers in manufacturing, promising them lifetime employment (shushin koyo) and a seniority-based wage system (nenko joretsu seido). Women employed by large firms in Japan were typically hired only on a temporary basis, so they were largely excluded from the benefits designed to compensate worker households for their thirst. The rewards offered male workers were nevertheless sufficient to persuade households to support conservative government throughout the postwar period.

Policymakers in the United States could encourage and permit a redistribution of production, a process that resulted in the distribution of U.S. jobs to manufacturing industries located elsewhere, because there was a considerable amount of work that needed to be done. Workers were needed to rebuild whole economies in Western Europe and Japan, wage wars in Korea and Vietnam, fashion weapons and vehicles for arms and space races with the Soviet Union, build houses and supply durable goods for baby-boom households that had scrimped during the Depression and saved during the war, and supply newly independent countries with goods financed by the World Bank and foreign-aid programs. There was so much work to be done that the United States could surrender a significant share of production to its allies and still provide work for most male workers in the United States. There was so much work available that industries could, for the first time, even offer jobs to large numbers of minorities, women, and immigrants.

Minorities

During World War II, the lure of paid work in the North and West, and the pain of institutional racism in the segregated, “Jim Crow” South, persuaded five million African American workers to leave southern farms for jobs in big cities in the North and West, where many found jobs in manufacturing and service industries.

Women

At war’s end, many women were forced out of manufacturing industries to make room for returning servicemen. But while the percentage of women in the labor force dropped from 34.7 percent in 1944 to 31.1 percent in 1954, the decline was small and women retained a claim on a significant share of the available jobs.

Immigrants

U.S. industries even provided work for a large number of immigrants, one million in the late 1940s, 2.5 million more in the 1950s, and another 3.3 million in the 1960s. Agricultural firms also annually recruited another 300,000 to 445,000 workers from Mexico through the government’s Bracero Program.

In Western Europe, there was such a large demand for workers that industries could provide virtually full employment for domestic males, jobs to eight million ethnic Germans who were forced to emigrate from Eastern Europe and the Soviet Union after the war, and work for another three million Germans who fled East Germany before the Berlin Wall was built in 1961. There was so much work available that Western European countries could also recruit millions of other workers from Spain, Portugal, southern Italy, Yugoslavia, Greece, and Turkey (each donated about one million workers to the labor force in Western Europe) through various “guest worker” programs during the 1950s and 1960s.

In Japan, meanwhile, industry provided full employment for men, jobs for many women, though on unequal terms, and jobs for another 2.6 million Japanese immigrants, who had emigrated from areas occupied by Japan during the war, much as ethnic Germans in Eastern Europe had done.

Because the demand for workers was so strong, and because many workers belonged to trade unions, which used strikes to demand higher salaries, wages rose in all three regions, though at different rates. In the United States, wages doubled between 1950 and 1970. Wages rose at an even faster rate in Western Europe and Japan. By 1970, they had become comparable to wage levels in the United States.
But while wages rose more rapidly for workers in Western Europe and Japan, their standards of living did not measure up to the living standard of U.S. workers. Policies that discouraged consumption and promoted savings in Western Europe and Japan forced workers to pay high taxes, spend more of their income on food, and made it difficult for them to purchase cars or homes that were comparable to those available, at a lower cost, to workers in the United States. One striking measure of different living standards is this: in 1970, 96 percent of U.S. worker households had flush toilets in their homes; but only 9.2 percent of worker households in Japan had flush toilets in their apartments.20

During the twenty-five years after the war, work was widely available, salaries rose, wage differentials narrowed, and standards of living improved for most workers in the United States, Western Europe, and Japan. Under these conditions, the redistribution of production in manufacturing industries was regarded as unproblematic, even beneficial. For U.S. policymakers, the provision of U.S. jobs to industries in Western Europe and Japan was a relatively small price to pay for military unity, political cooperation, and economic growth in the core. But this would change after 1970, when the price of redistributive policies became apparent to businesses and workers in the United States.

**REDISTRIBUTION AND DEINDUSTRIALIZATION, 1970–1979**

In 1971, the United States posted a modest trade deficit, its first since 1893. Though small, the $2.3 billion trade deficit signaled that the United States had already lost a significant share of production to industries located in Western Europe and Japan. During the next twenty years, U.S. job losses and trade deficits would mount, and much of the production previously performed in U.S. manufacturing industries would be redistributed abroad, a rapid globalization process known in the United States as "deindustrialization." The redistribution of production accelerated in the 1970s because economic conditions had changed. In the early 1970s, the demand for manufactured goods fell because the United States withdrew from the war in Vietnam and slowed the pace of the arms and space races with the Soviet Union. It fell, too, because the Organization of Petroleum-Exporting Countries (OPEC) oil embargo forced up energy prices and poor Soviet grain harvests raised food prices. As energy and food prices rose, consumers cut back and demand for manufactured and agricultural goods weakened, triggering a global recession.

Meanwhile, the global supply of manufactured goods had steadily increased. The recovery and growth of manufacturing industries in Western Europe and Japan increased supplies of goods from these regions. As a re-

result, the battle for a share of global markets and a claim to a share of production in manufacturing industries intensified. As it did, many important manufacturing industries in the United States lost markets, and the jobs they provided were redistributed to industries located in Western Europe and Japan.

Why was production in U.S. manufacturing industries redistributed during the 1970s? There is no single answer. The reasons varied from one industry to the next. A brief look at government policies, industry practices, and consumer behavior in three important manufacturing industries—steel, autos, and aircraft—illuminates some of the different reasons why production was redistributed.

**Steel**

According to Benjamin Fairless, head of U.S. Steel in 1950, the U.S. steel industry was "bigger than those of all other nations on the earth put together."21 But the steel industry declined slowly in the 1960s and then rapidly in the 1970s, victimized by U.S. government policy and its own business practices.

During the postwar period, successive U.S. presidents worked hard to keep steel prices low. They did so to prevent steel price increases from triggering inflation, and to ensure that the other U.S. industries that used steel—auto makers, appliance manufacturers—paid low prices for it. When U.S. steel companies announced price hikes, presidents Kennedy, Johnson, and Nixon attacked the steel industry, lobbied its leaders to rescind price increases, and ordered federal agencies to purchase steel from low-price competitors.22 But government efforts to keep down prices lowered profit rates and made it difficult for the steel industry to use its earnings to modernize tired, aging plants.23 The government also used antitrust suits to prevent mergers and promote competition. This helped keep prices low, though mergers might have helped the industry reorganize and increase its efficiency. Ironically, this policy led officials to reject proposed mergers among U.S. firms, but allowed them to be acquired by foreign firms.24 When steel-industry firms asked the government to levy tariffs on steel imports or prosecute foreign firms that illegally "dumped" cheap steel in U.S. markets, officials repeatedly refused.25

For their part, industry leaders were slow to adopt new, energy-efficient technology, relying instead on aging plants and outmoded technologies because they wanted to pay for these before investing in new capacity. In 1978, 45 percent of U.S. plate mills were more than twenty-five years old, while only 5 percent of comparable Japanese mills were that old.26 The industry's acrimonious relations with labor unions also triggered a series of long strikes in the 1950s, forcing the industry to raise worker pay. The
industry might have afforded wage increases if it had invested in new technology and increased productivity, but the government’s low-price policies made this difficult to do.\textsuperscript{27}

Business customers also played a role in the steel industry’s decline. U.S. businesses that used steel wanted cheap supplies, so they lobbied hard against steel-industry efforts to raise prices or secure government protection against unfair foreign competition. General Motors, for instance, argued that actions against countries that dumped low-price steel in the United States “will have a negative effect on the prices [General Motors pays] for finished products with high steel content.”\textsuperscript{28} Then, in the 1970s, as inflation pushed up steel prices, businesses began using plastic and aluminum materials to replace steel in cars and appliances.\textsuperscript{29} This reduced the demand for steel, both foreign and domestic.

The U.S. steel industry was among the first U.S. industries to experience deindustrialization. As early as 1959, the United States imported more steel than it exported. By 1970, the U.S. share of world steel production had plummeted to 20 percent, down from 50 percent in 1945. Steel production then fell from 130 million tons in 1970 to 88 million tons in 1985. Today, the industry does not produce enough steel to meet domestic demand, and the United States is “the only major industrial nation that is not self-sufficient in steel.”\textsuperscript{30}

**Aircraft**

Unlike steel or autos, U.S. policymakers gave massive aid to the aircraft industry, which they viewed as essential to national defense. In the 1940s, the government built dams that provided cheap electricity to smelt aluminum, the essential raw material for modern aircraft, and purchased hundreds of thousands of planes from private manufacturers during the war.\textsuperscript{35} After the war, the military poured billions of dollars into the industry, financing new technology and designs and providing demand for the development of new military and commercial aircraft. The government’s purchase of a transport plane from Boeing enabled it to launch its first successful commercial aircraft, the 707.\textsuperscript{36} As a result, the industry captured 90 percent of the world market, a position it held well into the 1970s.

But U.S. dominance did not go unchallenged. In 1965, aircraft firms in Western Europe organized Airbus, a consortium that used government aid to develop commercial aircraft. Government subsidies and private investment from European and American banks enabled Airbus to develop its first plane (with wings from Britain, cockpit from France, tail from Spain, engine from Belgium, body from West Germany, and, importantly, engines from the United States).\textsuperscript{37} Unlike its U.S. competitors, the plane ran on two engines rather than three and required only two pilots instead of three, which saved fuel and lowered operating costs. These were important considerations for Eastern Airlines, which made the first significant purchases of the new plane.\textsuperscript{38} By 1988, Airbus had captured 23 percent of the world market. It wrested markets and jobs from weak U.S. firms like Lockeed and McDonnell Douglas. During the next decade, Airbus challenged Boeing, the world leader. In 1999, for the first time ever, Airbus received more orders for new planes than Boeing.\textsuperscript{39} And in 2000, Airbus began developing a new behemoth jet that will compete with Boeing for the lucrative long-haul business. The Boeing 747, which
has long monopolized this business, has been Boeing’s most successful plane, accounting for roughly half of its annual profits. The development of a successful challenge by Airbus could have a huge impact on the distribution of aircraft production.

Although the deindustrialization of the U.S. aircraft industry came later than it did to the steel and auto industries, the effect was much the same. ‘Every time a $50 million airplane is sold by Airbus instead of Boeing,’ one expert observed, ‘America loses about 3,500 high-paying jobs for one year.’

THE REDISTRIBUTION OF PRODUCTION AND CHANGING GENDER ROLES

The redistribution of production generally resulted in job loss and falling wages for males in U.S. manufacturing industries. By eliminating jobs long reserved for men, the redistribution of production helped transform gender roles in the United States. When the steel, auto, and aircraft industries surrendered markets and ceded jobs to overseas competitors, they laid off the men who smelted steel, assembled cars, and fabricated aircraft. Except for a brief time during World War II, few women worked in these industries. During the postwar period, indeed for most of this century, work in manufacturing had given men economic power in the labor force (largely through labor unions), political power in public life (primarily through the Democratic Party), and social authority in households (based largely on their role as breadwinners). The loss of wage work in manufacturing undermined male power in public life and male authority in private life.

Job loss has not always resulted in the erosion of male power and authority. During the Great Depression, men lost manufacturing jobs in droves. But because few women were employed in manufacturing or service industries, and those who were lost their jobs, too, male job loss did not significantly alter gender roles. In the 1970s, however, male job loss was accompanied by the entry of women into service industries. It was the combination of these two, simultaneous developments—the exit of men from manufacturing and the entry of women into service industries—that transformed gender relations.

During the 1970s, a growing number of women secured work in service industries. This is somewhat surprising. One might think that the end of the war in Vietnam, the demobilization of servicemen, and the recession triggered by rising oil and food prices would have resulted in the expulsion of women from the labor force, just as they had done after World War II. But women were not expelled because the number of returning ser-

vicemen was small, few women worked in manufacturing industries, and the service industries where women were employed in large number were actually growing in this period.

Women entered the labor force in large numbers during the 1970s for two reasons. First, women needed to secure wage work to maintain household incomes in an inflationary-recessionary, job-and-income-loss environment. In a sense, deindustrialization pushed women into the labor force. Second, the service industry, which historically had reserved jobs for women, needed workers as the demand for its goods and services increased. Growing demand was the product of several related developments. Massive advertising and widely available credit encouraged U.S. workers to spend, not save. Workers spent an increasing percentage of their disposable income on consumer goods and services, increasing the demand for services from the private sector. Increased government spending on social service-welfare programs also increased the demand for public service-sector workers, and women found jobs as teachers, health care workers, and social service administrators. Moreover, as women left home to take private- and public-sector service jobs, worker households began buying services that women could no longer or easily provide as housewives. This further stimulated the demand for women workers and also teenagers in service industries. In 1964, for example, only 1.7 million Americans worked in restaurants and bars. But 7.1 million did so in 1994. So the expansion of the service industry helped pull women into the labor force.

As a result of economic push and pull, the percentage of women in the paid work force increased from 38 percent in 1970 to 43 percent in 1980. This increase was comparable to the gains made by women during World War II. After 1980, women continued to enter the labor force, though at a slower rate, rising to 45 percent by 1990.

Of course, women who took paid jobs did not stop working at home. They still shouldered substantial workloads as housewives. So women’s total work (unpaid household work plus wage work) increased substantially in this period, from an average of about 1,400 hours in 1969 to 1,700 hours in 1987.

As women assumed more prominent economic roles, they also began playing a larger role in public and private life. The emergence of the women’s movement in the 1970s encouraged women to play more visible roles in politics and public life. The social status women gained by wage income, and the autonomy provided by new reproductive technologies and legal rights (the birth control pill, divorce law reform, abortion rights), made it possible for many women to assume new roles in worker households. At the same time, changing economic, political, and social roles for women and men frequently increased tensions between women
and men, resulting in high divorce rates and the rise of female-headed households.

This development was perhaps first apparent for poor African American worker households. During the 1950s and 1960s, black men and women had migrated from the South to northern cities, and men found wage work in heavy industries. Because black men were heavily "concentrated in industries like steel," and in cities where manufacturing industries made their home, deindustrialization in the 1970s had a catastrophic impact on jobs and employment for African American males.48

The exit of black men from manufacturing, and the entry of black women into service industries and government assistance programs such as Aid to Families with Dependent Children, transformed gender relations and contributed to the rise of female-headed households. But while this development has often been portrayed as symptomatic of problems unique to African American households, it can be more usefully understood as the early expression of problems common to many white and Hispanic households in the United States. The problems evident in African American households were not an aberration, but a harbinger. As it turned out, the exit of men from manufacturing and the entry of women into service industries transformed gender relations not only for African American households, but for other ethnic groups as well.

The ongoing redistribution of production in the United States, Western Europe, and Japan was joined in the 1980s and 1990s by another development: the reorganization of production.

REORGANIZING PRODUCTION
IN THE UNITED STATES, 1980–2000

The redistribution of production, which generally came at the expense of male manufacturing workers in the United States, did not go unnoticed or unchallenged. In the 1980s, U.S. officials, alarmed about the loss of U.S. hegemony, adopted monetary and trade policies designed to reassert U.S. control over the redistributive process, stem manufacturing losses, and reclaim a share of production. As a first step, U.S. policymakers devalued the dollar, first in 1971 and again in 1985 (a more extensive discussion of this development follows in chapter 2). As a second step in 1979, they raised interest rates (this is discussed at greater length in chapter 4). And third, in 1986 they initiated a series of trade negotiations with members of the General Agreement on Tariffs and Trade (GATT) and with neighboring states in North America.49

U.S. dollar devaluations encouraged investors from Western Europe and Japan to buy U.S. assets and open factories of their own in the United States. For example, in 1987, Japanese firms built or acquired 239 factories in the United States, up from only 43 in 1984. Total foreign investment in the United States, most of it from Western Europe and Japan, increased from $184 billion in 1985 to $304 billion in 1988.50

High U.S. interest rates in the early 1980s persuaded investors in Western Europe, Japan, and Latin America to purchase U.S. treasury bonds. In 1980, for example, foreign investors bought $71 billion worth of U.S. bonds, with two-thirds of the money coming from Western Europe and Japan, and most of the rest from Latin America.51 These developments encouraged European and Japanese investors to invest, for the first time, in the United States.

Prior to 1980, public resources and private investment had generally traveled in one direction, from the United States to Western Europe and Japan. But U.S. monetary policies in the 1980s altered investment traffic patterns. As Western European and Japanese investment in the United States increased (first buying public and then purchasing private assets), investment became multilateral, not unilateral. The emergence of multilateral or "globalized" investments, however, was generally restricted to these three central regions.52

Much the same was true of trade. U.S. trade negotiations in the late 1980s and early 1990s were designed to reduce core barriers to U.S. exports. By persuading Western Europe and Japan to reduce trade and other barriers, U.S. officials hoped to increase U.S. exports and change the direction of trade flows. In the 1970s and 1980s, trade goods had been moving from Western Europe and Japan to the United States. The trade agreement adopted by GATT members in 1994 helped stimulate the flow of U.S. goods to its main trading partners, thereby multilateralizing or globalizing trade, along with investment.

Taken together, U.S. monetary and trade policies helped attract Western European and Japanese investment to the United States and open their doors to some U.S. goods. Essentially, these measures rescinded the economic advantages that U.S. policymakers had given Western Europe and Japan in the late 1940s, when generous monetary and trade policies were used to promote economic recovery and political cooperation during the Cold War. But while these steps helped level the economic playing field, they did not greatly improve U.S. performance on the field. The redistribution of production continued in the 1980s, though at a slower pace than it had in the 1970s.

THE STOCK MARKET AND THE REORGANIZATION OF PRODUCTION IN THE UNITED STATES

Although U.S. monetary and trade policies helped level the playing field, they did not improve U.S. performance on it. But when U.S. officials amended Social Security, income tax, and antitrust programs in the early
1800s, they made it possible for U.S. corporations to undertake a vast reorganization of production in manufacturing and service industries. This reorganization helped U.S. industries regain markets in the 1990s, when industries in Japan and Western Europe slumped. For U.S. workers, however, this reorganization also resulted in job loss or downsizing and declining incomes.

The massive reorganization of production in the United States during the 1990s was propelled by obscure but important policy changes in the early 1980s. In 1981, the Reagan administration passed legislation to reform Social Security. As part of the package, officials made Individual Retirement Accounts (IRAs) more widely available to worker households. At the time, officials regarded this as a minor change to the Social Security program. They had little idea that it would have a huge impact on the stock market or trigger a massive reorganization of production.

As a result of changes to IRAs, workers rushed to take advantage of the tax breaks given to IRA accounts, and deposits in IRAs increased from $30 billion in 1980 to $370 billion in 1990. Much of the money deposited in IRA and 401(k) accounts, which also grew rapidly as a result of legislation adopted in 1978, was invested in the stock market, typically through mutual funds. In 1982, less than 10 percent of U.S. households owned stocks. But tax-free accounts encouraged millions to invest in the stock market, and by 1998, nearly 49 percent of U.S. households owned stocks.

In the mid-1980s, wealthy households and foreign investors also began investing heavily in the stock market. Wealthy Americans used money given them by tax cuts (the Reagan administration cut taxes on wealthy households from 70 percent to 28 percent in the early 1980s) to invest in the stock market. Foreign investors rushed to purchase U.S. stocks after the dollar was devalued in 1985 (the devaluation cut the price of U.S. assets for foreign buyers), and foreign investment in the stock market totaled $176 billion in 1986 (see chapter 2).

Investment from these sources poured rivers of money into the stock market. Think of them as downpours that filled the Mississippi (IRAs), the Tennessee (401(k)s), the Ohio (wealthy individuals), and the Missouri (foreign investors), which swelled the rivers and raised the barges and boats (stocks and bonds) that floated downstream. This flood of investment into the stock market essentially bid up stock prices and lifted the market into a long bull market.

Although government policies pushed investors toward the stock market, Wall Street exerted its own pull. The market was able to attract investors from worker, wealthy, and foreign households because stock prices were rising for the first time in a decade. The market's initial rise was given a jump start by two new government policies. First, the Reagan administration cut corporate taxes. Corporate income-tax cuts al-

owed businesses to increase their dividends to shareholders, making them more attractive to investors. Second, and more importantly, the Reagan administration stopped enforcing antitrust laws (the 1890 Sherman Act and the 1914 Clayton Act), which had long prevented corporations from merging and monopolizing the production of goods and services. This allowed businesses to merge with other firms, cut costs, increase profits, and raise dividends, making them even more attractive to investors.

As new investment was pushed and pulled into Wall Street, stock prices rose, bid up by growing demand. Rising stock prices, in turn, put enormous pressure on U.S. corporations to boost profits and increase their payouts to investors, who expected dividends to keep pace with rising stock prices. To keep up with the Dow Joneses, corporate managers reorganized production. They merged with other firms, rearranged production, introduced new technology, and laid off or downsized workers in an unrelenting effort to raise productivity, cut costs, and increase profits. Higher profits could then be used to increase shareholder dividends, and this in turn helped boost stock prices.

Between 1982 and 1987, the Dow Jones Industrial Average rose from 777 to 2,722, a threefold increase. This bull market came to an end on October 19, 1987, when prices fell 508 points, a 22 percent decline that resulted in a $1 trillion loss for investors. But the market soon recovered because the demand for stocks did not evaporate, as it had after the 1929 crash. Demand remained strong because worker-investors who held stocks in IRAs and 401(k)s could not easily withdraw their money without incurring stiff tax penalties, and because they had invested for the long term, using IRAs to provide for their retirement. Worker-investors were, in effect, forced by the tax code to stay in the market and prop up prices. When other investors realized that the government and worker households had built a floor under the stock market, below which prices could not easily fall, investment resumed. By 1990, investment had returned to pre-crash levels and prices began to rise again. Stock prices then surged upward, and the Dow climbed from 3,000 in 1990 to more than 11,000 in 1999, the longest bull market in U.S. history. As stock prices rose, the reorganization of production accelerated.

For businesses, rising stock prices put enormous pressure on managers to increase their profits so they could pay higher dividends to investors. Firms that failed to do so were punished by investors, who sold off stock and drove down its price. When that happened, managers were fired and the firm became prey to others. To prevent this and survive in an inflationary stock-price environment, managers have adopted two strategies to increase profits, payouts, and share prices. Both strategies typically resulted in job loss for workers.
Chapter 1

The first strategy has been for managers to reorganize production by merging with other firms, sometimes divesting parts to relieve themselves of unprofitable burdens or to raise cash for other parts. By merging with other firms, managers tried to create economies of scale or obtain control of markets that would enable them to increase profits. This strategy only became feasible because the federal government stopped enforcing antitrust law.56

In 1980, the year before the current merger wave began, corporations announced mergers worth $33 billion. Since then, businesses have merged and merged again. On just one day in 1998 (November 23), corporate managers announced mergers worth $40 billion, a sum greater than the value of all mergers in 1980.57 Between 1981 and 1996, firms arranged mergers worth $2 trillion. And the pace accelerated, with mergers worth $1 trillion recorded in 1997 and $1.6 trillion in 1998.58 All told, there were 151,374 mergers worth $13 trillion between 1980 and 2000. “We’re in the greatest merger wave in history,” said John Shepard Wiley, a professor of anti-trust law at U.C.L.A. “There has been a sea change in public attitudes toward large mergers.”59

A second strategy has been for managers to introduce new technology, lay off workers, and cut costs to increase productivity. For example, managers at Caterpillar, a heavy equipment manufacturer, closed nine plants and spent $1.8 billion to modernize its remaining factories. As new technology was introduced, the firm cut its work force from 90,000 to 54,000 and increased production. “We’ve almost doubled our productivity since the mid-1980s,” Caterpillar executive James Owens enthused.60

Business efforts to increase productivity have not been limited to manufacturing industries. Computer, phone, fax, and other electronic technologies—scanners, automatic tellers, and so on—have enabled managers to reorganize service-sector firms, where it had long been difficult to deploy technology as a way of increasing productivity. The demand for technology that can improve productivity has spawned the growth of the computer industry, which, in turn, has transformed service industries. In 1995, experts predicted that “half of the nation’s 59,000 branch banks will close and 450,000 of the 2.8 million jobs in the banking industry will disappear [by the year 2000]” as a result of new bank technologies like automated tellers.61 As Carl Thur, president of the American Productivity Center, put it, “The trick [for U.S. business] is to get more output without a surge in employment.”62

In the 1970s and early 1980s, productivity in U.S. firms increased slowly. But by merging with other firms, reorganizing business, introducing new technologies, laying off workers, and cutting costs, managers were able to increase the productivity of their firms. Between 1982 and 1994, “productivity increased about 19.5 percent.”63 Since then, it has increased at high annual rates: 2.8 percent in 1996, 2.5 percent in 1997, and 3.0 percent in 1998. These rates are significantly higher than the 1.1 percent annual increases reported from 1973 to 1989.64

Increased productivity helped U.S. firms raise profits. Between 1983 and 1996, annual corporate profits nearly quadrupled, from less than $200 billion to $736 billion.65 Higher profits made it possible to increase dividends to shareholders. This, in turn, has increased the value of corporate stock, drawn new money into the stock market, and driven stock prices higher, and higher still.

For workers, the reorganization of production, which was driven by the stock market, has resulted in massive job loss or, as it came to be known, “downsizing.” Like other phrases used in the 1980s and 1990s—“involuntary force reductions,” “right-sizing,” “repositioning,” “deselection,” “reducing head count,” “separated,” “severed,” “unassigned,” and “reductions in force”—downsizing has meant one thing: “You’re fired.”

Mergers resulted in job loss because some jobs in combined firms overlapped. Merged banks did not need two branches on the same street; merged manufacturing firms did not need two sets of accountants to keep the books, much less two assembly lines making the same goods under different brand names.

Between 1981 and 1991, four million workers at Fortune 500 companies lost their jobs, and total employment in these large firms fell from sixteen to twelve million workers.66 By 1998, the eight hundred largest U.S. firms employed only 17 percent of the workforce, down from nearly 26 percent in 1978.67 Firms throughout the economy accelerated the pace of layoffs: 1.42 million workers were laid off in 1980, 3.26 million in 1995.68 Of course, new jobs were also created, but many of them were on a part-time, temporary, or contractual basis. Some firms even “leased” their workers to other firms to cut costs and evade labor-law restrictions.69 As many as thirty million workers are now employed on a part-time, temporary, or contractual basis.70

Previous waves of change affected male workers in manufacturing: steel, autos, aircraft, construction. But contemporary downsizing has affected men and women, in manufacturing and service industries. It has affected skilled workers and college graduates, not just workers with high-school diplomas.71 It has affected white workers, not just blacks and Hispanics. It has affected managers in offices and assembly-line workers in factories. It has created two-tier workplaces, where permanent employees work alongside temporary or “permatemp” workers, who do the same jobs but receive very different salaries and benefits.72 The only group of workers that has been relatively immune from downsizing has been government workers and public-sector employees like teachers.
Ongoing job loss and the rise of temporary and part-time employment has made it extremely difficult for workers to earn higher wages, even though their productivity has increased and profits have grown. This contrasts sharply with the early postwar period, when productivity gains enabled firms to increase profits.

In the earlier period, corporations raised wages both because they could afford to do so and because widespread union membership helped workers insist that productivity gains be shared. But this has changed. The reorganization of production has disorganized workers and weakened unions. Today, the percentage of unionized workers in private industry (only 9.4 percent) is what it was in 1929. Unions would have to recruit fifteen million new members to regain their postwar strength. 

Although the reorganization of production has weakened worker claims on the profits created by productivity increases, it has strengthened investor claims on corporate profits. As a result, profits have been redistributed from workers to managers and shareholders. Because the reorganization of production is now being driven largely by the stock market, investors can now insist that any gains be shared with stockholders and managers, not with workers. As a result, workers have not been able to gain higher wages, despite the fact that corporations could afford to do so. 

There is serious irony here. Workers who invested in the stock market to provide for their retirement helped fuel the stock-price inflation that forced corporations to reorganize and, in the process, downsize workers. As investors, many workers benefited from rising stock prices and the corporate distribution of profits to shareholders. But as workers, many investors experienced job and income loss, which resulted from the reorganization of production and redistribution of profits. One New York Times writer captured this irony for workers in a headline, which read, "You're Fired! (but Your Stock Is Way Up)."

The reorganization of production led to job loss and declining wages. Labor's share of the national income declined, and the wealth it once claimed has been redistributed upward. The richest 2.7 million Americans now claim as much wealth as the bottom 100 million Americans. The average income of the top 20 percent of American households increased from $109,500 in 1979 to $167,000 in 1997. The richest 1 percent saw their average income skyrocket from $420,000 in 1979 to $1.2 million in 1997, largely because their income from stock dividends and rising prices grew enormously. But for the majority of workers during this period, wages actually declined, despite working harder, longer, and more productively. The average income for the bottom 20 percent of American households declined from $11,890 in 1979 to $11,400 in 1997. 

Moreover, men and women are working longer hours. Juliet Schor, author of The Overworked American, estimates that the hours worked by wage workers in the United States increased to 1,966 in 1999, surpassing the Japanese by seventy hours and Europeans by 320 hours (or almost nine full work weeks). "Excessive working time is a major problem," she concluded.

Because men and women are working longer, many workers have less time for family, friends, or vacations. Working parents today spend 40 percent less time with their children than they did 30 years ago, MIT economist Lester Thurow reported. Friendships also suffer from heavy workloads. Kim Sibley, who juggles two jobs in Flint, Michigan, was asked by a reporter whether her friends also had dual careers. "I don't have time for friends," she replied.

Vacations are another disappearing entity. In 1996, 38 percent of all worker families in the United States did not take any vacation, an increase from the 34 percent that did not vacation in 1995. And the average length of vacations for those who do manage to enjoy time off has declined from five days to four days in the last ten years.

Increased workloads can sometimes be fatal. The number of workers asked to work evening or night shifts has increased 30 percent since 1985, and fifteen million workers now work nondaytime shifts. As a result, the number of fatigue-related auto accidents has increased. Government highway safety officials estimate that 1,500 traffic deaths and 40,000 injuries are annually caused by fatigued workers, particularly those with late shifts.

LONG-TERM PROBLEMS WITH THE STOCK MARKET

There are two long-term problems with the emergence of the stock market as the institution that drives economic change in the United States. First, the market, which has relied on a steady infusion of cash to push stock prices up, may have difficulty obtaining the money it needs to continue growing in the future. Second, the market may not be able to sustain stock prices when baby-boomers retire and begin withdrawing money from their IRAs and 401(k)s.

During the past twenty years, the stock market has relied on a steady flow of cash from different sources. The flood of cash from IRAs, 401(k)s, and pension funds has been critical to its success, helping drive up prices during the longest bull market in history. But the supply of cash from these sources is not unlimited, in part because the amount of money people can contribute to IRAs is restricted by law and by their ability to save.
To encourage a new flood of cash into the stock market, Congress in 2001 passed legislation to increase the amount that individuals can contribute to their IRAs, from $2,000 to $5,000 by 2008. But while this may encourage a new wave of investment, it will come primarily from rich households who can afford to set aside $10,000 (per couple) each year for their retirement. Working- and middle-class households, who now have substantial debts and little savings, will not be able to contribute the full amount. This source of investment is largely tapped out. In the long run, this means that the level of investment that assisted the growth of the stock market in the 1980s and 1990s may no longer be forthcoming. And without new infusions of cash, the market may not be as robust as it has been.

Policymakers have proposed privatizing part of Social Security to make more money available to the stock market. They propose that workers be allowed to take one-half of the money withheld each month from their paychecks and invest it themselves for their retirement. This would vastly increase the amount of money flowing toward Wall Street. But there are several problems inherent with this plan. Because the stock market is volatile, it goes up and down; workers will assume greater risk than they now do under Social Security, which promises fixed benefits after retirement. Some workers will invest more wisely than others, so workers earning the same amount may end up with very different amounts of money available to them when they retire. Women earn less than men (about 30 percent less on average), so men will have more money available to invest. This could reinforce gender inequality when women and men retire.

A second long-term problem is this: Many of the working- and middle-class workers who invested in the stock market did so to provide for their retirement. When stock prices declined in 1987 and 2001, they stayed in the market, helping prop up prices and avert a more serious collapse. They did not sell because they would have been penalized if they withdrew money from IRAs and because they were investing, long-term, for their retirement. Their steadfast support was good for the market and for the economy that depends on its health.

But eventually these worker investors will retire and begin withdrawing money from the market. They will do so in significant numbers because the baby-boom generation to which they belong is large. As they begin to pull cash out of the market, stock prices could weaken. Remember that money flowing into the market helps create a bull market, while money taken out of the market contributes to a bear market. "If demography has played a part in driving the market up," Niall Ferguson has argued, "it can only have the reverse effect as the Baby Boomers' retire and begin to live off their accumulated assets."
Japanese banks (see chapter 2). Banks and workers invested this newfound wealth in the stock market and in real estate. The flood of new investment bid up stock and real estate prices. The Nikkei Index (the Japanese stock market) rose from 12,000 in 1986 to 38,916 in 1990, a threefold increase. The price of residential and commercial real estate quadrupled between 1985 and 1990. It was said in 1990 that the value of land in Tokyo alone was worth more than all the land in the United States. Japanese consumers had so much money to burn that they even poured money into the market for pet insects, particularly for rare beetles called okkutaga. In 1990, single bugs sold for $7,000 at department stores, and one huge specimen sold for $30,000.

But too much money can cause problems. The money pouring into the stock and real estate markets drove prices to unsustainably high levels. In the stock market, prices soared while dividend yields fell. The “bubble” of high stock prices burst in 1990. Prices fell one-half by 1991 and continued falling. Between 1990 and 1992, the Nikkei Index registered a 61 percent decline. Stock prices did not recover from the crash in Japan, as they had in the United States after the 1987 crash, because investors fled the market and did not return.

The Japanese real estate market soon followed. In 1990, many households in Japan found they would need to use the wages of a lifetime just to buy one isubo (six feet by six feet) of land in Tokyo. When owners discovered they could not sell high-priced property, the residential and commercial real estate markets collapsed and prices plummeted, bankrupting individuals, businesses, and banks that had used land as collateral for other loans. The pet insect market also collapsed. Bugs that sold for $7,000 during the beetle-mania of the 1980s were marked down to only $300 in 1999.

For workers, the recession led to widespread layoffs and rising unemployment rates, which doubled in the 1990s. This came as a great shock to workers in a country where businesses routinely provided lifetime employment and regular wage increases to their male workers. Corporations began laying off workers, hiring temporary workers, eliminating seniority-based pay systems, and introducing merit pay. “For years, everyone’s pay increased as they got older,” observed Shoji Hiraide, general manager of a Tokyo department store. “It made everyone think that we are all in the middle class. But lifetime employment is crumbling and salaries are based more on merit and performance. In seven or eight years, Japanese society will look much more like Western society, with gaps between rich and poor that can be clearly seen.”

The recession fell most heavily on female workers, who were long treated as temporary workers by corporations that guaranteed lifetime employment only to men. Women in temporary jobs were dismissed first.

The government disguised rising unemployment for women by recording them as “housewives,” not “unemployed workers.” This practice understated real unemployment rates. The fact that Japanese businesses downsized even men in lifetime positions meant that they had already laid off a great many women. “Somehow, although I’ve done nothing wrong, I feel like a criminal,” Kimiko Kauda said after being fired from her job of thirty years. “I have never heard of people being fired in my neighborhood or among my friends.”

Western Europe

During the 1990s, Western Europe also became mired in recession, though for different reasons than Japan. Problems began in Germany. The 1989 collapse of communist government in East Germany led to German unification. The German government then spent $600 billion to rebuild the region’s economic infrastructure, provide benefits to workers, purchase voter loyalty, and prevent a “widespread social explosion” by workers laid off as the East deindustrialized. Because spending on this scale—$600 billion for a small region with the population of New York State—can trigger inflation, the government raised taxes, and the Bundesbank, which controls monetary policy, raised interest rates to reduce inflationary pressures. These measures triggered a sharp recession and widespread job loss. In the early 1990s, unemployment rates doubled from 6 percent to 12 percent in Germany, and were twice this rate in the East, where deindustrialization and recession were joined. Faced with high unemployment rates, German unions agreed to substantial pay cuts (10 percent in 1997), benefit reductions, shorter vacations, and work-rule concessions. “Corporations want to abolish the social consensus in Germany,” union negotiator Peter Bleichschmidt said of the 1997 wage cuts. “They are trying to change this into a different country.”

The situation in Germany was not unique. Countries throughout Western Europe also experienced recession and rising unemployment, partly due to the cost of European unification. In 1991, most Western European states agreed at Maastricht, in the Netherlands, to adopt a common currency (the United Kingdom did not do so). To prepare for the introduction of a single currency in 1999, governments in the European Union (EU) set a number of common economic goals: reducing budget deficits, stabilizing exchange rates, and, most important, reducing inflation. To meet this last goal, member governments raised interest rates. As in Germany, high interest rates triggered a regional recession, and unemployment soared throughout Europe. Unemployment rose to 12 percent in France and Italy, 13 percent in Ireland, 22 percent in Spain, and even more in regions like southern Italy.
Chapter 1

Although recession and job loss affected workers throughout Western Europe, women were the big losers, particularly in eastern Germany. Nearly 60 percent of the four million who had been employed in 1989 lost their jobs during the next four years. Only half as many men lost their jobs in the same period. Young people have also been affected in disproportionate numbers. Like Japan, Western European industries had strong seniority systems. So when recession hit, they laid off younger workers. In general, young people were unemployed at twice the rate (21.8 percent) as workers over twenty-five years old.

By the late 1990s, governments and industries in Western Europe and Japan responded to renewed U.S. competitiveness by reorganizing production. They did so by adopting measures pioneered in the United States. For a start, governments and businesses tried to increase the role played by investors and stock markets. In Germany, for instance, worker-consumers are being encouraged to adopt an Aktienkultur, or “stock culture,” and invest their substantial savings in the stock market. To facilitate this, the government plans to cut capital gains taxes on German corporations, which would make it easier for them to reorganize and consolidate industry. And business has increased advertising expenditures to encourage stock market investment. Deutsche Telekom recently spent $150 million on a campaign to advertise a $10 billion stock offering, which was then used to purchase Telecom Italia, one of the first big cross-border mergers in Western Europe. These policies and practices are helping jump-start the Aktienkultur, not only in Germany but across Europe.

Mergers have played a growing role in the reorganization of production in Europe. The value of annual mergers in Western Europe jumped dramatically in the second half of the 1990s, growing from about $150 billion in 1994 to more than $600 billion in 1999. As businesses merged and modernized, they typically downsized workers, just like their corporate counterparts in the United States. This has helped keep unemployment rates high. Downsizing, together with efforts to curb seniority-based pay systems and exact wage concessions from unionized workers, has kept wages from rising.

The spreading merger wave in the United States and Western Europe has itself begun to alter the redistributive process and reorganize production in new ways. Initially, the redistribution of production was managed largely by government policies—exchange rates, tariff barriers, defense spending, and foreign aid. But today, the redistribution of production is directed increasingly by the cross-border corporations that formed when industries reorganized: Mercedes-Chrysler; Ford-Volvo; Renault-Nissan; Aegon TransAmerica–Deutsche Telekom–Telecom Italia; Volkswagen–Rolls Royce; and MCI–British Telecom. These cross-border corporations (XBCs) differ from their transnational corporation (TNC) predecessors. TNCs were firms based in one country, which conducted businesses through subsidiaries in other states. XBCs, by contrast, are firms with origins in more than one state, usually formed by mergers, which conduct business in other states. Because XBCs now redistribute production as a process internal to a corporation that spans multiple states, government policies that used to shape the redistributive process now play a less significant role in determining who gets what jobs.

It is important to note that the redistribution of wage work, managed first by governments and more recently by XBCs, generally resulted in the redistribution of production in the United States, Western Europe, and Japan. Jobs in U.S. industries were redistributed primarily to industries in Western Europe and Japan. Ford workers in Detroit lost jobs to Toyota workers in Yokohama and Volkswagen workers in Munich; Boeing workers in Seattle lost jobs to Airbus workers in London, Paris, Milan, and Hamburg. Some production was redistributed to industries in Latin America and East Asia, and in the late 1990s, to China (see chapter 7). Until recently, the redistribution and reorganization of production, two processes that define contemporary globalization, have been generally confined in the rich countries. As such, globalization should be understood as a “selective,” not “ubiquitous,” process.

As industries in Western Europe and Japan reorganize along U.S. lines (the process is more advanced in Western Europe than it is in Japan), their ability to compete in redistributive battles with the United States will increase, and they may reclaim some of the production obtained by U.S. industries in the 1990s.

The redistribution and reorganization of production has resulted in job and income loss for workers in all three regions. But while workers in the United States, Western Europe, and Japan face many of the same problems, they do so with different resources at their disposal.

In the United States, worker households are heavily indebted. To maintain their standards of living, they have spent down their savings. During the 1990s, workers in the United States used their savings and borrowed money to shop and buy. “The American consumer has taken the globe from deep contraction back to flatness to recovery,” one investment analyst observed. But 1998 was a turning point. This was the first year since the Great Depression that U.S. workers did not acquire any net savings. As savings declined, household debts increased. The average consumer debt per household nearly doubled in the last decade, rising from nearly $39,000 in 1990 to $66,000 in 2000. And since 1973, debt has grown as a percentage of income from 58 percent to 85 percent.

Although much of the $5.5 trillion in total household debt is in the form of home loans, worker households now owe $350 billion on their credit cards. Not surprisingly, bankruptcies are at record levels: one in
a hundred households annually declare bankruptcy. "There is a lid on earnings, but meanwhile, people's cost of living and their desire for fancier lifestyles go unabated," observed A. Stevens Quigley, a Seattle bankruptcy lawyer. Student debt also grew from $18 billion to $33 billion between 1991 and 1997, and graduates owe $18,000 on average when they leave college.

Although worker households are up to their ears in debt, some can tap other resources that are not typically counted in savings-rate/debt-burden ledgers. The generation of workers who accumulated savings, pensions, and houses during the 1950s and 1960s has transferred important assets to their children, the heavily indebted baby-boomers. Some economists estimate that as much as 25 percent of worker-household income comes from parents and relatives. Essentially, the postwar generation has helped the current generation of wage workers survive. In addition to income from this source, worker households who used IRAs to invest in the stock market have generally seen the value of their stocks rise, which would boost their real savings. But even after adjusting for income from these two sources, which are not available to most households, U.S. workers are still heavily indebted.

Compare the condition of worker households in the United States with households in Japan and Western Europe. Although savings rates in Japan and Western Europe have recently declined, as workers used up some savings during the recession and retired workers spent their accumulated savings, they still save a large percentage of their income. In Japan, households saved, on average, 12 percent of their disposable income in 1999 and had deposited $100,000 in the bank.

In the United States, workers are heavily indebted and household account balances are in the red. But in Japan and Western Europe, where workers have substantial savings and few debts, household account balances are in the black. As a consequence, households in Japan and Western Europe are in a much better position to weather changes associated with the redistribution and reorganization of production than their peers in the United States. While workers in all three regions now have comparable incomes and face similar problems, they confront economic change with different resources. So when new economic storms emerge, their fortunes may diverge.

To understand some of these developments in greater detail, we will now return to the early 1970s, when U.S. policymakers first confronted two important problems: (1) rising competition with businesses in Western Europe and Japan; and (2) rising inflation. The solutions U.S. officials advanced to solve these two problems had a huge impact on people in the United States and around the world. And the consequences of decisions made then are still being felt today.

NOTES

8. This is a rough estimate. Economists calculate that $1 billion of U.S. investment overseas results in the loss of 26,500 domestic jobs. So investments worth $78 billion would result in the loss of more than two million jobs in the United States, the number of people living in Boston, Kansas City, Miami, and San Francisco.