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Source: *Political Science Quarterly*, Vol. 106, No. 2 (Summer, 1991), pp. 193-209
Published by: The Academy of Political Science
Stable URL: https://www.jstor.org/stable/2152226
Accessed: 24-01-2022 01:47 UTC

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ROBERT B. REICH

History is replete with examples of people wishing to secede from alliances with certain other people. In the nineteenth century, the American southern states tried to secede from the Union. Centuries before, Martin Luther led a secession from the Holy See. In 1991, Lithuanians, Latvians, and many others are attempting much the same from the Soviet empire. Staten Island would like to secede from New York City. Secession is also common to high-tech engineers, investment bankers, and lawyers, who often defect from their business associates to form their own firms. Many working women these days are able to secede from unhappy or unrewarding marriages. While the reasons for such withdrawals vary, where an economic motive exists it is usually because the defectors conclude that they will do better on their own. The union is unnecessarily costly or constraining, and the defectors no longer wish to subsidize partners who fail to pull their own weight. Secession need not be explicit. It does not require a declaration of war nor even a formal revocation of contract. It can happen quietly, almost imperceptibly, as in a marriage whose partners slowly drift apart. One day the players awaken to a new reality. They discover they are no longer part of the same team.

Something of this sort has been occurring in the United States. America's highest income earners (whom I have labeled "symbolic analysts" in light of the problem-solving functions they perform in the emerging global economy, usually by manipulating numerical or verbal symbols) have been seceding from the rest of the nation. The secession has taken many forms, but it is grounded in the same emerging economic reality. This group of Americans no longer depends, as it

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once did, on the economic performance of other Americans. Symbolic analysts are linked instead to global webs of enterprise to which they add value directly as engineers, lawyers, management consultants, investment bankers, research scientists, corporate executives, and other deployers of abstract analysis.

The secession is occurring gradually, without fanfare. For many symbolic analysts (including me and, perhaps, you), it has been taking place without explicit knowledge or intent. While symbolic analysts pledge national allegiance with as much sincerity and resolve as ever, the new global sources of their economic well-being have subtly altered how they understand their economic roles and responsibilities in society.

One form of secession takes the form of a decreasing tax burden on symbolic analysts and an increasing tax burden (including Social Security payroll taxes, sales taxes, user fees, property taxes, and lottery fees) on lower-income Americans. Corresponding with this shift in the tax burden has been a withdrawal of government funding from programs that would make the less fortunate four-fifths of the population more productive by improving their skills and helping them transport themselves and their products to market.

The two phenomena—the shift of the tax burden from wealthier to poorer Americans and the withdrawal of public funding—are of course related, since poorer Americans cannot afford to pay more taxes to support public programs even if the programs would improve their earnings over the long term. Tax revolts by middle and lower-income Americans whose real earnings have slowly declined are only to be expected when tax burdens shift further in their direction.

In the early postwar years, government expenditures on education, training, highways, and other "public improvements" were justified to the more fortunate by pointing to their salutary effects on the the nation as a whole. Alexis de Tocqueville's logic of "self-interest properly understood" lay behind many of the initiatives of the era. But in more recent years, as symbolic analysts have come to depend less on other Americans, the traditional justification has apparently lost some of its potency.

Consider infrastructure. Many of America's symbolic analysts transmit their concepts through the air via private telecommunications systems and transport their bodies through the air via private airlines. Most other workers rely primarily on public highways, bridges, ports, trains, buses, and subways in order to add much economic value. Yet in the United States, spending to maintain and upgrade these latter sorts of facilities has declined steadily. In the 1950s, the nation committed itself to building a modern transportation system. Infrastructure then absorbed around 6 percent of the nation's nonmilitary federal budget each year, or just under 4 percent of gross national product (GNP), where it remained through most of the 1960s. Public spending on the nation's transportation system declined in the 1970s and declined even more sharply in the 1980s to the point where the nation was spending only 1.2 percent of its nonmilitary budget (about 3 percent of GNP) on building and maintaining infrastructure. Hence the specter of collapsing bridges and crumbling highways. In 1989, the U.S. Department of

Transportation estimated that simply to repair the nation's 240,000 bridges would require an expenditure of $50 billion; to repair the nation's highways, $315 billion. Spending on *new* infrastructure has fallen even more dramatically, from 2.3 percent of GNP in 1963 to only 1 percent in 1989.[1]

The federal government's withdrawal has been especially precipitous. By the end of the 1980s, Washington was annually investing about the same amount of money in infrastructure (in constant dollars) as it invested thirty years before, although the gross national product had grown 144 percent in the interim. Physical capital investment dropped from over 24 percent of total federal outlays in 1960 to less than 11 percent in 1991.[2] And much of what the federal government has underwritten in recent years has been dedicated to downtown convention centers, office parks, research parks, and other amenities utilized mostly by symbolic analysts.

Expenditure on public elementary and secondary education has shown a similar pattern. Many politicians, business leaders, and many average citizens are quick to claim that the crisis in public education is unrelated to a lack of public funding. A premise of their argument—that there are many means of improving American schools that do not require large public outlays—is surely correct. Pushing responsibility for what is taught and how it is taught down to teachers and parents, and away from educational bureaucracies, is one such step (analogous to the shift in responsibility within the corporation from high-volume hierarchies to high-value webs). Giving parents some choice over which school their child attends is another, so long as the poorest children, whose parents are least likely to be able or willing to shop, do not get left behind in the worst schools. But to claim that these types of reforms will be sufficient is being less than ingenuous. In order to have smaller classes and attract better qualified teachers, more money is also necessary.[3]

Controlled for inflation, public spending on primary and secondary education per student has increased since the mid-1970s, but not appreciably faster than it did during the fifteen years before. Between 1959 and the early 1970s, annual spending per student grew at a brisk 4.7 percent in real terms—more than a full percentage point above the increase in the gross national product per person.

[1] See calculations by Brian Cromwell, "Corporate Subsidies and the Infrastructure Crisis," *Economic Review*, Federal Reserve Bank of Cleveland, March 1989.

[2] Figures from David Aschauer, "Is Public Expenditure Productive?" *Journal of Monetary Economics* 17 (March 1989): 177–200; and from Alicia Munnell, "Productivity and Public Investment," *New England Economic Review* 17 (January-February 1990): 3–22.

[3] That smaller classes and better qualified teachers result in a better education is one of the few propositions on which most educational researchers agree. See, for example, David Cord and Alan Krueger, "Does School Quality Matter? Returns to Education and the Characteristics of Public Schools in the U.S." (Cambridge, MA: National Bureau of Economic Research, Working Paper No. 3358, May 1990). See also R. Eberts, E. Schwartz, and J. Stone, "School Reform, School Size, and Student Achievement," *Economic Review*, Federal Reserve Bank of Cleveland, vol. 26, June 1990.

Since 1975, annual spending per pupil has continued to rise about 1 percent faster than the rate of growth of GNP per person. But there are several reasons for believing that the more recent increases have been inadequate. First is the comparative measure of what other nations are spending. By the late 1980s, America's per-pupil expenditures (converted to dollars using 1988 exchange rates) were below per-pupil expenditures in eight other nations—Sweden, Norway, Japan, Denmark, Austria, West Germany, Canada, and Switzerland.[4]

Comparisons aside, the demands on public education in the United States have significantly increased during the past fifteen years due to growing numbers of broken homes, single parents, immigrants (both legal and illegal), and poor children. There is also the undeniable fact that talented individuals are no longer drawn to teaching as readily as they were two decades ago. Previous generations of American school children benefited from limited career options available to talented women, other than teaching. By the late 1980s, that free ride was over. Talented women (and men) were in demand in a wide range of occupations. The law of supply and demand is not repealed at the schoolhouse door: if talented people are to be attracted to teaching, teachers must be paid enough to attract such individuals. Yet average teacher salaries in 1990 (adjusted for inflation) were only 4 percent higher than in 1970, when career choices were far more limited.

Finally the average figures on per-pupil expenditure in the United States disguise growing disparities among states and among school districts. During the 1980s, federal support for elementary and secondary education dropped by a third. States and localities picked up the bill, but for some of them the burden has been especially heavy. Although per-pupil expenditures increased in wealthier states and school districts, many poorer states and districts—already coping with the most intractable social problems—have barely been able to fund even a minimum quality public education.

Meanwhile, even as tax-free day care for children of symbolic analysts has become a de rigueur provision of law firms, management consulting companies, and investment banks, public funding for preschool education for poor children has appreciably dwindled. In 1989, fewer than a fifth of poor three and four-year-olds were able to participate in Head Start—a pre-school program costing approximately $4,000 per child—whose graduates are more likely to gain a high

[4] International comparisons are hazardous, not only because of differences in the measurements used by different countries, but also because different societies may have different objectives for their educational systems. There is also the question of how the measurements are to be done, given different exchange rates. Using a 1985 exchange rate, when the dollar was at its height in comparison with the currencies of other industrialized nations, puts the United States in fourth place. But this comparison obviously is skewed by the abnormally high dollar at the time. For these and related calculations see *Digest of Educational Statistics* (National Center for Education Statistics, United States Department of Education, Washington, DC, 1988). See also, M. E. Rasell and L. Mishel, "Shortchanging Education: How U.S. Spending on Grades K-12 Lags Behind Other Industrialized Nations," Economic Policy Institute, Washington, DC, January 1990.

school diploma, attend college, and find employment than comparable children not enrolled in the program.[5] By contrast, nearly two out of three four-year olds whose families have incomes over $35,000-a-year attended preschool in 1989.[6] In 1991, the Bush administration proposed increased funding to permit most poor four-year-olds to participate in Head Start. This is a welcome initiative, but even with this boost the program still will serve less than a third of all eligible children.[7]

Also because of government cutbacks, many capable young people in the United States no longer receive the federal dollars that were their only hope of affording a college education. Tuitions at public and private universities rose during the 1980s by 26 percent on average (adjusted for inflation), while the incomes of families in the middle and lower ranks of American households declined. Instead of filling the growing gap, however, the government helped widen it. During the 1980s, guaranteed student loans fell by 13 percent, marking yet another previous commitment reneged upon.

In 1965, the nation decided that all students qualified to attend college should have access to higher education. The resulting Higher Education Act established a system of grants and loan guarantees for low-income students, thus increasing from 22 to 26 percent the portion of university students from families with incomes at or below the median. But by 1988, with grants and loan guarantees drying up, the proportion of low-income university students fell back below 20 percent.[8] For the first time in the nation's history, the proportion of the population attending college has begun to decline; younger men, aged 25 to 34, are now less likely to have completed four years of college than were the baby boomers just ahead of them. The high costs of education have helped push them out.[9]

Public funding to train and retrain workers, meanwhile, dropped by more than

[5] For an assessment of the Head Start program, see R. Darlington and T. Lazar, "The Lasting Effects After Preschool," U.S. Department of Health and Human Services (Washington, DC: United States Government Printing Office, 1979).

[6] Figures from the Children's Defense Fund, Washington, DC.

[7] See "Competitive Assessment of the President's Fiscal Year 1991 Budget," (Washington, DC: Council on Competitiveness, May 1990), 6–7. Where preschool programs for poor children have had more teachers and social workers than in the typical Head Start program, children have shown even larger gains. See Jean Layzer, "Evaluation of New York City Project Giant Step," (Cambridge, MA: Apt Associates, April 1990). See also Amy Stuart Wells, "Preschool Program in New York City is Reported to Surpass Head Start," *New York Times*, 16 May 1990.

[8] Data from the American Higher Education Research Program, American Council on Education, 1989. See also, Barbara Vobejda, "Class, Color, and College: Higher Education's Role in Reinforcing the Social Hierarchy," *Washington Post Weekly Edition*, 15–21 May 1989, 6.

[9] Until the 1990s, each generation of Americans had been better educated than the generation preceding it. In 1980, 25 percent of men age 35 to 44 had completed four years of college; by 1990, 31 percent of men within this age group had done so. But by 1990, *younger* men were less educated than the generation before them: 25 percent of them had completed four years of college, compared to 27 percent of the same age group in 1980. Younger women were becoming slightly better educated, however: in 1990, 24 percent of women age 25–34 had completed four years of college; 23 percent of women age 35–44 had done so. Ibid.

50 percent during the 1980s from $13.2 billion to $5.6 billion.[10] Private training, the costs of which corporations deduct from their taxable income, has hardly made up the difference. American corporations claim to spend some $30 billion a year training their employees, but most of these funds have been used on what is termed, euphemistically, executive training.[11] Such training is, of course, available only to the most dedicated and already valuable employees. College graduates are 50 percent more likely to be trained by their corporations than are high school graduates; employees with post-graduate degrees within high-tech industries are twice as likely as mere college graduates.[12] Training, then, is typically provided to those who need it least.

The official reason given for why America cannot invest more money in infrastructure, education, and training is that we cannot afford it. In his inaugural address, George Bush noted regretfully, "We have more will than wallet"—a frequent lamentation. But only excessive politeness should constrain one from inquiring: Whose will? Whose wallet? Even if the necessary funds cannot be reallocated from elsewhere in the federal budget—surely an heroic assumption, given the number of B-1 bombers and other military exotica being created to ward off communists, most of whom no longer exist (as such)—the claim that America cannot afford to spend more on the productivity of all its citizens remains a curious one.

In 1989, Americans had about $3,500 billion to spend after paying taxes. The lower four-fifths of the population received a little under half of this sum (about $1745 billion), which did not permit them any more consumption than a decade earlier; their belts were as tight as before.[13] The top fifth of the population, mostly comprising symbolic analysts, received the rest (about $1755 billion)—more than the other four-fifths of the population combined. Accordingly, symbolic analysts loosened their belts considerably. Their incomes have been increasing on average by 2 to 3 percent a year after inflation (and if they are in the most fortunate tenth of earners, faster than this), even as the incomes of other Americans have stagnated or declined.

[10] Figures from "Unprotected: Jobless Workers," Center on Budget and Policy Priorities, Washington, DC, 1989.

[11] While the precise content of this elusive process is difficult to determine, I have personal experience that may shed some light. On more than one occasion I have been hired to lecture to a group of executives who, after two intellectually strenuous hours with me, proceed through a similarly rigorous day-long schedule: a sumptuous lunch, followed by an afternoon of tennis and golf, culminating with top-shelf cocktails and five-course dinner.

[12] L.A. Lillard and H.W. Tan, "Private Sector Training: What Are Its Effects?" Report to the Department of Commerce, Rand Corporation, Santa Monica, CA, 1986.

[13] Contrary to popular wisdom about Americans saving too little and spending too much, actual consumption by the bottom four-fifths of the American population hardly increased at all during the 1980s. Only the fortunate fifth of households experienced growth of real consumption during these years. See Robert R. Blecker, *Are We On A Consumption Binge? The Evidence Reconsidered* (Washington, DC: Economic Policy Institute, January 1990).

While average working Americans may justly feel that they have been surrendering a larger percentage of their earnings in taxes (including Social Security payroll taxes, sales taxes, and property taxes), tax burdens on Americans *overall* have not increased since the mid-1960s. Total tax receipts amounted to 31.1 percent of gross national product in 1969, 31.1 percent in 1979, and 32 percent in 1989. It is just that the burden has been shifted from relatively wealthier Americans to relatively poorer Americans.

Were the tax code as progressive as it was even as late as 1977, symbolic analysts would have paid at least $93 billion more in taxes than they in fact paid in 1989.[14] Between 1990 and 2000, they would have contributed over a trillion dollars more. This tidy sum, when added to the money released from making relatively modest cuts in defense spending[15] would yield approximately $2 trillion—a significant down payment on the productivity of the rest of the population.[16]

I am not aware of a groundswell of support among business leaders or politicians for increasing the taxes on the top fifth of American earners. In fact, the administration currently in Washington has sought instead to reduce tax rates on appreciating capital assets. The apparent justification for lowering, rather than raising, federal taxes on wealthy individuals (who own most of these capital assets) is that such a step would motivate them to invest their savings in new enterprise. Profit-seeking, resolutely self-interested individuals, it is assumed, will spur the American economy forward. Should there come to be substantial fiscal savings due to the collapse of Soviet communism and a concomitant difficulty of finding dangerous enemies against whom we must arm, the administration (in cooperation with a coterie of economists, business lobbyists, and conservative pundits) has signaled its determination to apply such savings to further tax cuts and reductions in the federal budget deficit rather than to public investments in education, training, and infrastructure.

What is the role of a nation within the global economy? Rather than increase the profitability of corporations flying its flag or enlarge the worldwide holdings of its citizens, a nation's economic role is to enhance its citizens' standard of living by increasing the value that they add to the world economy. The concern over national competitiveness is often misplaced. It is not what we own that counts; it is what we do.

[14] Almost all of this sum would have been paid by the top 10 percent of income earners. Calculations from *Inequality and the Federal Budget Deficit* (Washington, DC: Citizens for Tax Justice, March 1990).

[15] Were military spending steadily reduced through the decade of the 1990s by about 50 percent, the total savings by the year 2000 would come close to $1 trillion.

[16] I have not included the costs of the current savings and loan bailout in my calculations, since the bailout is nothing more than a huge transfer of money from American taxpayers to other Americans. The bailout does not actually use up scarce resources.

Viewed in this way, America's problem is that while some Americans are adding substantial value, most are not. In consequence, the gap between those few in the first group and everyone else is widening. To improve the economic position of the bottom four-fifths will require that the fortunate fifth share its wealth and invest in the wealth-creating capacities of other Americans. Yet as the top becomes ever more tightly linked to the global economy, it has less of a stake in the performance and potential of less fortunate compatriots. Thus our emerging dilemma.

History rarely proceeds in a direct line, however. Those who project that today's steady improvement (or deterioration) over yesterday's will become even more pronounced tomorrow often end up embarrassed when the future finally arrives. In the intervening moments a new leader will come, or an earthquake, a potent idea, a revolution, a sudden loss of business confidence, a scientific discovery—reversing the most seemingly intransigent of trends and causing people to wonder how they could ever have been deluded into believing that any other outcome was ever remotely possible. The predictable failure of all prediction notwithstanding, the public continues to pay attention to stock analysts, trend-spotters, futurologists, weather forecasters, astrologers, and economists. Presumably, such respect is due less to the accuracy of their prophesies than to their bravery in making them.

The reader of these pages is duly warned. A simple extrapolation of the past into the future would show a continuing rise in the fortunes of symbolic analysts and a steady decline in the fortunes of almost everyone else. The costs of worldwide transportation and communications will continue to decline and create an ever larger market and burgeoning demand for the services of America's symbolic analysts. But this will simultaneously generate an ever larger supply of unskilled workers. In consequence, America's symbolic analysts will become even wealthier; routine producers will grow poorer and fewer in number; and with the enhanced mobility of world labor and the dexterity of labor-saving machinery, in-person servers (unskilled local service workers) will become less economically secure.

The fortunes of the most well-off and the least will thus continue to diverge. By 2020, the top fifth of American earners will account for more than 60 percent of all the income earned by Americans; the bottom fifth, for 2 percent. Symbolic analysts will withdraw into ever more isolated enclaves within which they will pool their resources rather than share them with other Americans or invest them in ways that improve other Americans' productivity. An ever smaller proportion of their incomes will be taxed and thence redistributed or invested on behalf of the rest of the public. Government spending on education, training, and infrastructure will continue to decline as a proportion of the nation's total income; any savings attributable to a smaller defense budget will result in further tax reductions and the diminution of the fiscal deficit. Poorer cities, townships, and states will be unable to make up the difference.

Distinguished from the rest of the population by their global linkages, good schools, comfortable lifestyles, excellent health care, and abundance of security guards, symbolic analysts will complete their secession from the union. The townships and urban enclaves where they reside and the symbolic analytic zones where they work will bear no resemblance to the rest of America; nor will there be any direct connections between the two. America's poorest citizens, meanwhile, will be isolated within their own enclaves of urban and rural desperation; an even larger proportion of their young men will fill the nation's prisons. The remainder of the American population, growing gradually poorer, will feel powerless to alter any of these trends.

It is not that simple, of course. Other events will likely intervene to set this trajectory off course. Not the least is the inability of symbolic analysts to protect themselves, their families, and their property from the depredations of a larger and ever more desperate population outside. The peace of mind potentially offered by platoons of security guards, state-of-the-art alarm systems, and a multitude of prisons is limited.

There is also the possibility that symbolic analysts will decide that they have a responsibility to improve the well-being of their compatriots, regardless of any personal gain. A new patriotism would thus be born, founded less upon economic self-interest than upon loyalty to nation. What do we owe one another as members of the same society who no longer inhabit the same economy? The answer will depend on how strongly we feel that we are, in fact, members of the same society.

Loyalty to place—to one's city or region or nation—used to correspond more naturally with economic self-interest. Individual citizens supported education, roads, and other civic improvements, even when the individual was unlikely to enjoy but a fraction of what was paid out in the short term, because it was assumed that such sacrifices would be amply rewarded eventually. Civic boosterism, public investment, and economic cooperation were consistent with Tocqueville's principle of "self-interest rightly understood." As one group of citizens grew wealthier and more productive, the other citizens benefited by their ability to give more in exchange for what was offered them. And as one group resisted opportunistic behavior, so did the other, with the result that all benefited. The resulting networks of economic interdependence induced the habits of citizenship.

Between 1950 and the early 1970s, the American economy as a whole began to exemplify this principle. Labor, business, and the broader public, through its elected representatives, tacitly cooperated to promote high-volume production; the resulting efficiencies of scale generated high profits; some of the profits were reinvested to create even vaster scale, and some were returned to production workers and middle-level managers in the form of higher wages and benefits. As a result, large numbers of Americans entered the middle class ready to consume the output of this burgeoning system.

But as the borders of cities, states, and even nations no longer come to signify special domains of economic interdependence, Tocqueville's principle of enlightened self-interest is less compelling. Nations are becoming regions of a global economy; their citizens are laborers in a global market. National corporations are turning into global webs whose high-volume, standardized activities are undertaken wherever labor is cheapest worldwide, and whose most profitable activities are done wherever skilled and talented people can best conceptualize new problems and solutions. Under such circumstances, economic sacrifice and restraint exercised within a nation's borders is less likely to come full circle than it was in a more closed economy.

The question is whether the habits of citizenship are sufficiently strong to withstand the centrifugal forces of the new global economy. Is there enough of simple loyalty to place—of civic obligation unadorned by enlightened self-interest—to elicit sacrifice nonetheless? We are, after all, citizens as well as economic actors; we may work in markets, but we live in societies. How tight is the social and political bond when the economic bond unravels?

The question is, of course, relevant to all nations subject to global economic forces, which are reducing the interdependence of their own citizens and simultaneously separating them into global winners and losers. In some societies, the pull of the global economy notwithstanding, national allegiances are sufficiently potent to motivate the winners to continue helping the losers. The we're-all-in-it-together nationalism that characterizes such places is founded not only on enlightened self-interest but also on a deeply ingrained sense of shared heritage and national destiny. The Japanese, Swedes, Austrians, Swiss, and Germans, for example, view themselves as cultures whose strength and survival depend to some extent on sacrifices by the more fortunate among them. It is a matter of national duty and pride. Partly as a result, the distribution of income within these nations has been among the most equal of any countries, although the global division of labor is driving a wedge between their rich and poor, and testing their commitments to equality. These nations, incidentally, experienced during the decades of the 1960s and 1970s among the most spectacular records of economic growth of all industrialized nations, benefiting all their citizens.[17]

Could such sentiments be nurtured in America? Should they be? Nationalism is a hazardous sentiment. The same we're-all-in-it-together attitude that elicits mutual sacrifice within a nation can easily degenerate into jingoistic contempt for all things foreign. Indeed, the two emotions tend to reinforce one another. It is a commonplace notion in Britain that the nation's citizens never again dis-

[17] Much has been written about the developmental state of modern Japan. South Korea and Hong Kong, once touted by orthodox free marketers as models of laissez-faire economic individualism, on closer inspection look remarkably like their more advanced neighbor to the north. See, for example, Alice Amsden, *Asia's Next Giant* (New York: Oxford University Press, 1989); and M. Castells and L.Tyson, "High Technology and the Changing International Division of Production" in R. Purcell, ed., *The Newly Industrializing Countries in the World Economy* (Boulder, CO: Lynne Rienner, 1989). Austria, Switzerland, and Sweden represent a different path, of course, but these nations also are characterized by systems of internal bargaining that soften adjustment for their least fortunate citizens and elicit sacrifices from their most fortunate. See, for example, Peter Katzenstein, *Corporatism and Change: Austria, Switzerland, and the Politics of Industry* (Ithaca, NY: Cornell University Press, 1989).

played such virtue and solidarity as when they fought Hitler. America's cold war with the Soviet Union inspired and provided justification for billions of dollars of public expenditure on highways, education, and research. The willingness of talented Japanese citizens to work long hours and receive relatively low incomes for the honor of doing their part for their country is fueled by the same set of emotions that makes it difficult for the Japanese to open their borders to foreign products and immigrants.

History offers ample warning of how zero-sum nationalism—the assumption that either we win or they win—can corrode public values to the point where citizens support policies that marginally improve their own welfare while harming everyone else on the planet, thus forcing other nations to do the same in defense. Armaments escalate; trade barriers rise; cold wars turn hot. National allegiances, once unleashed, can lead to much worse. The same social discipline and fierce loyalty that have elicited sacrifices among Germans and Japanese have also in this century generated mind-numbing atrocities.

Unbridled nationalism can cause civic values to degenerate at home. Nations grow paranoid about foreign agents in their midst; civil liberties are restricted on grounds of national security. Neighbors begin to distrust one another. Tribal allegiances can even tear nation-states apart. The violence that periodically erupts between Greek and Turkish Cypriots, Armenians and Azerbaijanis, Albanians and Serbs, Flamands and Walloons, Vietnamese and Cambodians, Israelis and Palestinians, Sikhs and other Indians, Tamils and Sinhalese, and Lebanon's Christian and Moslem sects is grim evidence of the costs of tribal loyalty.

The argument against zero-sum nationalism, and in favor of a larger and more cosmopolitan perspective, seems especially strong in light of the growing inequalities in the world. The gap between the top fifth and bottom four-fifths of incomes within the United States is negligible in comparison with the gap between the top fifth and bottom four-fifths of the world's population. North America, Western Europe, and East Asia—together comprising the top fifth—account for three-quarters of gross world product and 80 percent of the value of world trade. As these wealthy regions have become uncoupled from the rest of the world, much of what remains behind is sinking precipitously into hopeless poverty. Between 1970 and 1980, the number of undernourished people in developing nations (excluding China) increased from 650 million to 730 million. Since 1980, economic growth rates in most of these nations have slowed, and real wages have dropped further. In Africa and Latin America, per capita incomes were substantially lower in 1990 than in 1980. Commodity prices have plummeted; indebtedness to global banks has crippled many underdeveloped economies, as more than $50 billion is transferred each year to advanced nations. The ravages of deforestation, erosion, and large-scale farming have taken their toll on much of the Third World. Meanwhile, the world's poor populations are giving birth at a much higher rate than are the world's rich. Sixty percent of the 12,000 children born into the world each hour join families whose annual per person incomes are lower than $350. In 1990, just over 5 billion human beings lived on the planet;

their number is expected to reach 8 billion by 2025, and 16 billion by the end of the 21st century. The number of impoverished people has grown dramatically in Brazil, Chile, Ghana, Jamaica, Peru, and the Philippines. Life expectancy has declined in nine sub-Saharan African countries; deaths from malnutrition among infants and children have increased.[18]

A focus on national well-being is also dangerously narrow in relation to other problems on which global cooperation is essential: acid rain, the depletion of the ozone, the pollution of oceans, the use of fossil fuels and global warming, the destruction of species-rich tropical rain forests, the proliferation of nuclear weapons, the assimilation of refugee populations, the drug trade, the spread of AIDS, international terrorism. Nationalist attitudes render solutions to these and other transnational crises all the more difficult to achieve.

Zero-sum nationalism also endangers global economic prosperity. The neomercantilist premise that either they win or we win is simply incorrect. As one nation's workers become more insightful and educated, they are able to add more wealth to the world. Everyone on the planet benefits from smaller and more powerful semiconductor chips regardless of who makes them.

It is true, of course, that the nation whose workers first gain the insights are likely to benefit disproportionately. This advantage may cause other nations' citizens to feel relatively poorer, notwithstanding their absolute gain. Sociologists have long noted the phenomenon of relative deprivation, whereby people evaluate their well-being in light of others' wealth. The average citizen of Great Britain is far better off than twenty years ago, but feels poorer now that the average Italian has pulled ahead. When I ask my students whether they would prefer living in a world in which every American is 25 percent wealthier than now and every Japanese was much wealthier than the average American, or one in which Americans were only 10 percent wealthier but still ahead of the average Japanese, a large number usually vote for the second option. Thus, people may be willing to forego absolute gains to prevent their perceived rivals from enjoying even greater gains. While understandable, such zero-sum impulses are hardly to be commended as a principle of international economic behavior. Since economic advances rarely benefit the citizens of all nations in equal proportion, such an approach, if widely adapted, would legitimize the blocking of most efforts to increase global wealth.

Economic interdependence runs so deep, in fact, that any zero-sum strategy is likely to boomerang, as the members of the Organization of Petroleum Exporting Countries discovered in the 1970s when their sky-high oil prices plunged the world into recession and reduced the demand for oil. Today no nation's central banker can control its money supply or the value of its currency without the help of other nations' central bankers; nor can a nation unilaterally raise its interest rates or run large budget surpluses or deficits without others' cooperation or acquiescence. These days, every advanced nation depends on others as a market for and

[18] See *Global Outlook 2000* (New York: United Nations Publications, 1990).

source of its goods. The Japanese need a strong and prosperous America as a market for their goods and a place to invest their money. If any step they might take were to precipitate a steep economic decline in the United States, the results would be disastrous for the Japanese as well.

But what if foreigners dominate a major technology, as it seems likely the Japanese soon will with advanced semiconductors, high definition television, and dozens of other gadgets? Again, we should beware zero-sum assumptions. The Japanese mastery of particular technologies will not foreclose technological progress in the United States or elsewhere. Technologies are not commodities for which world demand is finite, nor do they come in fixed quantities that either they get or we get. Technologies are domains of knowledge. They are like the outer branches of a giant bush on which countless other branches are growing all the time. While Americans need direct experience in researching, designing, and fabricating technologies on outer branches if they are to share in future growth, these need not be exactly the same branches as occupied by another nation's work force.

The cosmopolitan man or woman with a sense of global citizenship is thus able to maintain appropriate perspective on the world's problems and possibilities. Devoid of strong patriotic impulse, the global symbolic analyst is likely to resist zero-sum solutions and thus behave more responsibly (in this sense) than citizens whose frame of reference is narrower.

But will the cosmopolitan with a global perspective choose to act fairly and compassionately? Will our current and future symbolic analysts—lacking any special sense of responsibility toward a particular nation and its citizens—share their wealth with the less fortunate of the world and devote their resources and energies to improving the chances that others may contribute to the world's wealth? Here we find the darker side of cosmopolitanism. For without strong attachments and loyalties extending beyond family and friends, symbolic analysts may never develop the habits and attitudes of social responsibility. They will be world citizens, but without accepting or even acknowledging any of the obligations that citizenship in a polity normally implies. They will resist zero-sum solutions, but they may also resist all other solutions that require sacrifice and commitment. Without a real political community in which to learn, refine, and practice the ideals of justice and fairness, they may find these ideals to be meaningless abstractions.

Senses of justice and generosity are learned. The learning has many roots, but significant among them is membership in a political community. We learn to feel responsible for others because we share with them a common history; we participate with them in a common culture; we face with them a common fate. "We think of ourselves not as human beings first, but as sons, and daughters . . . tribesmen, and neighbors. It is in this dense web of relations and the meanings which they give to life which satisfies the needs which really matter to us."[19]

[19] Michael Ignatieff, *The Needs of Strangers* (New York: Viking Penguin, 1985), 29.

That we share with others nothing more than our humanity may be insufficient to elicit much sacrifice. The management consultant living in Westchester County, New York, commuting to a steel and glass tower on Park Avenue, and dealing with clients all over the world, may feel slightly more responsibility toward a poor family living 3,000 miles away in East Los Angeles than to a poor family of Mexicans living 3,200 miles away in Tijuana. But the extra measure of affinity is not enough to command his or her energies or resources. A citizen of the world, the management consultant feels no particular bond with any society.

Cosmopolitanism can also engender resignation. Even if the symbolic analyst is sensitive to the problems that plague the world, these dilemmas may seem so intractable and overpowering in their global dimension that any attempt to remedy them appears futile. The greatest enemy of progress is a sense of hopelessness; yet from a vantage point that takes in the full enormity of the world's ills, real progress may seem beyond reach. Within smaller political units like towns, cities, states, and even nations, problems may seem soluble; even tiny improvements can seem large on this smaller scale. As a result, where the nationalist or localist is apt to feel that a sacrifice is both valorous and potentially effective, the cosmopolitan may be overcome by its apparent uselessness.[20]

The reader has only to reflect upon personal experience. Nothing more surely stills reformist zeal than a faithful reading of *The New York Times* or other great newspapers of the world, in which the global dimensions of hunger, disease, racism, environmental depredation, and political injustice are detailed daily. It should not come as a surprise, then, that all great social movements have begun locally. Those who aim to reform the world in one great swoop often have difficulty signing up credulous recruits.

In short, while a cosmopolitan view provides a useful and appropriate perspective on many of the world's problems and avoids the pitfalls of zero-sum thinking, it may discourage the very steps necessary to remedy the problems it illuminates. It is not clear that humanity is significantly better off with an abundance of wise cosmopolitans feeling indifferent or ineffective in the face of the world's ills than it is with a bunch of foolish nationalists intent on making their society Number One.

But must we choose between zero-sum nationalism and impassive cosmopolitanism? Do these two positions describe the only alternative modes of future citizenship? Unfortunately, much of the debate we hear about America's national interest in the global economy is framed in just these dichotomous terms. On one side are zero-sum nationalists, typically representing the views of routine producers and in-person servers, urging that government advance America's economic interests, even at the expense of others around the globe. In their view, unless Americans become more assertive, foreigners will continue to increase their market shares at America's expense in industry after industry—exploiting

[20] Jonathan Glover, "It Makes No Difference Whether or Not I Do It," *Supplemental Proceedings of the Aristotelian Society*, 1975.

American openness, gaining competitive advantage, ultimately robbing Americans of control over their destinies. On the other side are laissez-faire cosmopolitans, usually representing the views of symbolic analysts, arguing that government should simply stay out. In their view, profit-seeking individuals and firms are far better able to decide what gets produced where; governments only mess things up. Free movement of all factors of production across national boundaries ultimately will improve everyone's lot.

What is being lost in this debate is a third, superior position: a positive economic nationalism, in which each nation's citizens take primary responsibility for enhancing the capacities of their countrymen for full and productive lives, but who also work with other nations to ensure that these improvements not come at others' expense. This position is not that of the laissez-faire cosmopolitan, because it rests on a sense of national purpose—of principled historic and cultural connection to a common political endeavor. It seeks to encourage new learning within the nation, to smooth the transition of the labor force from older industries, to educate and train the nation's workers, to improve the nation's infrastructure, and to create international rules of fair play for accomplishing all these things. The sources and objectives of such investments are unambiguously public.

Neither is this the position of a zero-sum nationalist: here the overarching goal is to enhance global welfare rather than to advance one nation's well-being by reducing another's. There is not a fixed amount of world profit to be divided or a limited market to be shared. It is not their corporations against ours in a fight for dominance of world commerce. We meet instead on an infinitely expanding terrain of human skills and knowledge. Human capital, unlike physical or financial capital, has no inherent bounds.

Indeed, these nationalist sentiments are likely to result in greater global wealth than will cosmopolitan sentiments founded upon loyalty to no nation. For like villagers whose diligence in tending to their own gardens results in a bounteous harvest for all, citizens who feel a special obligation to cultivate the talents and abilities of their compatriots end up contributing to the well-being of compatriots and noncompatriots alike. One nation's well-being is enhanced whenever other nations improve the capacities of their own citizens. To extend the metaphor, while each garden tender may feel competitive with every other, each also understands that the success of the total harvest requires cooperation. While each has a primary responsibility to tend his own garden, each has a secondary responsibility to ensure—and a genuine interest in seeing—that all gardens flourish.

Thus positive economic nationalism would eschew trade barriers against any workforce's labors, as well as obstacles to the movement of money and ideas across borders. Even were such obstacles enforceable, they would only serve to reduce the capacity of each nation's work force to enjoy the fruits of investments made in them and in others. But not all government intervention would be avoided. Instead, this approach would encourage public spending within each nation in any manner that enhanced the capacities of its citizens to lead full and productive lives—including pre- and postnatal care, preschool preparation, excellent primary and secondary education, access to college regardless of financial condition, training and retraining, and good infrastructure. Such investments would form the core of national economic policy.

Positive nationalism also would tolerate—even invite—public subsidies to firms that undertook within the nation's borders high value-added production (complex design, engineering, fabrication, systems integration, and so forth), so that the subsidy-granting nation's work force could gain sophisticated on-the-job skills. But it would draw no distinctions based on the nationalities of the firm's shareholders or top executives. To ensure against zero-sum ploys in which nations bid against one another to attract the same set of global firms and related technologies, nations would negotiate appropriate levels and targets of such subsidies. The result would be a kind of GATT for direct investment—a logical extension of the General Agreement on Tariffs and Trade that the United States sponsored after World War II—setting out the rules by which nations could bid for high value-added investments by global corporations. Barred would be threats to close the domestic market unless certain investments were undertaken within it, for such threats would likely unravel into zero-sum contests. Instead, the rules would seek to define fair tactics, depending upon the characteristics of the national economy and the type of investment being sought. For example, the amount of permissible subsidy might be directly proportional to the size of the nation's work force but inversely proportional to its average skills. Thus nations with large and relatively unskilled work forces would be allowed greater leeway in bidding for global investment than nations with fewer and more highly-skilled workers.

Other kinds of subsidies would be pooled and parceled out to where they could do the most good, as the European Community has begun to do regionally. For example, nations would jointly fund basic research whose fruits were likely to travel almost immediately across international borders—projects such as the high-energy particle accelerator, the human genome, and the exploration of space. (Single governments are unlikely to support many of such projects on their own, given that the entire world so easily benefits from them.) How such funds were apportioned and toward what ends would of course be subject to negotiation.

Positive economic nationalism also would ease the transition of a work force out of older industries and technologies in which there was worldwide overcapacity. This might take the form of severance payments, relocation assistance, extra training grants, extra unemployment insurance, regional economic aid, and funds for retooling or upgrading machinery toward high value-added production. Since every nation benefits when overcapacity anywhere is reduced, these subsidies might come from a common fund established jointly by all nations. Payments into the fund could be apportioned according to how much of that particular industry's capacity lay within each nation's borders at the start.

Finally, positive economic nationalism would seek to develop the capacities of the work forces of the Third World—not as a means of forestalling world communism or stabilizing Third World regimes so that global companies can safely extract raw materials and sell products within them—but as a means of promoting indigenous development and thereby enhancing global wealth. To this end, the shift of high-volume, standardized production to Third World nations would be welcomed; and markets in advanced economies would be open to them. Advanced nations would reduce the Third World's debt burden and make new lending available.

The pressures of global change have fragmented the American electorate. Blue collar and local service workers—tending toward zero-sum nationalism—fear that foreigners, the Japanese in particular, are taking over the nation's assets and secretly influencing American politics. They resent low-wage workers in Southeast Asia and Latin America who are inheriting many of America's routine production jobs and seem to be swarming into American cities. Many symbolic analysts—tending toward laissez-faire cosmopolitanism—feel no particular urgency about the economic plight of other Americans, and feel ineffectual and overwhelmed with regard to many of the larger problems facing the rest of the world.

Neither constituency, in other words, is naturally disposed to positive nationalism. Those who are threatened by global competition feel that they have much to lose and little to gain from an approach that seeks to enhance world wealth, while those who are benefiting the most from the blurring of national borders sense that they have much to lose and little to gain from government intervention intended to spread such benefits.

The direction we are heading is reasonably clear. If the future could be predicted on the basis of trends already underway, laissez-faire cosmopolitanism would become America's dominant economic and social philosophy. Left to unfold on its own, the worldwide division of labor will not only create vast disparities of wealth within nations, but may also reduce the willingness of global winners to do anything to reverse this trend toward inequality—either within the nation or without. Symbolic analysts, who hold most of the cards in this game, could be confident of "victory." But what of the losers?

The forces of history have presented us with a rare moment in which the threat of worldwide conflict seems remote and the transformations of economics and technology are blurring the lines between nations. The 1991 Persian Gulf war is notable for not aggravating global tensions or extending beyond Iraq and Kuwait. The modern nation-state, some 200 years old, is no longer what it once was: vanishing is a nationalism founded upon the practical necessities of economic interdependence within borders and security against foreigners outside. There is thus an opportunity to redefine who we are, why we have joined together, and what we owe each other and the other inhabitants of the world. The choice is ours to make. We are no more slaves to present trends than to vestiges of the past. We can, if we choose, assert that our mutual obligations as citizens extend beyond our economic usefulness to one another and act accordingly.