POST-REAGANOMICS: THE RESURGENCE OF THE SOCIAL SPHERE IN ECONOMIC AND POLITICAL LIFE?
Part I

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Part II of this paper will discuss long-term changes in the productive structure and the implications for social structure and organization.
The Presidential campaign was distinguished by a remarkable lack of discussion of substantive issues. Behind the facade of general phrase-making there is, however, very broad agreement among politicians and policy analysts that the central problems of the next administration will be economic. This broad consensus concerns the definition of the problem and the nature of the solution. The problem, this consensus holds, is the economic excess of Reaganomics, the huge deficit in the federal budget, on the one hand, and on the other an enormous trade deficit which represents in real terms a tendency for the country to consume a good deal more than it produces or, to put it more starkly, the heavy dependence of the American standard of living on subsidies from abroad. The only substantive solution to this problem, virtually all informed observers recognize, is a reduction in the U.S. standard of living, at least relative to other countries of the world and, in the short run, probably an absolute decline in living standards as well. This will be accomplished, the consensus concludes, through progressive reduction in the federal deficit through some combination of increased taxes and reduced spending, although some part of the spending allocations will come from the military budget, the pace of this adjustment to be moderated so as not to precipitate a recession. Most observers seem to recognize, as well, that the critical audience for policy in the short run is the world financial community and indeed believe that if we do not impose it upon ourselves, it will be imposed from abroad by the withdrawal of foreign support for U.S. government securities which finance the federal deficit directly and indirectly the trade deficit as well. The key role of the U.S. market for goods and the key position of U.S. financial instruments in the world economy create a certain tolerance for the deficits, so long as there is a belief that the problem is recognized and that the country has a commitment to a long-run solution, but
this will not continue indefinitely.

There is even a consensus about the procedures through which the specifics of a solution will be generated and sanctioned: some kind of broad bipartisan commission, drawing together congressional and Presidential support with representatives from business, labor, and the financial communities. The model is the Greenspan commission which developed a solution to the Social Security deficit in 198_, rescuing the Congress and the White House from the impasse created by their public commitment to a series of seemingly incompatible, mutually exclusive goals. Such a commission has actually been put in place, under the urgings of N.Y. Governor Cuomo, and is already at work under the joint chairmanship of Republican Drew Lewis and Democrat Robert Strauss. The new President could utilize this vehicle or create a new one of similar design. But the consensus sees the solution which must emerge as inevitably and inescapably a technical one. And the commission procedure is largely symbolic: It draws upon recognized leaders whose constituencies are presumed but are actually vague and ill-defined, with no real hold upon the people who represent them and indeed of questionable allegiance.

What this consensus view leaves out of account, however, is that the Reagan years have left not only economic imbalance, but enormous social imbalances as well. And the country has incurred a debt at home just as it has to the financiers abroad. These domestic claimants have been remarkably quiescent but there is no reason to presume that they will be tolerant indefinitely. The Administration has led, even encouraged, a widening of the distribution of income. The subsidy which the U.S. economy has received through the trade deficit from abroad has gone largely to the already well-off, who have experienced an increase in their standard of living, while the income of the blue collar labor force has declined. Economic insecurity
among such groups has also increased; unemployment has fallen in recent years but from record postwar levels. Full employment has come to be defined as a rate which was once considered recessionary. The percentage of the unemployed covered by insurance has fallen from X% in 1980 to Y% in 1988. And the minimum wage has deteriorated from X% of the average to Y%. The percentage of the population living in poverty has increased and become more concentrated. Substantial pockets of poor remain bottled up in the ghettos of our central cities, increasingly beset by street gangs, drug addiction, homelessness, and God-knows-what other symbols of social disintegration yet to be discovered by the national press. If these problems were to suddenly erupt on the national agenda as comparable social problems did in the late 1930s and the late 1960s, the policy consensus upon which the banalities of the campaign were built would provide little guidance. Indeed, in such an event, this "technical" consensus would serve only to further aggravate social unrest. There is no real place in the process envisaged for putting it together for the actual social claimants and no economic resources in the solution which is supposed to emerge from that process to meet new social claims.

And there is real reason to believe that the central problems which the Bush administration faces will indeed be social, possibly from the very beginning and almost certainly increasingly in the course of the term, most certainly if the technical consensus about economic policy has its way and maintains its current hold upon governmental thinking and action. The reasons to believe in this social process are in part historical and derive from the parallels between the coming decade and those of the 1930s and the 1960s. In both those periods, there was a shift in Administration, one which it appeared in the beginning (and looking substantively at the debates of the campaign) was essentially one of style rather than substance, but which actually
involved a fundamental shift from an individualistic rhetoric which tended to blame and stigmatize the victim to a social rhetoric in which particular outcomes were understood as the product of social and historical processes, shaped by policy but outside individual control. The shift in the rhetoric tended over time to awaken a social consciousness and to coalesce social groups and group demands which at the beginning of the period were almost inconceivable. This happened despite the fact that social and economic conditions actually improved over the period. Indeed, it was almost as if declining unemployment and rising incomes freed people to express resentments to which they had earlier feared to give voice so that what emerged was expression not so much of current grievances but of accumulated anger and frustration. We tend to think that the social movements of the 1930s were forestalled by the Second World War, the economic recovery which it generated, and the diversion of social energies into the war effort. The decline in the movements of the late 1960s and early 1970s is not so easy to understand in this way. But to some extent--for me personally a very large extent--people simply became tired: what initially had been experienced as an enormous release, spontaneous, even fun, became gradually over time somewhat boring and repetitive. And it became increasingly frightening and threatening as well--especially in the ghettos and the universities where it became clear most of the physical damage and life threatening activities were experienced by the protesters themselves. The movement was dominated by youth, who wore themselves out and in the process one could say grew up. If this is really what happened to the social unrest of the 1960s, it has ominous implications for the 1990s because the social groups which protested in that period are now populated by a new generation, much of which was not even born in the 1960s, without the accumulated exhaustion and fear of those who lived through the
Moreover, if one tries to predict events by the dynamic of social movements themselves, one can argue that social protest is likely to develop and demands escalate, much more rapidly in the current administration than they did under Roosevelt or in the Kennedy-Johnson years. For one thing, both Roosevelt and Kennedy took office near the trough of the downswing. Bush was elected near the peak of a boom. Unemployment will still be high by long term historical standards but if social mobilization is an expression of previously suppressed anger and frustration, this may be the worst of both words: rates still high enough to maintain the anger but low enough to relieve the restraints which have frustrated its release. Secondly, the bottom of the labor market, where the poor and disadvantaged who have the most to resent about American society work, is being further tightened by demographic trends and by the new immigration laws. The demographic bulge created by the postwar baby boom, which devalued the youth labor market in the 1970s, has finally matured, leaving in its wake a real shortage in jobs accustomed to employ kids and young adults. The new immigration laws penalize, for the first time, employers who hire undocumented aliens, and if the laws are enforced, this will curtail the supply of foreign workers in low wage jobs. This, moreover, coincides with a shift in the structure of legal immigration toward more highly skilled and educated workers.

Third, the Jackson campaign has begun to mobilize and legitimize social grievants and to feed this mobilization into the political process in a way that no comparable candidate did in the 1960s. In the 1930s, the left-wing parties may have played a similar role but in that event Roosevelt adopted their program. Bush may end by trying to adopt Jackson’s program if he can figure out what it is, but it is not clear that Jackson has a program in this
sense and the preoccupation of the policy making community with economics will not help Bush to focus on social problems, let alone lead to operational solutions.

But the best way to understand the social movement, if it ensues, may not be in terms of some inherent dynamic, but in terms of the nature of the changes in the socio-economic structure which have actually taken place in the United States in the last 8 years, and the way in which the associated public policies have been formulated and implemented. Considerations of this kind suggest that two kinds of claims are likely to be asserted in a forceful and commanding way: first, the claims of organized workers in those sections of the economy where unions have been traditionally strong; and second, the claims of marginal workers holding low wage, relatively insecure jobs, with limited labor market commitment, especially ethnic and racial minorities.

These claims may or may not, however, be asserted through worker organizations or in the context of work issues. A variety of other groups are likely to be activated in any general social mobilization, racial and ethnic minorities, religious groups, sex and sex preference groups such as women and gays, the mentally and physically handicapped (PWA’s, the hearing impaired, the blind, etc.) Each of these groups could either singularly or in coalition represent the grievances which grow out of the work place (or which at least we are accustomed to see presented there). Defined in this way, moreover, the aggrieved individuals also have other concerns that are likely to be translated into additional social claims, some of which could entail substantial demands on resources for medical care, for access to public facilities, for special housing, social service supports, and the like. However, whatever groupings the social movement coalesces around and however the issues come to be defined, two extremely expensive demands appear most
likely to emerge: one for comprehensive medical care and the other for comprehensive day-care for the children of working mothers.

The proliferation of social groups complicates the picture. But the potential for social claims and the difficulty we would have in resolving them through established political channels are easiest to understand in the case of organized workers. Here, the problem is that we have dismantled the institutional arrangements which governed wage determination and employment conditions throughout the preceding decades of the postwar period. But we have not replaced them with a set of widely accepted alternative procedures and standards. Economists and, to some extent employers, have perceived this as a return to a market economy. But this is hardly the way they are understood by the people whose work lives are governed by these new arrangements. These workers find it increasingly difficult to perceive the rationale for the conditions to which they are subjected. Unionized workers have been led to believe that they made temporary compromises to restore the competitive position of their industry and the economy. The plausibility of this interpretation becomes increasingly untenable as the period of time is extended and the economic health of the industry and of the American economy appears to have been restored. At the same time, the practices which employers have instituted in the place of the structures and procedures which the unions have "conceded" are so various that workers cannot figure out why they are treated one way and their colleagues next door in another. In some companies, practices vary in an erratic way from shop to shop or in the same shop over time heightening the sense of the essentially arbitrary nature of employment practices. Since much of this variation is the product of confusion and debate among managers themselves--fairly typical of the last decade but rare in the earlier postwar period--about "best-practice," one
cannot even argue that prevailing conditions express a set of market forces whose logic and coherence workers themselves are simply unable to see.

For marginal groups within the labor force the problem is that the structures of employment have not kept pace with the changing nature of these groups or of their employment commitments. The relative number of such jobs has grown in recent years but the quality of the wages and working conditions has deteriorated substantially. These trends partly reflect structural shifts involving particular industries and technologies. But they have been heightened by a tendency of employers generally to segment their labor force, creating a permanent core to whom they are prepared to develop extensive, strong commitments in terms of fringe benefits and job security and a peripheral group to whom their commitment is contingent although the employment relationship may in fact last for an equally long period of time. These peripheral labor forces include a number of people who in fact have a temporary labor market commitment (e.g., students, housewives, retirees) but it also includes many whose commitment is long term and who find it difficult to understand why they should be treated as adolescents especially when the work which they do is often the same as that performed by permanent workers.

At the same time, we have progressively weakened the organizations in which worker grievances have been articulated and represented, and the structures through which those claims have been reconciled with other social claims and with the requirements of productive efficiency. Popular attention has focused upon the declining portion of the labor force represented by trade unions and weaknesses of what union organization remains. All of this was symbolized by the crushing of the Air Controllers organization at the outset of the Reagan Administration and the period of concession bargaining which ensued. What is not perceived are the internal divisions within the labor
movement itself. The President of the AFL-CIO, Lane Kirkland, is rumored to be extremely sick, and behind the scenes maneuvering has already begun over his succession. The balance of power among internal factions has been disturbed by the reentrance of the large and powerful Teamsters Union, but the death of Jackie Presser, the Teamsters President, has set off a fight for successions within that union. Meanwhile, there are significant minority factions within many major unions which threaten the control of existing leadership, most of which has led their organization through the concession bargaining period and are thus extremely vulnerable to any revival of militance among the rank-and-file, especially ones that come to be perceived in terms of opposition to the policies and tactics of the preceding years. Hence, if one were to attempt to channel and resolve the claims of a remobilized labor force through the kind of negotiations envisaged by the "consensus solution", it is questionable whether there would be anybody who could claim to be a credible representative to negotiate with, at the national level or in any particular industry, or, any organization which retains a leadership with sufficient political strength to secure an agreement acceptable to the rank-and-file and make it stick.

Meanwhile, the status of trade unions as representative of any group of social grievants has been heavily compromised by the emergence of strong organizations and group affinities based upon sex, sexual preference, racial and ethnic ties, religion, physical handicap, and the like. These developments no doubt reflect long term social trends: the way in which we have progressively stigmatized and ghettoized the aged, the handicapped, the medically ill, the mentally ill, etc., in separate institutions and corners of society. But it has also been fostered by public and private policies designed to escape the constraints of existing social structures, particularly
unions. Labor policy, for example, has substituted legislative remedies to the particular grievances of all of these different groups (the handicapped, the aged, the racial minorities) for collective bargaining and in the process encouraged people to define their grievances and to organize in this way. At the same time, employers have tended to encourage such organization in the workplace as an alternative to unions: Digital, for example, which is aggressively anti-union, has within it organizations of women, blacks and gays, among others, and advertises its openness and sympathy for these affiliations to the point of a whole corporate page in the program of the Boston Gay Rights parade.

For the newer non-union groups, it is harder to discern the form which their social claims are likely to take because, despite their lobbying efforts for legislative remedies and despite efforts of companies like Digital, they still have only a kind of de facto status. Their capacity for sustained organizational existence is unclear.

Perhaps the best way to think about these groups is in terms of traditional liberal social theory. In liberal theory, the society is viewed as simply a coalition of individuals. Each individual is both unique and multidimensional with a variety of different interests. Individuals may come together into coalitions to pursue one or another of these interests. But since individuals are so different and have so many separate interests, the groups represent interests rather than individuals. Any particular individual will need to join many different coalitions to get him or herself adequately represented and in each coalition will find him or herself allied into a different set of others. Groups, in this liberal conception, of society and politics exist but they are pluralistic, not in the sense that there are many groups, but in the sense that each individual is associated with many groups
and group memberships are only marginally overlapping. A corollary of this way of looking at the world is that an individual's commitment to any particular group is limited and, hence, likely to be marginal. Heavy demands of time and resources are likely to interfere with the individual pursuit of other interests. The problem of aggregating the claims of different groups and rationing scarce resources is facilitated in a society of this kind because individuals themselves can be readily made to see that if excessive resources are allocated to one of the groups to which they belong, it will limit resources available to groups representing others of their interests.

The characteristics of the groups identified above is that they all have the potential for violating the liberal conception of society. The groups are such that individual identity (i.e., a very large number of an individual's interests so large as to define the person) is bound up and represented by a single group. The group tends to be associated with and represent the individual's life style to use a term whose current popularity may come to represent the fundamental problem of social organization which the country is about to face. This leads to corporatist groups rather than pluralistic groups. The same individuals tend to be grouped together repeatedly in one organization after another, and groups competing for resources tend to be mutually exclusive in the sense that the interests of one group's members do not overlap and coincide with the interests of another.

In recent years, there has been a renewed interest among political scientists in this form of social organization, which is now termed neo-corporatism, to distinguish it from older theories tainted by association with fascism and nazism in the 1930s. In some European countries, "neo-corporatism" is even a part of the political vocabulary and a subject of public debate.
But there is a critical difference between the corporatist groups which are potential players in the politics of the coming decade and the groups of corporate and neocorporate theory. The latter play functional roles in the economy: the structure is modeled on the corporate estates of medieval Europe. The fascist political structure was composed of industrial and professional representatives. And the neocorporatist debate is largely about the delegation of state power to trade unions, who represent the working class and can enter in negotiations with a similarly constituted groups of employers to formulate and ratify national economic policy. The U.S. labor law as originally written and interpreted by the courts, at least until the middle 1970s, is neocorporatist in this sense, and the national economic commission which is envisaged as a way of resolving the political impasse of the budget and trade deficits is prototypical of the neo-corporatist approach in the sense that it draws to the negotiation table a set of groups which are defined by economic roles and functions. The new groups which are emerging on the political landscape are not corporatist in this sense. There is no obvious relationship between them and the roles which the members play in the economy. This we will see constitutes a real problem because it is the economy which generates the resources through which the demands of these groups are going to be met. And because the groupings are defined independently of the economic structure there is no way in which the groups, or their members, are led to see or comprehend the process through which economic resources constrain their demands.

Indeed, if one were to trace the evolution of the social structure out of which these groups are emerging one would probably have to see them as the end product of the breakdown of the very worlds which corporatist theory sought to capture. In the medieval world, corporatism (as opposed to
pluralism) was a meaningful depiction of that social structure because of an integration of production and consumption within the household, or more precisely, the extended family. Households were differentiated functionally so that they played specialized roles in the economic structure, at least if one is prepared to accept nobles and the clergy as having economically valid functions, but the members of these functionally differentiated corporate groups were not really individuals, they were households. Within the household consumption and production were not really conceptually distinct. One of the basic transformations which took place along the way to modern times is that consumption and production were separated; production came to take place outside the home and consumption remained an activity associated within the family. This nonetheless preserves the possibility of a functionally defined corporate political structure so long as the consuming family derives its income from a single, unambiguously defined position within the economic structure. And for many years this continued to be the case because the family had a single, dominant wage earner.

Many of the new groups seem to grow out of the decline of the family as an integrating social institution. A key aspect of this decline has been a process in which categorically defined financially and/or emotionally burdensome members were encouraged to leave the household unit and move into living arrangements where they associated with other people categorized like themselves. The process which began with the aged, the sick, and the handicapped, has been extended to single parents, gays, the blind, the hearing-impaired, etc. The rapid rise in female labor force participation rates in the last 20 years has been an additional, perhaps final, blow to the family as the critical integrating social institution. In the Reagan years, the rise in female participation was the consequence--given the pro-family
rhetoric of the Administration probably unintended and certainly unforeseen--of Reagan's economic and labor policies. By driving down the wage rates of unionized male workers, these policies forced women to remain in the labor market to supplement household earnings during the critical years of family formation when income demands tend to rise. The increase in participation rates has been particularly dramatic among women with small children, jumping from 41.5% to 56.8% between 1980 and 1988 for married women with children under six and from 38.8% to 50.8% for those with children under one (NYT, June 19, 1988, Sec. IV p. 26). These women are now no longer free to assume full child care responsibilities, let alone care for the aged, the handicapped and the disabled. And the economic fate of the family is no longer identified with a single earner who can be represented by one work-place based union organization.

The disintegration of the old corporatist structure of interest groups, however, does not in itself explain the new corporatist structure which seems to be emergent in contemporary politics. Indeed, one might have expected the breakdown of such cohesive social groupings of the extended and then the nuclear family and of work-place based trade unions to make way for a new pluralism. This outcome would seem all the more likely given the American attraction to the liberal individualism, from which pluralism derives, as an ideal of how a just and good society ought to function. In certain respects, the thrust of public policy was in this direction: the corporatist framework of U.S. labor law for example was progressively weakened by court interpretations resting on individualistic and pluralistic social theory. But here a deep paradox of Anglo-Saxon social thought came into play. While we find it very difficult to think of society as anything more than an aggregation of individuals and reject social theories predicated upon the
idea that human beings understand and realize themselves only as part of cohesive social groups, we have an apparently fatal attraction to the notion of fundamental biological distinctions among human-beings. We seem prone to understand social groups and to justify their recognition in public policy in biological terms. We tend, moreover, to do this much more often and much more readily than other Western cultures, which are less committed to individualism as an analytical or normative principle.

Nowhere is this tendency more obvious—or in terms of the recent evolution of American society more important—than in terms of race. Anglo-Saxon culture—or at least American Anglo-Saxon culture—makes a sharp distinction between black and white. We see the world as divided into these two fundamentally distinct groups and every individual as falling into one or the other of these categories. This construction stands in sharp contrast to that of Latin countries, which recognize a whole spectrum of different racial characteristics and possess a vast vocabulary for distinguishing subtle variations along it. This does not necessarily mean that the U.S. society is any more racially discriminating than the societies of Latin America, but it does give a distinct character to the structure of our institutions and ideologies. In particular, it led to the sharp dichotomies first between slave and free and subsequently to Jim Crow segregation. It also proved to be the vehicle of black liberation. The civil rights movement essentially took the category of black, which had been the fulcrum of social oppression and by organizing around it politically and defining social and economic policy through it changed its value from negative to positive. This change is suggested by such phrases as Black Power and Black is Beautiful. In Latin culture, where the people whom we would lump together as a single type, are spread out over the whole color spectrum, the notions of black power and black
beauty are simply inconceivable. In this sense, blacks are the first of the new noneconomic corporate groups in American society, and the other groups that emerge out of the breakup of the family and have a similar physical or biological core to their definition, have drawn upon the black model.

The parallel is complete in the case of two of these groups: gay men and lesbians. For Americans, homosexuals as a distinct group of people, defined by their sexual proclivity seems to be a natural category. It created the potential for oppression and discrimination. And because these people were all defined, and confined socially, it led to the development of distinct gay and lesbian homosexual cultures. But building, in many cases quite consciously, upon the black model, that category and the cultures which its social implementation generated, became the vehicles for gay liberation. In Latin cultures, where a sharp distinction is made between the individual and the sexual acts in which he or she engages and where a whole spectrum of individual behaviors can thus be socially recognized, gays and gay liberation do not exist, and to the extent they have emerged in Latin countries, it is as an importation from the United States along with popular music and blue jeans. The other new groups incipient in the current social scene—the hearing-impaired, the grays, the handicapped—do not have such a long existence as categories of American social thought, but they are basically modeling themselves upon blacks and gays, and the intuitive appeal of their claims for the rest of society undoubtedly derives from the bio-sociology upon which black and gay liberation is based.

Of course, the recent history of blacks as a social movement also serves as the model for a completely different set of social groups, those based upon ethnic identity. The salience of ethnicity is not completely unrelated to the bio-sociology of American social thought. One can see this immediately in the
1908 Report of the Immigration Commission, the seminal document of U.S. ethnic policy in the century stretching from the end of the Civil War to the Immigration Act of 1964. The centerpiece of the report is a dictionary of ethnicity which classified each group by its physical characteristics and derivative cultural traits. Many of these ethnic groups were created in the United States out of members who had only the weakest, and some cases no real, common culture or identity prior to immigration, and the melting pot model might have operated more effectively had the U.S. not persisted in seeing these individuals as belonging together. But in the case of the ethnic groups, unlike those which emerged out of the disintegrating family, there is more of a common economic and geographic core to their existence. It was for this reason that in politics of the old corporatism, ethnic groups and economic "corporations" were not distinct: most trade unions had a de facto ethnic structure, and some had a de jure one. The continued existence of these ethnic groupings, as their members dispersed economically and geographically, could, however, pose much the same problem in social organization and/or politics as the biologically and physically defined groups. That problem--to return to the core issue posed by the new social mobilization--is the divorce between the social claimants and the economic actors: the evolving social organization is largely independent of the economic structure which supports it.

The Divorce of the Economic and Social Structure

Because of the divorce between the economic and social structure, demands which the social claimants make upon the nation's resources are formulated independently of the nation's capacity to meet them: the constraints upon the ability to meet these demands are not directly perceived or understood. There
is no reason to expect such groups to generate a leadership which can understand or evaluate the cost to society of the claims it is making. But even if the leadership through some kind of negotiating process with public policy makers, business leaders, or other groups came to understand the constraints in terms of which they were operating, they would probably not be able to convince their constituencies to follow them. Indeed the way these groups are constituted, there is no natural context or vocabulary in the experience of the membership to talk about, let alone evaluate, compromises imposed by resource constraints.

Of course one form of group structure which has the property of aligning social and economic organizations is the trade union, but union organization has been progressively weakened since the mid-1950s. This weakness has a variety of causes but one important factor has been the decline of Federal protection and encouragement, and current policy could certainly be reversed.

A similar logic points toward the provision of social services designed to remedy particular grievances through the work place in ways which encourage workers representation and make evident the financial burdens which they impose. Clearly this will not be possible with all social demands but the two principle items on the current social agenda, i.e., day-care and medical care, do appear to lend themselves to such solutions. The difficulty is that individual work places appear to be increasingly less meaningful as social or economic units. They are less meaningful economically because they are becoming smaller and increasingly dependent on larger groupings whose boundaries are less obvious, or at least have less of an institutionalized definition. They are less socially meaningful because both current trends and the long term personnel strategies of major companies imply that work lives will involve considerably more inter firm mobility, and that occupationally...
and geographically defined labor markets may become increasingly important relative to markets internal to particular enterprises. These considerations suggest that the reintegration of social and economic life requires a detailed examination of the evolution of the economic structure as well as the social one. We turn to an examination of that problem in the final section of the paper.

Politics in the Short Run

In the short run, however, we are more or less stuck with the social and economic structures, (or the lack thereof) which we have. If these no longer coincide with the structure of the Drew-Strauss commission and remain too fluid and ambiguous for the construction of an alternative set of structured negotiations, what will the politics of a period of social mobilization look like? Apparently, it will be much more open and unpredictable than the neo-corporatist model envisages, more akin to the politics of a revolution than to that of normal times, although, if we are lucky, without the violence of a real revolution or the reaction which generally ensues.

The ability to steer the country through such a period of social mobilization (and probably the ability to convince an electorate that one can steer such a course) depends on the ability to deliver a complex message. The message must first recognize the validity of the claims which are being asserted in the street, and, hence, able to capture the moral allegiance of the aggrieved, and lead them into the voting booth. Second, it must add to the rhetoric of grievance a sense of the limited resources and organizational structures which constrain the ability to resolve them. Third, it must do so in a way which recognizes that the constraints are not inherent in nature but
are social creations, which grow out of politics. Since the constraints are themselves subject to moral judgment and human agents must assume moral responsibility for their creation and continued existence. This last position is what ultimately distinguishes the progressive view of society from the conservative one, and it is this more than anything else which leads one to be skeptical as to whether a Republican president can ever obtain the tolerance for the time required to work out an economically viable solution to the social legacy of the last decade. It is particularly problematic because the anger and impatience expressed in the streets is partly against the conservative tendencies within the demonstrators themselves. The politics of such a period—even the electoral politics—cannot be understood in terms of voting blocks and electoral coalitions. It is not a question of piecing together a majority out of a stable set of groups each with its own agendas. The play is within the soul of the individual, a contest for the hearts and minds of people with ambiguous, contradictory, basically schizophrenic attitudes and ideas about themselves and the world in which they play out their lives. Reagan tipped the balance in one direction in the 1980s; social mobilization is a part of the process through which the balance is shifting in the other direction.

The nature of this inner conflict at play here was brought home to me by a social worker in the early years of the Reagan administration, when I asked why the poor had accepted the cuts in social programs so passively. His answer was that they themselves felt guilty. The system in the 1970s had lent itself to cheating and the people living under it had exploited the opportunities for doing so. It wasn't that they lived particularly well, they were still recognizably poor, in many ways even desperate. But they were guilty. They—more than anybody—recognized the truth in the charges of the
critics of the system, and they had come to feel responsible for their own poverty. Much the same sense of guilt and personal responsibility was evident in talk to rank-and-file union members about the problems of their industries during the period of concession bargaining. If the socially aggrieved are beginning now again to mobilize, it is because the abuses which were responsible for these feelings in the past have been eliminated.

But the internal conflicts and the way they are played out are not fully, or even mainly, objective. Anne Richards spoke to these conflicts in her keynote speech at the Democratic convention when she read a letter from a working mother, trying to balance the needs of her children for her at home with the family’s dependence on her income from work. "They say it is your fault," Richards said in her speech, "and that is wrong." That is the schizophrenia in the American electorate: the simultaneous belief that their dilemmas are their own personal failings and would somehow be resolved if they only tried harder; and the conviction that these dilemmas are actually socially created and could be relieved by public policy. Republicans have succeeded because they played upon the idea that it is your fault and the Democrats failed because they could not convince the electorate that the Republicans were wrong. At some level, this conflict, or something like it, permeates all the aggrieved in American society: working mothers are always fighting guilt about their children; blacks are fighting their own belief in their inherent laziness, or worse still, their biological inferiority; workers the feeling that their wages are putting them out of work; gays their inner conviction that AIDS is God’s retribution for their sins. The anger which these groups express when they do mobilize and demonstrate is directed as much at themselves as their external adversaries, it is an effort to suppress the feeling that it is their own fault, to convince themselves that that is wrong.
Bush's election may delay the shift or moderate it when it occurs. The previous periods of social mobilization in the 1930s and 1960s followed a transition from a Republican to a Democratic administration. But Bush himself is delivering a message which is more mixed, and much more ambiguous, than Reagan's. The tenor of his campaign with the emphasis on defense, crime, the dangers of liberalism and the Willey Horton ad, playing upon the risks of the Massachusetts prison-leave program, all re-enforced the Reagan lessons about the constraints of nature and the dangers of trying to circumvent them through social policy. That this was more than a campaign tactic was made clear by Bush's reply to Dukakis's health insurance proposal in the first debate--one of the substantive disagreements between the candidates which was otherwise completely obscured by the symbolic focus of the campaign. Bush argued that he would like to see medical insurance but he feared the risks of imposing such charges on enterprise. But the secondary Bush theme--never developed in the campaign but made a center piece of his acceptance speech at the convention and his victory speech on election night--the theme of a kinder, gentler society, recognizes the excesses of the Reagan policies and the legitimacy of the social grievances. This secondary theme is now directed primarily at the Democratic congress whose cooperation Bush needs to govern. But the message which will inevitably be heard by the public-at-large, where it is less likely to affect their attitude on specific proposals being debated in Washington than how they feel and who they blame for the problems and anxieties of daily life. The congressional rhetoric about the negativism of the Bush campaign will play in the same way: on Capital Hill, it is being used to justify early legislative opposition to Bush leadership. Even the Senate minority leader Bob Dole reenforced and validated this theme on election night. But among the public-at-large, the message is that Bush, not
only in his campaign tactics, but also in his selection of Quayle as Vice President, violated the unwritten rules of electoral politics, in a way which creates a tolerance, if not an actual justification, for the extra-electoral tactics of strikes, boycotts, and strident demonstrations about social grievances.

For any administration, the great opportunity, but also the greatest challenge, of national political leadership in a period of national mobilization comes in the resolution of conflict. But the challenge is not so much in the resolution itself--great confrontations are almost invariably resolved--but to command the interpretation of the outcome. It is that interpretation which forms the basis for national consensus around which the substantive foundations of social stability can be built or for continuing conflict and devisiveness.

Here too Reagan has bequeathed a weighty legacy, and like his budget deficit, the trade deficit, and the social deficit, that legacy will not facilitate the job of his successors. The fatal confrontation of the Reagan administration was the air controllers strike of 1981. It was fatal not because Reagan broke the strike, fired the strikers, and dissolved the union; or because of the three years of disruption of the national air traffic system which ensued, but because he allowed it to engender two diametrically opposed interpretations, which will surely haunt industrial relations in any future period of worker mobilization. Among conservative policy makers, academic economists, and many business leaders, the strike was a demonstration of abusive union power and its destruction became the template for a new labor policy which restored market forces, managerial prerogatives, and the rule of
law and natural order in the work place and in wage-price relations. To labor leaders, industrial relations scholars, and to the newly mobilizing groups of aggrieved individuals, the air controllers' strike was something entirely else. These people, to be sure, saw a certain poetic justice in the defeat of the union, which had broken ranks with the rest of organized labor to support Reagan in the presidential election. But they understood the strike itself as an expression of legitimate grievances engendered by a sloppy and oppressive management, an interpretation born out by the fact that the practices continued after the strike was broken and led to the formation of a new union among the very workers who had been hired as strike breakers. The episode was also an example of management's renewed labor hostility and brutality. And a lesson in the value of labor unity--and by extension of the unity of all left-wing forces--a lesson reinforced by the subsequent fate of the other workers in the industry who failed to support the air controllers and have ultimately suffered a similar if less sudden, and extreme fate. In other words, on one side, the strike is an example of one industrial relations strategy; on the other side, it was a technical mistake which restored commitment to a militant defense of an alternative completely incompatible with the first. And both interpretations are likely to guide strategy and tactics in the coming years when, however, the balance of power in the struggle will be very different. A more farsighted leadership might have attempted to consolidate a common, more stable interpretation, one which stigmatized the tactic, which recognized the legitimacy of the grievances, and validated a range of managerial approaches which included both the union and the nonunion alternatives. This was more or less the scenario which the Carter Administration had worked out in anticipation of the strike before it left office. It was a fairly conservative interpretation of events within the
then prevalent framework of labor relations, not very original to be sure, and for that very reason likely to fade with the memory of the strike itself.

A similar cleavage is potential in the confrontation over the president of the Federal college for the hearing impaired, Gallaudet. That episode has left much less of a mark upon the consciousness of the general public but it certainly marks a turning point in the consciousness of the hearing impaired themselves and its reverberation among all of the socially stigmatized peoples may make it a more important symbol in the coming decade than the air controller strike.

On the surface, the issue at Gallaudet was relatively straight-forward. Gallaudet is an institution of higher learning for the hearing-impaired chartered and financed by the Federal Government in Washington, D.C., and governed by a members board which, while nominally appointed by Congress and the President, is in fact basically self-perpetuating. The board had only three deaf members, and the chairman was not hearing impaired and could not speak sign-language. The president of Gallaudet, who was not deaf either, retired, and the board selected as a replacement, another non-deaf candidate with no previous experience in deaf education, who was also unable to sign. A student, and eventually faculty, protest developed: the protesters demanded the appointment of a deaf president. The protest received national attention--it was followed daily by television news and received front page newspaper coverage throughout the country. The movement attracted almost immediate and virtually universal support from the editorial writers, political figures, and apparently, the general public. The chairmen of the board and the newly appointed president tried to defend themselves, but received absolutely no sympathy in any quarter. Within two weeks both the chairman and the newly appointed president resigned and the student demands
were met through the appointment of a new president who was deaf.

But what exactly was Gallaudet all about? What did the appointment of a deaf President represent? How could a situation which was universally repudiated once it was recognized have arisen in the first place and continued for so long? Why did the board come to take and then defend a series of actions which found absolutely no sympathy in any corner of American society? What exactly was demanded at Gallaudet, and what conceded?

The Chairman of the Board of Directors argued that the role of the college president was to communicate with the outside world in order to raise money to finance the institution. The ability to communicate internally with the students and faculty, she argued, was thus much less important than the ability to speak with funding sources. In terms of the role of a college presidents, in general, the Chairman of the Board was certainly correct. And there is every reason to believe that the students and faculty at Gallaudet heard and understood her argument. The unspoken implication was that the hearing impaired could not communicate well with the outside world and were not well-qualified for the presidency. To the extent that one understands the issues in these terms, the confrontation was really about the nature of the relationship the hearing impaired and the larger society. It was about whether the hearing impaired were obliged to find ways of relating to the outside world on its terms or whether the latter society was obliged to find ways of relating to the hearing impaired in the terms in which the larger lived and functioned in their daily lives. Understated in this way, the confrontation redefined the whole relationship, not only between the hearing impaired and the speaking worlds, but between all of the enclaves defined by social and physical disabilities and the society-at-large.

Because the sympathy for the student demands was so total and complete,
it is hard to see exactly how the issues were defined by the rest of the country. But it seems doubtful that they saw the episode as one in which the hearing world accepted the responsibility of making the adjustments required to communicate with deaf people on their own terms, let alone to create a physical environment where the blind and the crippled would feel as at ease in public as they do today in their own institutionalized settings or where black teenagers are free to behave in the White House as they do on the streets of Harlem or gays and lesbians can walk on Main Street the way that they do in Provincetown. Indeed, the question of what adjustments of this kind would imply in terms of the cost of redesigning public facilities and of social and educational processes was never considered.

It seems more likely that what the editorial writers and media reporters thought they were reporting was a confrontation about job discrimination or, because of the symbolic importance of the particular job involved, self-government and bureaucracy. Defined in these terms, the concessions of principle made by the larger society were at most concessions about how the enclaves of stigmatized peoples were to be allowed to function internally. The reason that the students and faculty failed to see it in these terms is not simply because, as the Chairman of the Board so cogently argued, that is not what the role of a college president is. The protesters failed to see it in this way because they understood—as do the members of all these communities—that true internal independence is simply not possible so long as they are obliged to exist, and are ultimately dependent economically if not socially, upon a larger society that defines the interactions with the enclaves in terms of its own tastes and conveniences. For the deaf, therefore, even a concession about civil rights and democracy therefore implied a shift in the mode of accommodation in the broadest sense.
The critical point, however, is not whose interpretation was right or wrong in this confrontation. It seems difficult to deny the ultimate humanitarian validity of the claims of the students and faculty once the social structure comes to be defined in this way. But it seems absurd to accept these claims without thinking through the implications for the reorganization of the physical and social environment and envisaging the process through which such a reorganization ought to be carried out. The real issue which is posed by the confrontation is the political implications of the radically different and inherently incompatible interpretations and their potential for disarray in a period of general social mobilization. The potential for disarray is present first and foremost in the fact that Gallaudet demonstrated the effectiveness of direct confrontation. It produced immediate attention, universal sympathy and total victory. But it worked too well. It encouraged a tactical approach which almost by its very nature cannot be effective if it becomes routine, a tactic which, moreover, provides scope for an emotional acting out (to use a term which one organization devoted to civil disobedience has actually adopted), for an expression of anger; unrestrained by tactical consideration, one which is indeed tactically counterproductive. And it encourages a tactic of confrontation while, at the same time, compounding the hurt and anger which a lifetime of social stigma has already generated, with the feeling of betrayal when they try to make good upon the promises they thought were granted at Gallaudet but were not. The validation which the larger society gave to the most deep felt emotions at that time will then serve to justify in their hearts the most extreme political acts.

Just how great the gap in understanding can be is well illustrated by a recent article in The New Republic in which the author crafts an elaborate
argument about the difference between the deaf and ethnic and racial minorities, and then quotes one of the student leaders at Gallaudet to show how militant and absurd they have become: "If I had a bulldozer and a gun, I would destroy all scientific experiments to cure deafness. If I could hear, I would probably take a pencil and poke myself to be deaf again." The argument of The New Republic could be right but it is, for the present at least, irrelevant. We have created a social structure in which an individual's whole identity comes to be bound up with a single physical characteristic. Any attempt to alter that characteristic then becomes a threat to the individual: it operates at once, to stigmatize him and to deny him his individuality as a human being. Curing deafness is like straightening black hair. This makes the deaf a cohesive social group. If that is not desirable, we will have to alter the social structure. But, in the meantime, we are stuck with the categories and the politics which it creates.

The air controllers strike may be sufficiently remote and Gallaudet sufficiently ephemeral to moderate their influence upon current policies. We should hope so. Certainly, it is difficult to imagine a more fateful political process than one where labor confrontations are structured by the heritage of the air controllers and social confrontations by Gallaudet. But the lessons for political leadership are clear. What is required is spokesmen for the aggrieved who can make clearly and unambiguously articulate the claims which are being presented. And an establishment leadership with the guts and ability to make present in the short run and on the purely symbolic issues the constraints which are likely to bind in the long run when the effort is made to convert the symbols into achievement of practical significance. And, ultimately, it also requires a Presidential leadership who is prepared and able to create a single set of mutually compatible and socially viable
understanding of the significance of the events which occurred.

If the Bush Administration fails to successfully navigate a period of social unrest--indeed even if the unrest fails to materialize but the grievances continue to fester and accumulate--the situation should rebound in favor of the Democrats in the 1992 elections. Bush will not be able to blame the problems, as the Democratic Administration could in the 1930s and 1960s, upon his predecessors. But the credibility of any claim on the part of the Democrats about their capacity to govern depends upon their ability to assert, simultaneously that they not only understand the grievances of the mobilizing claimants, but that they also recognize the political and economic constraints upon the country's capacity to meet these claims and command sufficient allegiance among the mobilized groups to moderate their immediate demands in the light of the constraints. The problem for the Party is that it is divided into two wings, one of which seems to represent the claimants and the other, the constraints.

The Democrat who seems best able to capitalize politically upon a period of social mobilization is Jesse Jackson. His asset is the sense which he has engendered among the aggrieved that he understands and sympathizes with their concerns and is committed to their cause. This is in part due to his ability to express their feelings and articulate thoughts and convictions which they barely manage to formulate themselves. In this respect, it is no accident that Jackson is a Southern black, for, as we have seen, the ideological structure which creates identities based upon gender and physical handicaps is, at root, the same structure which defines blacks as a separate group. And in the South, when blacks were an integral, if distinct and subordinated, part of the social structure, they experienced the same desires to be admitted to
equal status without giving up the community of separateness from which they had managed to derive the dignity, identity and security which the larger society denied to them and which, only once developed, enabled them to assert their demand in a commanding way. Thus, he understands why gays might no longer seek freedom in the privacy of their own bedrooms or the deaf seek salvation in hearing aids.

But Jackson's ability to represent the aggrieved is also due to the fact that he alone, not only among politicians but among national figures of any kind, has consistently appeared at the events through which these minorities tried to evolve and organize in the face of the oppression of the lean Reagan years. He was the only national politician who had the courage to appear at the Gay and Lesbian march in Washington in October 1987, and to speak out openly before 600,000 people at an event which obtained (albeit somewhat belatedly) national media coverage. His appearance there might have been dismissed as a thrust for media attention--and was, by the political establishment who missed the fact that he was also the only national politician to travel to Jay, Maine, where he spoke to strikers at the International Paper Company, in a lonely, far-off place which received no coverage at all. And the only politician to interrupt his campaign to speak to the Eastern mechanics when the courts vacated the injunction against Lorenzo's sale of the Eastern shuttle. In the language of the newspaper columnist, one would probably say that Jackson is the only person who can "claim" to have supported all of the aggrieved groups of the Reagan era, but the point missed by such a commentary is that when a busy man travels all the way to Jay, Maine, to speak to people who are fighting a lonely and forgotten cause for jobs to which they know they will never return, he doesn't have to "claim" anything of these people or of their brothers and sisters who read in
their union newspapers and parish newsletters what is not reported by the national media. Finally, Jackson's commitment to all of these people and their causes has been uncompromising: he has expressed their true grievances in their own language, in some cases indeed he has given them a language to express previously inchoate concerns. But this last strength is also Jackson's fundamental weakness. Jackson has been the spokesman for the aggrieved--their representative, their symbol--but he has not been their leader. There is actually some question as to whether the aggrieved can be led. They may be still too inchoate, too unorganized, to enter into any stable agreement through the regular political process. And yet this is exactly what Jackson must demonstrate the capacity to do in order to make a credible claim about his capacity to actually govern the country. It is possible to imagine how Jackson might have tried to do this under a Dukakis administration. The process would have been much like that leading up to the Democratic National convention in Atlanta. It is more difficult to imagine how he could do so under the Bush administration. The credibility of any call for moderation will be good deal more suspect because the concessions upon which it is predicated must come from the very people who are perceived as responsible for the grievances in the first place. And any success on Jackson's part in this regard would rebound to the credit of Bush as well, who would be Jackson's ultimate adversary in a Presidential election. On the other hand, both Jackson and Bush share a common electoral adversary in the establishment Democrats, and Bush would need any moderation which Jackson could muster every bit as much as Jackson would need Bush to demonstrate his own leadership capacity. It is thus no accident that Jackson called Bush on election night to offer his support in an effort to reunite the country. While the significance of this offer may well have escaped Bush at the time,
he will no doubt quickly come to understand and appreciate its value if the country turns out to be as deeply divided within itself as Jackson's travels have led us to believe.

If Jackson's position is tenuous, that of the establishment Democrats seems even more so. They are so determined to distance themselves from the radical wing of their party that they fail to see the real basis of its support or the political construction in which Jackson emerges as key player. With the help of the national press, they trivialized Jackson's tactics in Atlanta then and his post-election call to Bush, attributing them to hurt pride and the wounds of his childhood. In so doing, they have so psychologized Jackson himself that they are unable to understand his constituencies through his own rhetoric or to appreciate through his strategy the political situation in which these constituencies could come to be central players. And they eschew the rallies and marches through which they might learn to understand these constituencies directly, and lay their own claims to their support. They persist in seeing their problem as one of piecing together an electoral coalition out of fixed groups and miss completely the possibility that the real battle is for contradictory impulses of the same people. In the process, they paint themselves in the same colors as their Republican adversaries and through their talk of "moderation," "responsibility," "maturity" and "reality" assume the very liabilities of government which the one advantage of their electoral defeat is to have escaped.

**Short Run Economic Policy**

What is the relationship between social pressures understood in this way and economic policy? Institutionally, the conflict could be intense. It will
certainly be intense if we adhere to the structures and understandings built into the Drew-Strauss Commission. That commission is predicated upon the assumption that national resources are too constrained to meet current demands, let alone to accommodate new groups and social pressures. But, the reality is that the conflicts may be considerably less intense than they appear in the Drew-Strauss framework. This is because, in a period of social mobilization, economic policy is social policy. This is true generally and it is likely to be all the more true in the particular period we are about to enter.

The principle problems of short-run economic policy are twofold: one is the classic problem of maintaining price stability in a period of full employment. The second is relatively new: our dependence upon foreign funds to finance the cumulative deficits in the Federal budget and balance of trade and the threat of which any withdrawal of foreign funds would pose to the international financial stability.

The term foreign here is, however, somewhat misleading because any flight of foreign funds from the United States is likely to be accompanied by a movement of domestic funds into safer foreign havens as well, and it is not clear that the attempt to control the funds of U.S. nationals would be any less disruptive to international financial stability than the attempt to control the movement of foreign funds. The lesson of the last several years, however, is that investors, foreign and domestic, are willing to provide this financing even in the face of substantial budgetary and trade imbalances. The main problem appears to be the psychological one of maintaining market confidence. In the last few years, relatively loose commitments to quite modest improvements in the underlying deficits have been sufficient for these purposes.
Social mobilization unquestionably complicates this problem. It presents a twin dilemma. On the one hand, the threatened anarchy may scare off foreign investors. On the other hand, the investors may be equally frightened by the financial implications of the concession required to forestall the threat. Economic management under these circumstances would seem to require the capacity to interact and control the psychologies of both the international financial community and of the mobilizing social groups. The outcome of such a balancing act may be more dependent upon luck than reason, but to the extent it is susceptible to deliberate management, the requirements for control of the one are not likely to be in conflict with control of the other. The message which the financial community will want to hear is that the President will not make open-ended commitments in the short run to meet new social demands, and this is the same message which he will have to deliver to the newly mobilized consistencies to avoid misunderstanding of the kind created by the Air controllers strike and Gallaudet. The worst case would be one in which government policy came to be seen by the outside world as the outcome of an internal conflict between economic advisors, responsive to the financial community and "social" advisors representing the socially aggrieved, and the President vacillating between them, driven by activity in the financial markets one day and street demonstrations, the next. To avoid even the impression of this kind of vacillation the financial community will also have to be made to hear and understand the other half of the message, i.e., the underlying legitimacy of the social grievances which those resources are being demanded to remedy and the fundamental commitment to provide remedy in the long run. The problem here is essentially the same as that of avoiding the misunderstandings and ambiguities inherent in the air controllers strike and Gallaudet, and it is best resolved by articulating the same kind of policy.
one which recognizes both the legitimacy of the social grievances and the necessity of rationing the resources required to meet them in the light of economic restraints.

Wage policy is a different matter.

Wage Policy

The price stabilization which the Reagan administration achieved came in large measure through the stabilization of wage levels, under the combined pressures of extremely high levels of unemployment, a hard line industrial relations policy for which the air controllers' strike provided the example, competitive product market pressure generated by deregulation and foreign competition, and a cut-back of government regulations and protections in the labor market itself, including a relaxation of labor standards, of enforcement, and an increasingly pro-business (and anti-labor) interpretation of labor law.

Economists tend to see the wage as a price, and, in theory, the wage, like any price, ought to be set by competitive market forces. In this perspective, the 1980s is understood as a period in which these forces reasserted their control over a wage structure which had been radically distorted by institutional restraints and by the social and political pressures of the preceding decades.

But, even if one accepts this framework, it is not clear that it can be applied in this simplistic way to the period through which we have recently lived. For one thing, within that framework, one needs to distinguish between the short-run equilibrium wage and the long-run equilibrium. Over the long run, wages should presumably be set so as to draw forth an adequate supply of the relevant types of labor. This means creating an incentive structure which
motivates and guides people through the long and complex educational process required by virtually any skilled trade or occupation in the modern age. But how much incentive is required for this purpose depends upon how education and training is actually provided: how much workers have to finance themselves and how much is provided in publicly financed institutions or by employers after the worker is placed on the payroll.

Employers' decisions about education and training are predicated upon long-term business strategy. Existing strategies, however, were called into question by the environment of the 1980s, opening debates within American business which remain unresolved. It is doubtful that the closure required to clarify this could have been achieved without the guidance from public policy which was not forthcoming during the period. At the same time, there was a general retrenchment of Federal spending and a redistribution of public responsibility at various levels of government, which made the public contributions to education and training unclear as well.

Secondly, as modern economic theory is coming increasingly to recognize, the wage even in the long-run, serves not only to draw forth an adequate supply of labor: it also serves directly to motivate the labor force and governs the amount of effort workers put into the job. The relationship between the wage as a motivator of effort and as an incentive to receive skills and training is very poorly understood: indeed, it is one of the issues at the forefront of contemporary theoretical investigation. Business of course cannot and does not wait for science to resolve this problem: they have their own approaches. But these too are tied to strategic choices and debates about managerial philosophies opened but unresolved during the period. Thus, for this reason as well, the long run determinants of the supply of labor are very confused and ambiguous.
In the short run, however, the supply of virtually all types of labor is fixed, and the market wage is likely to be driven by demand. At the levels of unemployment which prevailed during most of the Reagan years, there was so much excess supply of labor in many skilled occupations and in key manufacturing industries that the only effective constraint was the wage of unskilled, menial work at the bottom of the labor market and given the relative deterioration of the minimum wage level and its lax enforcement, even this constraint was not really binding in most parts of the country. Thus, wages were actually free to fall substantially below the levels required to reproduce the labor force and maintain the economy over the long haul.

Most analysts expect that, under these circumstances, the wages actually established by the market would be some compromise between that consistent with long term trends and short term pressures but the nature of that compromise and the way it is brought into being is another unresolved puzzle among economic scholars. At the abstract theoretical level, it is exactly the same problem which was at stake in the foreign exchange market in the early years of the Reagan administration: the foreign exchange value of the dollar is like the wage, a price. In the first Reagan administration, the market was left free to determine the value of the dollar on the presumption that long run forces would prevail. The fact that they did not and the value of the dollar rose progressively is the primary source of our balance of trade deficit. Many would have intervened earlier to curb the rise in the dollar that generated this problem but virtually all economists were surprised at the degree to which the market was driven by short run factors in the face of the contradictory long run reality, and the force required for the long run forces do make themselves felt would appear to be much shorter in the market for internationally traded goods and services than in the market for labor, where
we are talking about lifetime career commitments and much more severe social restraints. What economic theory does tell us is that long run forces are likely to be much less of a factor in the market when they are the subject of so much confusion and debate as when they were in American industry in the period.

In point of fact, wage policy was actually the outcome of a series of factional struggles within the American business community, struggles fought out within the managerial bureaucracies of large corporations and the informal clubs of personnel officers which set wages in local communities. These struggles were loosely tied into the broader debates about business strategy and competitiveness, but the immediate protagonists were a set of personnel and industrial relations managers tied to notions of social order and personnel development fostered by the pre-Reagan social climate and a series of production executives, engineers, and cost accountants driven by competitive pressures and emboldened by the example which Reagan set in the air controllers’ strike. One might say that the former represented long term forces and the latter short term, but the result is probably best captured by the analytical tools of the old-fashioned political scientist or military historian than by those analytical economists. The personnel and industrial relations managers must have had some sway since rates did not in fact fall to the minimum but what one can learn about the reasoning of their protagonists and the way the internal struggles were played out suggests that they fell a good deal farther than is compatible with either social or economic stability in the long run.

For the work force where wages were set in the process, and from whom even the managerial struggles were remote and obscure, the period seemed one of class struggle and social anarchy.
As we return to full employment, and move from an era of excess supply in most labor markets, to excess demand, market theory suggests that we will see a reversal of the process of the Reagan administration, and wages will be no more constrained on the up side than they were in a downward direction.

In fact, it seems unlikely that at full employment there will be an unconstrained rise in wages, especially if wage pressures express themselves through demands made by organized groups. Instead, demands are likely to coalesce around certain points which the groups perceive as fair and equitable. The most salient points are the formulae which were used for wage setting in the past, and were suspended in the period of concession bargaining. There was some variation in these formulae across different companies and sectors of the economy, but the most widespread formula, and in a certain sense the model of which all others were viewed as variants was the 1947 GM-UMW formula, an annual improvement factor of 3% plus a cost-of-living allowance. Most of the wage concessions made by trade unions in the last eight years were phrased as a suspension of one or both of the two components of this formula and it would be natural as the concessionary period comes to an end, to reinstate them. In fact, in many industries, this has always been the expectation, at least among rank-and-file workers. This formula would not necessarily constitute a problem if prices are stable and productivity increases were to exceed 3%, but in the decade of the 1970s and 1980s, it was a prescription for inflation, and there is nothing on the horizon which suggests it will be a less inflation prescription in the 1990s.

However, in certain respects, we will be lucky if we can get wage demands to coalesce around a simple reinstatement of the preexisting formulae. Many contract concessions were made in language which was open to a more radical interpretation: that the old formula would not only be reinstated but that
the difference between the wages paid and the wages which the formulas would have yielded would eventually be made up. Workers are very conscious of this lost income: in many unions, the yields lost in concessions have been consistently calculated by the opposition and circulated in throw-away sheets at every union election. In a general social mobilization, these figures would certainly be "in the air," and could provide the impetus for wage settlements which went considerably beyond 3% plus the cost-of-living. In those industries where management has been most aggressive in its pursuit of concessions, these would be seen as a kind of reparation for not only past concessions but for the damages inflicted upon individuals and the representatives in the concession years.

One can easily imagine a situation in which even the old formula plus reparations looked like a moderate alternative. If the social mobilization creates a credible threat of union organization in sectors of the economy which are strongly committed to union avoidance, employers may well try to forestall organizing advances by outdistancing union demands. The most obvious tactic would be to tailor benefit packages for the various social groups which might compete with unions for the allegiance of the work force. To some extent, this is already happening with medical care and child care benefits. Unions could then be forced to incorporate these benefits into their own demands and they would undoubtedly do this, not by substituting benefits for wage demands, but by piggy-backing the one on the other.

It will probably not be possible to escape from this dynamic, once it gets started, by simply cooling off the economy, letting unemployment rise, and restoring the world of excess labor supply which dampened wage inflation in the 1980s. The dynamic is social, not economic and to repeat the point made earlier, the forces being brought into play are impelled by anger and
frustration built up over the whole of the preceding period. Even the cost pressures which are unleashed will not be market driven: they will be the costs of direct action in the form of demonstrations, picketing, strikes, boycotts, and industrial sabotage, which in normal times, are not restrained by the threat of unemployment or jail but by the standards of social acceptability. What leads a work force to reject a proposal to a picket at the suburban home of their employer, and at his church and at his children's school--to take an actual example of a recent strike in Boston--is not the fear of getting fired or put in jail, but a kind of social restraint, an underlying equity which is in semi-qualitative sense like the standards by which one judges the equity of one's own pay. In a period in which pay is increasingly perceived to be inequitable, the restraints against such radical tactics are weakened. Once the tactic is evoked in one place a demonstration effect is created and that effect heightened by media coverage and support campaigns and rallies, workers restrained in other work places and permits the tactic to spread.

But while it is probably not possible to forestall the social pressure once it is unleashed, it may be possible to dislodge the protagonists from the particular formulas to which they have been attached and attract them to less inflationary alternatives. The most obvious way to do this in terms of the benefits which are likely to be piggy-backed on wage demands is for the federal government to assert its right to define the framework in terms of which the benefits are provided either by direct provision or by mandating the terms in which private employers will provide them and, more importantly for public policy, the time over which these new benefits are to be phased in. For the wage setting formulae itself, public policy makers can find a rich menu in wage setting innovations and experiments in the private sector in
recent years. For annual compensation adjustments, these include lump-sum bonuses and profit sharing. In individual wage determination, they invoke a movement away from job and seniority toward skill and knowledge. A national administration could go a long way to increase the salience and general acceptability of these alternatives through Presidential pronouncements and moral persuasion. But to gain widespread acceptance they would have to appear just and equitable in the eyes of the work force and be consistent with the economic pressures and institutional imperatives which are driving the protagonist. To understand what it would take to make them viable in these terms one must finally turn to discuss the long run changes in the underlying economic structure which are promoting these wage setting innovations and the examination of the relationship between those changes and the changes in the institutionalized and social structures which ultimately define the protagonists who make claims upon the nation's economic resources.