
ECONOMICS, LABOR & BUSINESS

Identity Crisis

"Who Is Us?" by Robert B. Reich, in *The Harvard Business Review* (Jan.-Feb. 1990), Boston, Mass. 02163.

"Across the United States, you can hear calls for us to revitalize our national competitiveness," writes Robert Reich, of Harvard's Kennedy School of Government. "But wait—who is 'us'?" Is it the American-owned and -managed firm that does most of its manufacturing overseas? Or is it, say, the Dutch-owned firm that does much of its research and development (R&D) and manufacturing in New Jersey?

Reich comes down squarely on the side of the second company. "The competitiveness of American-owned corporations," he contends, "is no longer the same as American competitiveness." Forty percent of IBM's employees, for example, are foreigners; the company is one of *Japan's* biggest computer exporters. The globalization of the economy is not just a cliché. According to the National Science Foundation, U.S. corporations increased their domestic R&D spending by only six percent between 1986 and 1988; their overseas R&D outlays jumped by 33 percent.

Meanwhile, as everybody knows, foreign companies have been rapidly increasing their investments in the United States. (What everybody does not know is that most of these investors are British and Dutch.) They now employ three million Americans. Dutch-owned Philips Corporation makes televisions in Tennessee and exports them to Japan; Honda expects to ship 50,000 cars annually from its Ohio plant to Japan.

In this new environment, says Reich, "a nation's most important competitive asset becomes the skills and cumulative learning of its work force The company is a good 'American' corporation if it equips its American work force to compete in the global economy." Thus, he argues, it is folly for Washington to discourage foreign investment and to exclude foreign firms from participation in government-sponsored programs. Why allow only Zenith,

the last American-owned television manufacturer, to benefit from government efforts to speed development of high definition television? Zenith employs 2,500 Americans; its competitors employ more than 15,000.

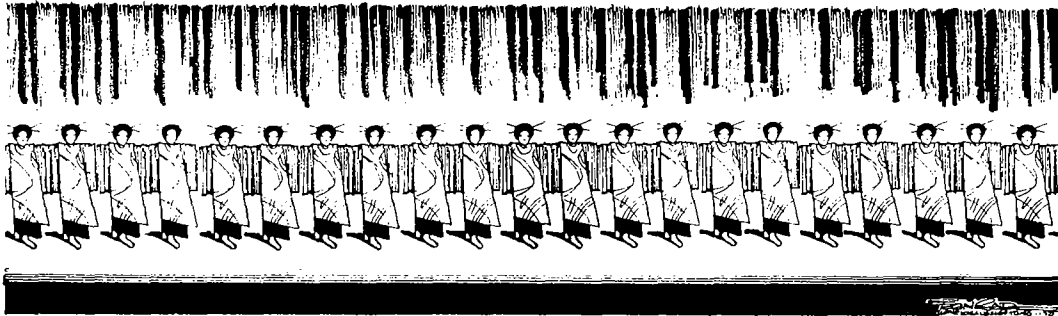
Is American control of corporate profits important? Increasingly, Reich says, American investors are putting their money into foreign equities. What about control of corporate assets? He doubts that U.S.-controlled firms do—or can—put national in-

The Price of Progress

The catch-up and convergence of the world's major economies will yield large benefits for the United States, Stanford's Moses Abramovitz predicts in *Economic Inquiry* (Jan. 1990). But one unfortunate result is that haute cuisine and fine French wines at bargain-basement prices have become things of the past.

So now we have a pretty paradox—which is my closing thought. The rise in foreigners' efficiency gives us the benefits of cheap goods produced in those sectors where their productivity has advanced rapidly. The accompanying rise in wages, however, snatches from us those wonderful cheap services produced in the sectors where European and Japanese productivity is advancing slowly or not at all. But do we—I mean our politicians and the public press—do we bemoan the fact that foreign wages have risen? No! Just the opposite. We complain that foreign wages are too low, that they have not risen enough, that we have to compete against those unfair low-wage foreigners who insist on selling us their goods—their embodied labor—too cheaply.

O, my fellow economists, all of us descendants of Adam Smith, is this what we have to show for two centuries of public education in economics?



THE MITSUBISHI ROCKETTES

The sale of Radio City Music Hall to a Japanese firm last fall seemed to symbolize a “Japanese invasion.” But of the \$61 billion foreigners invested in the United States in 1989, only \$13 billion came from Japan. Meanwhile, Americans invested \$32 billion abroad.

terests ahead of corporate interests. (One caveat: Foreign firms that exist to serve national interests, such as Airbus Industrie, should not enjoy equal treatment in the United States.) In fact, he notes, “Most

U.S.-owned companies are quite happy to receive special advantages from the U.S. government—and then spread the technological benefits to their affiliates all over the world.”

The Next Japanese Import?

“Employee Work Attitudes and Management Practice in the U.S. and Japan: Evidence from a Large Comparative Survey” by James R. Lincoln, in *California Management Review* (Fall 1989), 350 Barrows, Univ. of Calif., Berkeley, Calif. 94720.

Pep talks, morning jumping jacks, and awards ceremonies are some of the things that make Japanese industry work so well. They are also things that make Americans snort in contempt. We rugged individualists would never fall for such obvious corporate efforts to build team spirit.

Or would we? Comparing 8,302 employees at 106 factories in the United States and Japan, Lincoln, a Berkeley management specialist, found that the company loyalty of Americans who participated in such activities increased just as much as that of Japanese. Overall, his study confirms what some anecdotal accounts have said: Workers need not be steeped in Japanese culture to respond to Japanese management methods.

Consider quality circles. Although they are much touted in the United States, only 62 percent of the U.S. firms studied have them (versus 81 percent of the Japanese factories) and only 44 percent of their employees belong to one. Yet Lincoln found

that participation actually gives a bigger boost to morale in the United States than it does in Japan—apparently because the novelty has worn off in Japan.

One of Lincoln’s more interesting findings is that even the American management practice of delegating large amounts of authority hurts employee morale. In Japanese firms, ultimate authority is highly centralized. This leaves lower-level managers and supervisors with much less weight to throw around and forces them to forge more cooperative relationships with their subordinates. Paradoxically, Japanese centralization thus encourages “diffuse, participatory” decision-making; the American style produces “individualistic, compartmentalized” authority. The effects show up in a striking way on the shop floor. In Japan, workers who have frequent contact with their supervisors have high morale. American workers tend to regard such contact as annoying and meddling.

Obviously, Lincoln concludes, some