

The Economy in Perspective

Man was born to be rich, or, inevitably grows rich by the use of his faculties; by the union of thought with nature. Property is an intellectual production. ...An infinite number of shrewd men, in infinite years, have arrived at certain best and shortest ways of doing, and this accumulated skill in arts, cultures, harvestings, curings, manufactures, navigations, exchanges, constitutes the worth of our world to-day.

—Ralph Waldo Emerson,
“Wealth,” in *The Conduct of Life* (1860)

Work in progress... Work in America is under scrutiny once again. Despite nearly two years of steady gains in U.S. production and income, total employment is still below the peak of the previous business cycle in March 2001. Manufacturing jobs seem particularly vulnerable, having declined by roughly 15 percent since the recession began. Workers have reportedly become less loyal to their employers because of downsizing and well-publicized corporate accounting scandals. Even retirees, who depend on former employers for pension income—and often for medical benefits—increasingly worry about their retirement security.

Unquestionably, work life in America is changing; but then again, it has been changing for quite some time. Over the past several decades, we saw men’s labor force participation rate decrease and women’s increase. We witnessed a rise in the number of self-employed and part-time workers, as well as employers’ greater reliance on employment service companies to supply them with temporary help. We also saw declines in the percentages of people belonging to unions, working in the manufacturing sector, and staying with only one or two employers for most of their working lives. The value of learning increased, with the most educated people enjoying the highest incomes and the lowest unemployment rates.

Despite all of these changes, most Americans’ real incomes rose during the past several decades, and each generation attained a higher standard of living than the one before. Employment rose dramatically during the last business cycle expansion—after a “jobless recovery”—and the unemployment rate fell so low that analysts feared a new round of wage hikes and inflation. Was the exceptional labor market performance of the past decade just a stroke of luck, or was it the result of the trends mentioned earlier? Put another way, have the many changes in U.S. labor markets helped American workers or harmed them? What further developments lie ahead, and how are they likely to affect our economic well-being?

These are “big picture” questions to be sure, and deserve more serious commentary and debate than this short essay can provide. Nevertheless, as we gear up for an election year that is likely to focus attention on manufacturing employment and global trade’s impact on U.S. workers, some big picture thinking might provide a useful frame of reference.

The fact is that since its inception, this nation has been a work in progress, an experiment built on the premise that free people can govern themselves. As this experiment has lumbered forward through time, Americans have seen the benefits of thrift, education, and trade among nations. They have prospered because they have been free to challenge the status quo, to innovate, to acquire property, and to keep the benefits of their labor. Whenever prospects seemed brighter in another calling or another place, people pulled up stakes and moved on. Adaptation has been the soul of the pioneer spirit that still lives on.

American society has changed profoundly during the nation’s relatively short lifetime, but except for the most wrenching events, such as the Civil War and the Great Depression, the transformation has been gradual and driven forward by commerce. Much is made today of the notion that the United States is a nation of consumers, but historically speaking, we are more accurately described as a nation of business and a nation with confidence in the future. This confidence—persisting despite the recognition that the future demands certain breaks with the past—is what has encouraged Americans to embrace change.

Ralph Waldo Emerson witnessed this country’s transformation from 13 colonies to an immense landmass stretching from the Atlantic to the Pacific. He saw a nation rise on the bounty of nature, but soar on its willingness to allow the established order to retreat and make room for the future. His essay on wealth asks,

...how did our factories get built? how did North America get netted with iron rails, except by the importunity of ...orators, who dragged all the prudent men in? Is [theirs] the madness of many for the gain of a few? This speculative genius is the madness of few for the gain of the world.... Wealth brings with it its own checks and balances. The basis of political economy is non-interference. The only safe rule is found in the self-adjusting meter of demand and supply. Do not legislate. Meddle, and you snap the sinews with your sumptuary laws. Give no bounties: make equal laws: secure life and property, and you need not give alms. Open the doors of opportunity to talent and virtue, and they will do themselves justice...