

**“Join Us in Preparing People for Tomorrow’s Jobs”: Robert Reich, the “New Economy,” and Nonliberal Human Capital Policies**

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**Dear Readers,**

**This is a paper that is still very much in flux and partly unfinished, and I know it will benefit hugely from your comments. Unsurprisingly given the paper’s current state, my first goal will be to shorten it, but this process will involve choosing and honing themes—so, again, your comments will have lots of potential influence on its final shape. One set of themes I will certainly be retaining and hopefully better drawing out in the final version are the thoughts about Robert Reich as a type of party-aligned thinker in popular politics and the role of what I’m calling mythic thinking in policymaking. An important bit of context for why these themes are important is that this paper will be part of a special issue of the history of science journal *Science in Context* edited by my friends Verena Halsmeyer and Eric Hounshell on the theme of “interventionist knowledge,” which we can think of as forms of social scientific knowledge drawn on to intervene in and change society. Many, but not all, of the papers in the special issue are focused on the history of economics. One of the contributions of my paper will be to think about the role of popular communication and writing that at least *seems* to be drawing on social scientific data in politics and policy.**

**I very much look forward to your comments, questions, and suggestions.**

**Lee**

On February 13, 1993, less than a month after Bill Clinton became the president of the United States, his Secretary of Labor, Robert Reich, was sitting in a Miami Beach restaurant, eating stone crabs with Lane Kirkland, the president of the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), the largest coalition of labor unions in the nation. The mood was tense. The occasion was the AFL-CIO's annual meeting, which brought together leaders from its member unions, but it was also an opportunity for Kirkland to feel out Reich. Reich recounts in his memoirs of his time as labor secretary that Kirkland asked him, "So tell us, Mr. Secretary, what's the *agenda*?" Several topics were at the front of Kirkland's mind. First among them was whether the Clinton administration would support the North American Free Trade Agreement (NAFTA). Technically an agreement between the United States, Mexico, and Canada, NAFTA outraged American labor unions who believed cheap Mexican labor would undercut and lead to the unemployment of workers in the United States.

Reich had met Bill Clinton on the ocean liner *S.S. United States* in 1968 when both men were heading to be Rhodes Scholars at Oxford University. The two kept in touch and attended Yale Law School together, where Reich was actually closer to another student, Hillary Rodham. After graduating, Reich acted as a law clerk in a federal circuit court before, in 1974, becoming assistant to the US Solicitor General, Robert Bork. Three years later, he was appointed as the director of Federal Trade Commission's Policy Planning Staff in the Carter Administration. In 1980, Reich became a lecturer at Harvard University's Kennedy School of Government. There, he quickly became a political pundit, writing for outlets with large readerships, such as *The Atlantic*, *New York Times*, *Foreign Affairs*, *Washington Post*, and *The New Republic*. His theme in the early 1980s was "industrial policy," an idea that had first found purchase in the Carter administration before becoming popular with a group of Democratic party elites centered in Cambridge, Massachusetts. Industrial policy proposed to use a number of policy tools, including both positive investment and subsidies and negative trade protections, to bolster American corporations seen as falling behind foreign competitors. By the late 1980s, however, Reich's thinking was changing. It focused less on using policy tools to induce American companies to become more innovative and more flexible and to train workers and more focused on using public investment to develop the nation's "human capital." Reich put these ideas in his 1991 book, *The Work of Nations: Preparing Ourselves for 21<sup>st</sup>-Century Capitalism*, which directly shaped Bill Clinton's and Albert Gore's 1992 campaign book, *Putting People First: How We Can All Change America*.

For variety of reasons, including these shifts in Reich's thought, he and Clinton supported NAFTA, which they did not see as a threat to the American economy or its workers; indeed, they saw it as an opportunity. Reich tried explaining this to Kirkland: Mexican tariffs were four times higher than the US's, and its economy was booming. "Cut *both* sets of tariffs and we'll export like mad," Reich told him. Reich captures Kirkland's response in his memoirs, "'*Bullshit*,' Kirkland says, spitting bits of stone crab, 'Harvard economist *bullshit*.'"

Then Reich goes on,

I restrain myself from saying the next thing on my mind: *The real problem is that the unskilled U.S. workers who once had good factory jobs are inevitably being replaced, either by lower-age foreign workers or by computers and robots. They need newer and better skills. Stop trying to protect yesterday's jobs. Join us in preparing people for tomorrow's jobs. I need your help*

*battling the deficit hawks so we can free up resources for this. Start organizing your workers so they can demand better skills and better wages at work. Don't blame the shrinkage of labor unions on foreign trade. You've run the AFL-CIO for a quarter of century. Trade isn't the problem, and you know it.*<sup>1</sup>

I am interested in this moment in Reich's memoirs, which, though written four years later, really does capture the flavor of his thinking in that period. More specifically, I am interested in how and why Reich felt such great confidence—a frequent trait of his writing and speaking—in his claims.

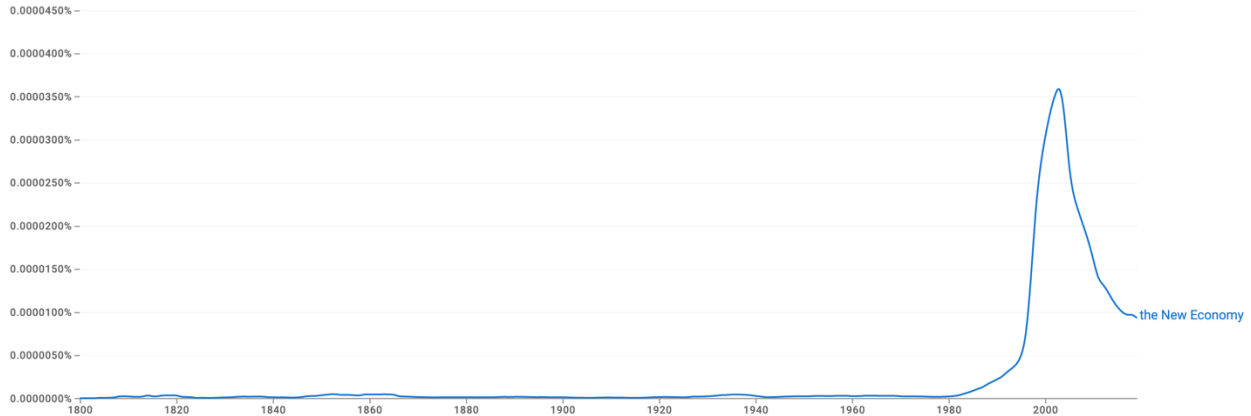
Reich's imagined response to Kirkland contains a set of beliefs about his moment, which include among other things these thoughts: 1. "good factory jobs" in the US were being lost to foreign labor and technological change. 2. things would improve for workers if they had "newer and better skills." 3. we know what roles in the economy are doomed to become "yesterday's jobs" and can somehow foresee what "tomorrow's jobs" will be. 4. one solution to this state of things is federal investment in worker training. How did Reich come to feel that he knew these things which justified the Clinton Administration's interventions—and perhaps just as importantly, non-interventions—in the economy?

Reich makes an interesting case for studying interventionist knowledge for several reasons. For one, much of his career has been dedicated to understanding, diagnosing, and offering remedies for perceived problems in the politics of growth, productivity, and the possibilities and hopes of the welfare state and government action more generally. More specifically, throughout his career, he has examined what he sees as a deep structural shift in the United States economy and society from being one rooted in industrial production to one based in other kinds of work. In terms of interventionist knowledge, this leads to the question, how does one perceive and *know* when and how a structural change in society is occurring and *know* what to do about it? Historically then, Reich belongs to a large group of thinkers who have described this change as a transition from an industrial to a post-industrial society, as the rise of a knowledge economy, and so on. But unlike many of these other thinkers, Reich has played roles both as popular writer on the subject and as a cabinet-level secretary who clearly set policy agendas.

In the mid-1990s, this shift was described as the rise of "the New Economy," a popular term that went back at least to the 1980s but took on new valences during the Clinton years. Reich was a leading thinker about "the New Economy," but the idea ran through *many* different areas of the Clinton administration, and Clinton himself as well as Vice President Gore often promoted the concept. Members of the Clinton Administration used "the New Economy" to justify not only trade policy but also policy around education and training, telecommunications, and even reducing inequalities around gender and race. To put my earlier question another way, what kinds of knowledge constituted claims and planned interventions around "the New Economy"?

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<sup>1</sup> Reich, *Locked in the Cabinet*, 68.



As a thinker and a leader, Reich also had interesting relationship to dominant strains of policy thinking and making in the 1980s and 1990s, and he fits uneasily with many prominent historical narratives about the period in scholarship today. Reich, in his own view, obviously was not a neoliberal, and he defined himself throughout the period in opposition to conservative supply-side, free-market, neoliberal positions. Indeed, his quest throughout the period was to chart a new course for Democrats that differed from both Republicans and Democratic policies from the Great Society, which, like many others, he believed were failed and broken. In this way, the positions he tried to articulate were “third way” (a term he did not use), in the sense of trying to create a space between conservatism and traditional American liberalism, but Reich did not have close ties or much love for Democratic institutions and actors, often described as “New Democrats,” explicitly dedicated to “Third Way” politics and policies, such as the Democratic Leadership Council.<sup>2</sup> Yet, records in the Clinton Library and other sources demonstrate beyond doubt that Reich influenced agenda-setting and considerable legislative and other pressure work in the Clinton White House.

In this article, I will examine one such effort, a bill known as the Reemployment Act of 1994, a Reich-conceived federal training bill that many members of the Clinton administration tried but failed to get passed. This bill and other efforts based on Reich’s ideas largely ended in failure, but then again, the history of politics and interventionist knowledge, including in presidential administrations, is largely about what actors find out they *cannot* do. In this way, examining previously unstudied Reichian policy-making also enriches our understanding of politics and interventionist knowledge in the period of the Clinton Administration and, more broadly, of the 1990s.<sup>3</sup>

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<sup>2</sup> Mudge, ; Andersson, *The Library and the Workshop: Social Democracy and Capitalism in the Knowledge Age*

<sup>3</sup> In its effort to characterize the Clinton White House as “neoliberal,” Gary Gerstle’s *The Rise and Fall of the Neoliberal Order* neglects to examine efforts within the administration that did not fit this mode. Building in part on the work of Brent Cebul, Lilly Geismer’s *Left Behind: The Democrats’ Failed Attempt to Solve Inequality* does better than Gerstle by arguing that, in policy-making, Democrats around Clinton were drawing on market-oriented traditions, such as public-private partnerships and loan programs, that arose within the Democratic party itself, with roots going back at least to the New Deal. But Geismer too fails to examine work within the Clinton administration that was much more focused on using state knowledge-making and power to intervene directly in markets, perhaps in part because such efforts undermine her interpretation. My account in this article comes closest to that of Nelson Lichtenstein and Judith Stein in *A Fabulous Failure: The Clinton Presidency and the Transformation of American Capitalism*, which, although it does not examine the Reemployment Act of 1994, recognizes that Clinton and those around them had many progressive intentions that came to naught because of the limits they faced.

The article moves through three sections: The first lays down some ideas about Reich as a type of recognizable public thinker: party-aligned individuals who through writings or other communications synthesize current social and economic trends and attempt to put forward solutions that would lead to better outcomes. This vision of Reich as a kind of myth-maker provides a foundation for the rest of the article. The second section tracks Reich's thinking as from his early writings on industrial policy to his 1991 book, *The Work of Nations*, as a way of providing historical background for the emergence of the Reemployment Act. I agree with Paul Krugman's and Nelson Lichtenstein's and Judith Stein's assessment that Bill Clinton simply *was* an industrial policy thinker. In many ways, the conceptions of economic interventionist knowledge in the Clinton Administration, including those embodied in the Reemployment Act, were an evolution of industrial policy thinking. In their 2005 edited volume, *The Origins of Nonliberal Capitalism: Germany and Japan in Comparison*, Wolfgang Streeck and Kozo Yamamura use the term "nonliberal" to describe how the states of these two nations actively shaped their economies not only through law but through direct investment and development in ways that did not fit liberal free-market ideals, to say nothing of "neoliberal" ones. These were precisely the kinds of policies that Reich idealized, and, thus, following him allows us to trace a nonliberal thread in American politics and to describe what forms of interventionist knowledges were taken to justify nonliberal policymaking.

The third section examines how Reich and other members of the Clinton administration came to conceive of the Reemployment Act and their political jockeying to get it made into law. The Reemployment Act was by far the most the most Reichian undertaking the Clinton White House ever put serious energy behind. The bill failed, and in almost every sense, Reich's experience as labor secretary was that of a loser. His bitter memoirs of his time in that role, *Locked in the Cabinet*, has been described as "a classic of the pissed-off-secretary genre."<sup>4</sup> But understanding Reich's and others' work on federal training and other initiatives is important for understanding what the Clinton administration aimed to be and, in a different world, could have been. Moreover, examining work around the Reemployment Act in depth highlights a great irony: The forms of interventionist knowledge members of the Clinton administration took to justify the bill were not better founded or more rigorously social scientific than, say, one of Reich's trade press books. They were just as loose and synthetic and as rooted in feels. They were just as mythic. In this way, examining the Reemployment Act has much larger ramifications for thinking about the role of interventionist knowledges in policymaking and politics. In the conclusion, I briefly consider how the ideas Reich was working on in the 1990s became a part of Democrat interventionist knowledge thinking up through the presidency of Barack Obama and how Reich's own thinking has evolved since that time, and I offer final thoughts on what we can learn from thinking about Reich as a *type* of interventionist thinker.

### **Robert Reich as a Type of Thinker**

Reich makes an interesting case for studying interventionist knowledges because he is a certain *type* of interventionist thinker, which we might describe as party-aligned individuals who write primarily for broad audiences via trade press books and magazines or at least for Washington, DC, "beltway" audiences, including via more specialized journals like *Foreign Affairs* and *National*

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<sup>4</sup> Glenn Thrush, "Locked in the Cabinet," *Politico*, November 2013.

*Affairs*.<sup>5</sup> In reality, a great deal of public discussion that shapes policy agendas takes place outside of formal, academic knowledge creation but rather in the op-ed sections of newspapers, over radio waves, and other non-academic spaces of civil society.<sup>6</sup> On the right, we can think of the figures who initially wrote for *The National Review* and *The Public Interest* journal as well as more recently, Yuval Levin. I believe Reich is such a figure for the mainstream Democratic left, as is arguably economist Paul Krugman. Often these thinkers have some academic training but are not and do not write as academic experts. They write to shape public ideas and policy choices. Reich wrote such popular works on the US economy and society and how policy could improve things as a lecturer at Harvard University's Kennedy School of Government from the early 1990s until he entered the Clinton administration in 1993. After leaving the administration in 1996, he returned to publishing first as a professor at Brandeis University and then, after 2006, as a professor at University of California, Berkeley.

More interesting to me, though, is the kind of *procedures* that undergird the interventionist arguments of the type Reich put forward, though the word "procedure" probably suggests something more formal than it actually is: As we will see in greater and specific detail below, Reich often engaged in what can be thought of as a form of light or near- futurism or prophecy. He selectively drew on published quantitative findings, which can be thought of as trends. He synthesized these findings in a qualitative manner that usually involved predicting where society was headed. And, finally, he suggested policy interventions based on these synthetic projections. None of this was formally tested in any way; it involves synthesis rooted in feeling and judgment. (Indeed, as we'll see, Krugman lampooned Reich for writing as an economist but lacking the training, technical chops, and deep understanding to do so; he cast Reich as a *pretender*.) With this description in mind, we can likely identify other thinkers and works of media that fit it.

While there is no room for extended reflection on the topic in this article, it is worth noting that, in a series of writings in the mid-to-late 1980s, Reich offered explicit reflections on the role of his kind of thinking. In a book title, he celebrated *The Power of Public Ideas*, and he frequently talked about the need for a new "public philosophy" that fit neither conservative, nor Great Society-style Democrat models.<sup>7</sup> Reich cast himself as the descendant of a long line of liberal and democratic thinkers going back to the 18<sup>th</sup> century.<sup>8</sup> Nearly all of his books from the beginning to the present argue that something has gone awry in democracy because Americans have lost sight

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<sup>5</sup> My description here elides social media, online videos, and other ways that people, very much including Reich, have gotten ideas out into the world as of late, but that elision fits the historical period I am focusing on.

<sup>6</sup> In the last few years, there has been a great deal of discussion about how social movements and think tanks influence the so-called Overton Window, which is the public perception of which policies are "widely accepted throughout society as legitimate policy options," an idea that interestingly was itself the product of a think tank. I have yet to see any piece of writing that examines the connection between popular writers, like Reich, and the Overton Window, but one can easily imagine such an analysis. Quotation from "The Overton Window®," Mackinac Center for Public Policy: <https://www.mackinac.org/OvertonWindow>

<sup>7</sup> On the need for a new public philosophy, see *The Power of Public Ideas* as well as essays in *The Resurgent Liberal (and Other Unfashionable Prophecies)* and the book, *Tales of a New America*.

<sup>8</sup> The list of predecessors included thinkers reaching back to 18<sup>th</sup> and 19<sup>th</sup> century figures such as Alexander Hamilton, Edmund Burke, John Stuart Mill, and Alexis de Tocqueville and a wide variety of early-to-mid 20<sup>th</sup> century thinkers like Woodrow Wilson, Felix Frankfurter, James Landis, James Fesler, David Truman, and, especially, various personalities associated with Harvard Kennedy School. Reich listed thinkers associated with the position he opposed in an endnote: Gordon Tullock, James Buchanan, Mancur Olson, George Stigler, William Niskanen, Anthony Downs, Morris Fiorina, Milton Friedman, and Richard Zeckhauser. *Power of Public Ideas*, 230.

of and abandoned important values, perhaps most centrally commonweal. He has always expressed great faith in the hopes of democracy and the potentials of government action for improving citizens' lives in ways that perhaps come near the European tradition of social democracy. His explicit goal was to reignite the democratic tradition by provoking dialogue, even debate. In his 1987 book, *Tales of a New America: The Anxious Liberal's Guide to the Future*, Reich also described how American culture was organized around a set of four myths, which can be boiled down to American exceptionalism, individualism, neighborliness, and distrust of elites. But, he argued, because the United States was changing economically and socially, both internally and externally in terms of its place in the world, these old myths were breaking down. They were no longer useful and were getting in the way. New myths were needed, and we can see Reich's writings as an attempt to furnish them. While it may not fully explain the mysterious means by which public thinkers synthesize and circulate ideas, the notion of a "new myth" does suggest how thinkers pull together what they perceive to be the best-available social science into *knowledge* that they take to be an adequate basis for action. As we will see, such mythic thinking not only floats about through civil society but comes to act as the very foundation for interventionist action in the executive branch and likely other political branches too.

Perhaps viewing Reich's work as mythic, in both his capacities as a popular writer and as a cabinet secretary, also allows us to understand its limits. As we will see, throughout his career, Reich appears to have repeatedly missed important social and economic realities and trends that would have, at least partly, undermined his positions. Reich, like many if not all people, felt the need to make sense of the world around him, and the picture he developed became a deep *sense*, or habitual perception, of the world rooted in his identity. But sometimes this sense led him astray by encouraging him to discount or altogether miss trends that ran counter to it. In this way, Reich was human, all too human, but in ways true of all members of his species, as large bodies of social science research make clear: As the polymath Herbert Simon described through his notion of "bounded rationality," the complexity of the world far exceeds our abilities to grasp it.<sup>9</sup> Moreover, through theories of motivated reasoning and confirmation bias, social and political psychologists have emphasized that individuals tend to seek out and give more credence to information that supports views they already hold, an idea goes back at least to Francis Bacon.<sup>10</sup> Others have argued that individuals' policy preferences are less the result of actual reasoning than a product of their place in social networks.<sup>11</sup> Finally, in their book on technology bubbles, *Bubbles and Crashes: The Boom and Bust of Technological Innovation*, Brent Goldfarb and David Kirsch examine how individuals—often because they are naïve and ignorant—fall prey to unrealistic narratives about present reality and where trends are headed. If we draw these ideas together, the picture looks something like this: Reich (and those around him) was always dealing with limited information. His prejudices led him to privilege some pieces of information and discount or, as we will see, totally ignore others. And he was very taken by certain stories the economy and technology that developed in particular moments, stories that further colored and shaped what he asserted was happening in the world around him. By the mid-1990s, Reich was telling himself and others stories about the US economy that were themselves a part of the dot com bubble. Yet, this wasn't just any individual whose thoughts were partly wrong but one who had significant

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<sup>9</sup> Simon, *Models of Man*. See also John Levi Martin. "Life's a beach but you're an ant, and other unwelcome news for the sociology of culture." *Poetics* 38, no. 2 (2010): 229-244.

<sup>10</sup> Ziva Kunda "The case for motivated reasoning." *Psychological bulletin* 108, no. 3 (1990): 480.

<sup>11</sup> John Levi Martin. "What is ideology?." *Sociologia, Problemas e Práticas* 77 (2015): 9-31.

influence in policy-making and agenda-setting. His thoughts were taken to be an adequate foundation for interventionist knowledge. And as we will see, he was far from the only individual in the Clinton administration who fell prey to limited information, interest-shaped interpretations, and seductive stories about the state of the world.

### **From “Industrial Policy” to “the New Economy”**

When Bill Clinton and Al Gore promised to pour between \$10 and \$20 billion a year into “Lifetime Learning” programs, including worker retraining, in their campaign speeches and 1992 book, *Putting People First: How We Can All Change America*, they were giving voice to a line of thinking that was born a decade previously around the idea of industrial policy. The United States had a much older traditions for thinking about how government could help improve industrial, including progressive era discussions of helping out “sick industries” in the 1920s.<sup>12</sup> But industrial policy, which was seen as a European import when it briefly became a part of the Carter administration in the late-1970s, differed from those earlier traditions in several ways. The most important was that it was a Democratic Party response to perceived US industrial decline that was cast alternative to ascendant Republican free market ideologies.<sup>13</sup>

After departing the Carter administration and becoming a lecturer at the Kennedy School of Government, Reich quickly became the primary voice of industrial policy in the United States, followed closely behind by economist and MIT professor Lester Thurow. A few intellectual trends in the 1970s and early 1980s influenced Reich’s writings on industrial policy, and some became permanent fixtures in his thinking. The first was studies of and worries about the decline of American industry, a great deal of which was taking place in seminar rooms at both Harvard and MIT. This thinking in Cambridge shared two aspects: first, it focused on Western Europe (eventually especially Germany) and *especially* Japan not only as rising economic rivals, but also as fonts of both interventionist policy ideas, policy ideas that Wolfgang Streeck and Kozo Yamamura described as “nonliberal capitalism,” and ways of reforming individual corporations. Perhaps most famously, Daniel Roos, an MIT professor, and co-authors would do much to popularize the so-called Toyota production system with the publication of their book, *The Machine That Changed the World*, in 1990.

Second and related, whether focusing on government intervention or voluntarist efforts within corporations, this thinking often assumed that the proper level of intervention was that of the firm. In this way, thinking about the economy often went hand in hand with business consulting, and it’s no surprise that many people at Harvard Business School and MIT were so involved. Business schools may not traditionally be seen as fonts of knowledge in histories of science and social science, but in fact, ideas coming out of business schools became increasingly influential during this period for interventions both in government and business. To give one example, Harvard Business School professor William J. Abernathy, who died at the age of 50 in 1983, first theorized industrial decline in work for his book, *The Productivity Dilemma: Roadblock to Innovation in the Automobile Industry*, before writing, with co-authors, the 1980 *Harvard Business Review* article, “Managing Our Way to Economic Decline,” and the book, *Industrial Renaissance: Producing a Competitive Future for America* (1983). In this view, what had to change was *management*, how

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<sup>12</sup> Hart, *Forged Consensus*.

<sup>13</sup> Graham, *Losing Time*, 38.



businesses were organized. Magazines, especially *Business Week* and *The New Republic* and sometimes also *Harvard Business Review* and others, distributed these ideas to a wide readership.

Another general intellectual trend that became an essential part of Reich's thinking is what we might think of as near-futurism. Throughout his career, the titles of Reich's books suggest an ability to predict and hopes to shape the future, including *The Next American Frontier* (1983), *Tales of a New America: The Anxious Liberal's Guide to the Future* (1987), "Education and the Next Economy" (1988; also titled, "Dick and Jane Meet the Next Economy"), *The Work of Nations: Preparing Ourselves for 21<sup>st</sup>-Century Capitalism* (1991), *The Future of Success: Working and Living in a New Economy* (2000), and *Aftershock: The Next Economy and America's Future* (2010). Because Reich was focused on the role of technological change in reshaping the economy, his work sometimes bore similarities to sociologist Daniel Bell's writings on "post-industrial society" and futurist Alvin Toffler's prognostications in books like *Future Shock* (1970) and *The Third Wave* (1980), both of which made heavy reference to information technologies, which would play an increasingly prominent role in Reich's own thinking. Although Reich made no explicit reference to the kinds of trend analyses and futurism increasingly prominent in business worlds during this period, his writings fit against that background and market of ideas.<sup>14</sup>

It was in these contexts that, in the early-to-mid-1980s, on top of slews of articles, Reich put out three books on industrial policy: first, with business consultant, Ira Magaziner, *Minding America's Business: The Decline and Rise of the American Economy* (1982); second, *The Next American Frontier* (1983); and third, with John Donahue, *New Deals: The Chrysler Revival and the American System* (1985).<sup>15</sup> In both his book with Magaziner and his other writings from the early 1980s, Reich took on the perspective of a business consultant.<sup>16</sup> Just as consultants led executives to identify which parts of a firm were high-value and worth fostering, Reich argued that policy-makers should identify high-value industries that were worth preserving and promoting through a variety of means, including industrial subsidies, steering private investment, promoting R&D, investing in worker training and helping individuals who face dislocation from decline, and limited protectionism. Again and again, Reich defined this position in opposition to conservative ones, particularly of the free market variety. Indeed, the word "market(s)" played very little role in Reich's own thinking and publications at least through the 1990s.

A close reading of the introduction of *The Next American Frontier*, titled "Two Cultures," gives a sense of Reich's routines of research, thinking, and writing that, in many ways, he has continued to this very day: The book begins by noting America's economic decline since the 1970s, "marked by growing unemployment, mounting business failures, and falling productivity."<sup>17</sup> He asserts, "Our decline has a great deal to do with how we have come to view our roles as economic actors and as citizens and with the mismatch between that view and the changed economic

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<sup>14</sup> Devon Powers, *On Trend: The Business of Forecasting the Future*; Jenny Anderson, *The Future of the World: Futurology, Futurists, and the Struggle for the Post-Cold War Imagination*

<sup>15</sup> Magaziner was a business consultant who worked for the famed Boston Consulting Group before forming his own consultancy, Telesis, in 1979. Later, he would go on to work with Hillary Rodham Clinton during the Clinton administration on the failed federal healthcare reform.

<sup>16</sup> Reich and Magaziner say explicitly that they are applying the tools of consultants to national economic problems in *Minding America's Business*, but Paul Krugman also reflects on how they did this in *Peddling Prosperity: Economic Sense and Nonsense in the Age of Diminished Expectations*.

<sup>17</sup> *The Next American Frontier*, 3.

environment we face.”<sup>18</sup> The view in question is the “Two Cultures” in the chapter’s title, which casts a divide between, on the one hand, politics and government, and, on the other hand, business and economics. The first “realm” deals with social justice; the second, with prosperity. Reich argues that this divide between the two cultures may have even been beneficial during the rise of large corporations focused on mass production of “ever larger volumes of standardized goods at ever lower unit costs.”<sup>19</sup> Businesses were able to focus single-mindedly on efficiency, but that improvement only worked when “the United States was largely isolated and economically unrivaled.”<sup>20</sup> Now things were changing. Japan and Western Europe, especially West Germany, were rising as rivals because of their different political economies, which were *not* divided into two cultures. If the United States wanted to improve and succeed in what the last part of the book called “The Era of Human Capital,” it would need to overcome the divide between the two cultures and use government to foster industry, especially by encouraging it to invest in people’s skills.

Reich sets out this historical narrative, which covers the period from the founding of the US colonies to the 1980s, over 13 pages without a single citation, but then, via a series of seven footnotes over a little less than a page, he cites a series of publications to demonstrate that America was declining relative to other nations. These cited publications and the facts about the United States, all relative to other industrial nations, are meant to demonstrate: rising inequality via an Organisation of Economic Co-Operation and Development (OECD); flagging industrial output via International Monetary Fund and OECD data and a paper from the American Enterprise Institute; declining gross domestic product via OECD data and an economics article; rising unemployment via OECD data; lower life expectancy relative to other nations via a United Nations publication; and higher pollution output via OECD data.

Reich follows these facts by stating that progress in Japan and Europe and decline in the United States requires “no convoluted explanations”: “For largely historical reasons these countries are organized for economic adaptation. And for largely historical reasons America is not.” But this causal argument is not well supported by the introduction or other chapters in the book. Other problems are also perceptible. Later in the book, and much like his book with Magaziner, Reich writes, “America could take several immediate steps to help shift into higher-valued production.”<sup>21</sup> But as Paul Krugman pointed out a decade later in an extended criticism of Reich and industrial policy thinking, the highest-valued production in the nation was in maligned industries, such as, highest of all, cigarette manufacturing and, second, petroleum refining, not the high-tech, “flexible-production” enterprises Reich tended to celebrate.<sup>22</sup> Krugman’s argument was in large part an act of boundary work, pointing out that Reich lacked any training in economics. But it also highlighted how Reich’s approach lacked any formal *discipline*, either in the sense of academic institutions (“the discipline of economics”) or systematic checks such as peer review. Reich told stories he was enamored with but did not, in any sense, rigorously test them.

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<sup>18</sup> Ibid., 3.

<sup>19</sup> Ibid., 11.

<sup>20</sup> Ibid., 11.

<sup>21</sup> Ibid., 239.

<sup>22</sup> Paul Krugman, *Peddling Prosperity: Economic Sense and Nonsense in the Age of Diminished Expectations*, 261-2.

The Democratic Party *briefly* considered adding industrial policy to its official platform. US Democratic presidential candidate Walter Mondale is said to have told his wife, “This’ll do it for the Democrats,” after reading Reich’s *The New American Frontier*. More important for the longer-term influences of these ideas, a group of younger Democratic legislators, including Gary Hart, Tim Wirth, Richard Gephardt, and Al Gore, became enamored with general gist of industrial policy.<sup>23</sup> This group was briefly known as the “Atari Democrats” because of their support of high-tech industries. They were central actors in the formation of the Democratic Leadership Council who became known as “New Democrats,” and they formed an important part of Bill Clinton’s social circle. While they did not often use the term “industrial policy,” their thinking continued to remain close to that space right through the Clinton administration.

Soon, however, industrial policy met heavy criticism.<sup>24</sup> Both conservatives and organized labor went after it immediately.<sup>25</sup> Perhaps most important, at a meeting of the US Federal Reserve at Jackson Hole, Wyoming in August 1983, economists, including Lawrence Summers and Paul Krugman, both young at the time, went on the attack against industrial policy as violating basic economic thinking. Summers said industrial policy amounted to chiropractors’ “false hopes of miracle cures” which deterred “the search for real solutions.”<sup>26</sup> Krugman later recounted that in his talk he told listeners to file Magaziner’s and Reich’s *Minding America’s Business* under the category of “popular misconception.”<sup>27</sup> These and other criticisms appear to have made their mark. Walter Mondale must have decided that industrial policy wasn’t doing it for the Democrats because he did not run on the idea in his failed 1984 campaign, nor did the next Democratic presidential candidate, Michael Dukakis, run on it in 1988. The notion appears to have withered in Democratic Party circles—it died on the vine—but aspects of it would continue to live on and be reborn in the Clinton administration.

Reich began moving away from focusing on mature but struggling large industries in the mid-to-late-1980s, soon after the Democratic Party fell away from explicit talk of industrial policy. In a sense a shift in Reich’s thinking in a small report he wrote in 1988, for the National Education Association titled, “Education and the Next Economy.” Reich’s emphasis on the need for collaboration and new kinds of education focused on things like creativity, problem-solving, “experiential learning,” and “learning to learn” remained a part of the vision. Gone was a time when it could be assumed students would go on to work in “high-volume, standardized production” and could themselves be treated, in schools, as “a function of the number of children who pass standardized examinations at a lower cost per unit.”<sup>28</sup> Instead the “next economy” would “require that we do in our schools what we must do in our business enterprises: push responsibility downward towards teachers and students; invite continuous, incremental innovation at all levels; foster collaboration among parents, teachers, principals, community groups, and the private sector; and encourage flexibility.”

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<sup>23</sup> Krugman, *Peddling Prosperity*, 249; Geismer, *Left Behind*, 32-4.

<sup>24</sup> Graham, *Losing Time*, 69.

<sup>25</sup> Geismer, *Left Behind*, 32-3.

<sup>26</sup> Lawrence Summers, “Commentary,” 80:

<https://www.kansascityfed.org/Jackson%20Hole/documents/3910/1983-S83SUMME.pdf>

<sup>27</sup> Krugman, *Peddling Prosperity*, 255.

<sup>28</sup> Reich, “Education and the Next Economy, 21.”

The evolution of Reich's thinking in the late-1980s and 1990s fit against two other intellectual trends of that moment: The first is how the notion of human capital became interwoven with growth economics in the 1980s, particularly through the thought of Paul Romer who would eventually win a Nobel Prize for his work on the topic. The basic idea was that investment in education and training led individuals to create more new ideas, which led to innovation, which eventually led to economic growth. As Romer put it in the abstract of his famous article, "Endogenous Technological Change," the main conclusions of his view "are that the stock of human capital determines the rate of growth, that too little human capital is devoted to research in equilibrium, that integration into world markets will increase growth rates, and that having a large population is not sufficient to generate growth."<sup>29</sup> More generally, Reich fit into a broader shift in thinkers away from the issues of the 1970s, like inflation, wage-price spirals, and industrial stagnation, and towards a renewed focus on growth, now with an emphasis on human capital.

The second intellectual trend of the period was what came to be known as "skills-biased technological change" (SBTC). The core assertion of this literature was that automation and new technologies, especially computers, was decreasing demand for unskilled workers and increasing demand for skilled ones, which was often taken to mean ones with college educations. As some cast it at the time and later, there was a "race between education and technology."<sup>30</sup> This too was a kind of rallying cry for Reich during the 1990s, and Krugman, again, later claimed that Reich's work in that period amounted to a kind of popularization of the SBTC hypothesis.<sup>31</sup>

The evolution in Reich's thinking, including the inclusion of these fashionable topics, culminated in his 1991 book, *The Work of Nations*. In it, Reich attempted to project what skills would be the most important in the coming century and to provide a vision for ensuring that American workers got those skills. Once again, this vision included an active role for the state. Reich continued to focus on "high-value" enterprises, which he tended to envision as existing industries using a variety of technologies to increase productivity. What was new in Reich's picture was what he called "symbolic analysts," which were professional roles focused on "problem-solving, problem-identifying, and strategic-brokering."<sup>32</sup> Reich argued that symbolic analyst jobs were the quickest growing in the economy and also typically high-paying. In many ways, the notion is Reich's own version of the "knowledge economy," a notion that was taking off at the time but played no major role in Reich's writings. It is important to be clear that, while information and communication technologies played some role in Reich's understanding and representation of symbolic analysts, this wasn't yet a vision of digital technologies transforming the economy and work. That would come later.

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<sup>29</sup> Romer, Paul M. "Endogenous technological change." *Journal of political Economy* 98, no. 5, Part 2 (1990): S71-S102. See also Romer, Paul M. "Human capital and growth: Theory and evidence." (1989).

<sup>30</sup> Goldin, Claudia, and Lawrence F. Katz. *The race between education and technology*. harvard university press, 2010.

<sup>31</sup> Krugman, "Challenging the Oligarchy," *New York Review of Books*, December 17, 2015. But as Krugman also pointed out, the SBTC hypothesis has not fared well. Or at the very least, the effect of technological change on skills-biasing is not clear in economic data and, contrary to predictions, has not increased greatly over time. Walter Frick, "Understanding the Debate Over Inequality, Skills, and the Rise of the 1%," *Harvard Business Review*, December 21, 2015.

<sup>32</sup> *The Work of Nations*, 177.

Parts of *The Work of Nations*, especially its focus on human capital and job training, were lifted into Clinton's and Gore's 1992 campaign book, *Putting People First*. Indeed, journalist Bob Woodward claims that the motto "putting people first" was an attempt by Clinton's and Gore's ghostwriters to put Reich's beloved "human capital theory" into plain English. Interestingly, in their book, Clinton and Gore said that they would "require every employer to spend 1.5 percent of payroll for continuing education and training" in their discussion of "Worker Retraining." The idea of pushing companies to invest in human capital hearkened back to Reich's 1983 book, *The Next American Frontier*, but this proposed requirement seems to have fallen away early in the Clinton administration, which came quickly to focus solely on using federal spending to create new and enhance existing federal training programs. As we've seen, the impetus to do so had evolved from earlier discussions of industrial policy, and the explicit goal continued to be for Democrats to chart a different path than what Republicans had put forward under Reagan and Bush. But the goal had shifted from reforming American industry to preparing and retraining workers for what Reich increasingly liked to call "tomorrow's jobs."

### **Reich's Reemployment Act as Failed Interventionist Knowledge**

After Clinton and Gore won the election, Reich became a member of their transition team, leading work on the coming administration's economic policies. Soon Clinton asked Reich to become Secretary of Labor. According to Reich's memoirs, even before Clinton was sworn in, Reich worried that obsessions over government debt, which Clinton and Gore had promised to decrease, would undermine the social programs the pair had also promised during the campaign. These fears became realities almost immediately.

In his memoirs, Reich represents the tensions within the administration as a stage play of cabinet and advisors trying to work out the first federal budget under Clinton. On one side of the issue, pushing for social policies and at least some spending, is Reich as well as economist Laura Tyson, who was chairman of the Council of Economic Advisors and also had a background in industrial policy thinking. On the other side, constantly bringing up concerns about debt and the need to balance the budget, are politician Lloyd Bentsen, head of the Treasury department; economist Alice Rivlin, deputy to Leon Panetta at the Office of Management and Budget; and lawyer and banker Robert Rubin, Chairman of the National Economic Council. Reich claims the budget discussions were unending. In the play, just as conversation turns to possibly funding social programs, lightning strikes, and Alan Greenspan appears as a kind of ghastly figure, "wearing a black cape," hovering over those assembled, promising that if Clinton takes "an ax to the deficit, I will cut short-term interest rates!"<sup>33</sup>

For a variety of reasons, which other historians have examined in depth, these anti-debt forces within the Clinton administration won, much to Reich's and Clinton's chagrin.<sup>34</sup> Reich and others describe Clinton loudly yelling in the White House when he realized he could deliver few of the social programs he promised on the campaign trail because of these fiscal constraints.

Yet, though Reich's ideas were ultimately doomed, the Clinton administration did work to promote his ideas, and here Reich's ideas crossed the line from being mere analysis to entering

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<sup>33</sup> *Locked in the Cabinet*, 63.

<sup>34</sup> The best treatment to date of how perceived economic constraints shackled Clinton's social policy efforts is Lichtenstein and Stein, *A Fabulous Failure*.

the fray of the politics of enacting interventionist knowledges. By far the most Reichian initiative the Clinton administration ever put significant energy into was the now-forgotten Re-employment Act of 1994, a bill the administration proposed and lobbied heavily for throughout the year. The concept of “re-employment” was driven by Reich’s and Clinton’s understandings of how the US economy was changing. The basic idea became a kind of mantra for the administration: traditional unemployment insurance in the United States, Reich and soon others argued, was aimed at helping workers laid off during cyclical downturns make ends meet until they would be rehired into the same industries. But this dynamic was changing because of three factors, they argued: technological change, corporate restructuring, and global trade. Many laid off workers in the 1991-1992 recession did not believe they were headed back to the same jobs. Their positions were disappearing forever. In this context, the administration argued, federal policy needed to transition from unemployment insurance to forms of support for *re-employment*, which was taken to mean shifting into new industries and sectors.

As we examine how the Reemployment Act developed as an, ultimately failed, form of interventionist knowledge, it is helpful to keep in mind some important facts that Reich’s analysis missed at the time. Doing so will help us better understand the mythic nature of policy thinking in the Clinton White House. Time and again throughout the mid-1990s and at least up through his 2000 book, *The Future of Success: Working and Living in the New Economy*, in writings and speeches, Reich highlighted the new jobs requiring new kinds of technical skills. A slide that he used to promote the Reemployment Act was titled “Where the New Jobs Are” and contained the following list: technical sales support, technical marketing, laboratory technicians (including health), factory technicians, and technical/clerical.<sup>35</sup> But this is not what publications out of Reich’s own Bureau of Labor Statistics were showing. A 1995 bureau report drawing on data up through 1994 projected that the fastest growing occupations in the United States from 1994-2005 would be two different kinds of home health aides, a stressful low wage job that was also the fastest growing job category between 1983-1994.<sup>36</sup> Only a few of the projected job categories came close to the kinds of technical jobs requiring “new skills” that Reich so admired and so often played up. Many more of the projected fastest growing occupations were low wage jobs like cashiers, janitors, retail salespeople, waiters, guards, manicurists, food preparation workers, amusement and recreation attendants, and correction officers. And the Bureau of Labor Statistics was right about this. It is precisely what happened over the coming decades. Reich’s favored story missed this trend completely. Moreover, Nelson Lichtenstein and Judith Stein show in their book on the Clinton administration that several enterprises Reich identified as innovative in his books and speeches went bankrupt or disappeared within a few years of his celebration of them. In sum, when Reich so confidently imagined enjoining Lane Kirkland to “*Join us in preparing people*

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<sup>35</sup> See “Where the New Jobs Are” in a series of slides likely prepared by the Department of Labor in Folder: [Department of Labor – Reemployment Act], Series/Staff Member: Michael Waldman, Subgroup: Speechwriting, Collection: Clinton Presidential Records, William J. Clinton Presidential Library.

<sup>36</sup> To my knowledge, this was first pointed out by Doug Henwood in his book, *After the New Economy*, but Henwood made this point using Bureau of Labor Statistics data from 2003, asserting that the 2003 publication was pretty close to what the bureau projected in the mid-1990s. I have tracked down a 1995 publication and find that Henwood was correct. See tables of occupational projections on pages 79 and 81 of George T. Silvestri, “Occupational Employment to 2005,” *Monthly Labor Review*, November 1995: <https://www.bls.gov/opub/mlr/1995/11/art5full.pdf> On the stressful nature and negative health consequences of the care work that home health aides do, see Evelyn Nakano Glenn, *Forced to Care: Coercion and Caregiving in America*.

for tomorrow's jobs," he did not actually know what tomorrow's jobs would be, nor did he know what tomorrow's businesses would be.<sup>37</sup> He had no grasp on the future.

Reich was working on the basic idea of the Reemployment Act by August 1993, four months before the Clinton White House made it a public proposal. By that time, Reich's interventionist prescriptions had become even more nonliberal than they had been in the early 1980s. In his 1983 book, *The Next American Frontier*, Reich had envisioned developing human capital in the nation by using a mixture of subsidies, tax breaks, and other incentives to induce firms to invest in training workers. By 1993, he seemingly had come to believe that only direct federal investment in training programs would get the job done. But potential barriers to his vision were immediately perceptible: Reich's first mention of "reemployment" in his memoirs is in the context of an unnamed Senator he was talking to being utterly uninterested in it because the legislator wanted Clinton to extend unemployment insurance benefits by six months.<sup>38</sup>

Moreover, Reich claims that he wanted to make creating a reemployment system a precondition for Democrats signing onto NAFTA, but there is no evidence this idea was taken seriously by anyone in the administration. Clinton signed NAFTA into law in December of 1993 without a whiff of reemployment about it. Yet, Reich's reflections suggest he was always picturing reemployment as interwoven with and a partial answer to shifting US trade policy. A year later, this became an explicit administration position, as it linked the Reemployment Act to revisions to the General Agreement on Tariffs and Trade (GATT), which created the International Monetary Fund, in 1994. In this way, Reich's reemployment plans can also be seen his programmatic response to the issues raised in his earlier discussion with Lane Kirkland, as described in the introduction of this article.

Reich's work on the Reemployment Act can be thought of as including three parts, two of which were centered in social scientific data, though his reading of at least one of them was contentious, and the third was a myth that linked those two bodies of data but seemed to have little evidence of its own beyond anecdotes. The first body of social scientific data was a series of reports on the long-term unemployed and so-called "displaced workers." Some of this data had been published after Reich's *Wealth of Nations*, and he seems to have taken it as providing further support to the picture he built in that book. For example, Bureau of Labor Statistics and Congressional Budget Office (CBO) had data showing that more laid off workers in the 1991-1992 recession were not expecting to be recalled to their old jobs than in any previous recession. 76% of workers didn't think they were going to be called back, the highest number since data started being collected in 1967. In those earlier recessions, about 45% of workers expected to get their old jobs back. Something deep was changing, the data seemed to imply, or at least that is how Reich and those around him interpreted it.

Two reports on reemployment that came out of Reich's Department of Labor in 1993 and 1994 took a 1993 Congressional Budget Office report, "Displaced Workers: Trends in the 1980s and Implications for the Future," as a key text. The term "displaced worker" was quite old, going at

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<sup>37</sup> This point is conceptually linked to Krugman's and others' criticisms of "industrial policy" and related ideas. The critics argued that industrial policy advocates could not reliably pick out which industries were high-value, competitive, and, therefore, worth saving.

<sup>38</sup> *Locked in the Cabinet*, 121-2.

least back to the 1920s, as was often associated with debates about whether technological change was leading to unemployment.<sup>39</sup> The term came and went, rising on waves of economic trouble, falling with their subsidence. The 1993 CBO report came on the falling side of a wave that had begun in the late 1970s, with the same round of industrial troubles and layoffs that had given rise to talk of “deindustrialization” and “industrial policy.” In 1985, two staff members of the Bureau of Labor Statistics had published an influential article titled “Displaced workers of 1979-83: how well have they fared?” This article was based on a new survey created by the Bureau of Labor Statistics to capture the number and experiences of “displaced workers,” which they defined as workers who had lost their jobs because of “a plant closing, an employer going out of business, a layoff from which (the worker in question) was not recalled or other similar reasons.”<sup>40</sup> The new survey was added as a supplement to the Bureau of the Census’ Current Population Survey, one of the oldest and most famous social and economic survey in US history with roots going back to attempts to measure unemployment in the Great Depression. Many other publications in the 1980s and 1990s, such as a 1986 Department of Labor Task Force report, “Economic Adjustment and Worker Dislocation in a Competitive Society,” contributed to the period’s overall discourse of displaced workers.<sup>41</sup>

The 1993 CBO report used the BLS’s displaced worker surveys, running every two years from 1984 through 1992, to examine trends throughout the 1980s and early 1990s and to make some forecasts about the future. Interestingly, the CBO report made much more measured claims than those of Reich’s Department of Labor, which was using this and other publications to argue that a real shift was underway in the economy. While the CBO report did recognize some shifts in permanent layoffs—for example, white-collar workers increasingly faced them whereas they used to be more centered in blue-collar work—it also noted that such layoffs were “fairly common even in a healthy labor market” and that “displaced workers themselves have changed relatively little despite the sectoral changes in displacement.”<sup>42</sup>

This picture of relative normality was not the one coming out of the Department of Labor. In December 1993, it published a report titled, “The Changing Labor Market and the Need for a Reemployment Response.” In every possible way, except superficial differences typical of government publications, such as being filled with bullet points, it reads like a Reich book or essay. In many ways, it was just as synthetic and based on a *sense* of how things were shifting. The report drew on publications from the Congressional Budget Office, the National Bureau of Economic Research, the Brookings Institution think tank, economics articles, and perhaps most of all from uncited data from the Department of Labor and its Bureau of Labor Statistics. The report highlighted the new data about more workers not expecting to go back to their old jobs, increasing numbers of long-term unemployment among those laid off, and other figures that supported a vision of an economy undergoing transformation. Yet, attention to detail uncovers

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<sup>39</sup> Woïrol, *The Technological Unemployment and Structural Unemployment Debates* (Greenwood Press, 1996), 30-32 and 78-79.

<sup>40</sup> Paul O. Flaim and Ellen Sehgal, “Displaced workers of 1979-83: how well have they fared?” *Monthly Labor Review* 108 (1985), 4.

<sup>41</sup> Malcolm Read Lovell. *Economic Adjustment and Worker Dislocation in a Competitive Society: Report of the Secretary of Labor's Task Force on Economic Adjustment and Worker Dislocation*. Task Force, 1986.

<https://files.eric.ed.gov/fulltext/ED279871.pdf>

<sup>42</sup> Murray N. Ross and Ralph Ely Smith. "Displaced Workers: Trends in the 1980s and Implications for the Future." Congress of the United States, Congressional Budget Office, 1993, 5.



that the report sometimes strained to make its own case. For example, its authors felt the need to specify that “as a proportion of workers, however, these displaced worker measures were somewhat lower than in the early 1980s.”<sup>43</sup> In other words, as a percentage of the workforce, there were fewer displaced workers in the early 1990s than there were a decade earlier.

The report framed the problem as one of “structural unemployment,” a term I have not seen in any of Reich’s earlier publications. The concept of “structural unemployment” has a long history going back to the 1940s and 1950s, when it was seen as a deep problem for Keynesian policymaking because stimulating demand was not enough to solve it.<sup>44</sup> The inclusion of structural unemployment with its Keynesian heritage as one framing element of the Reemployment Act is further support for the idea that this side of the Clinton White House was not rooted in *neo*-liberal thinking.

The second body of social scientific data Reich drew on were studies of what made training programs successful. In this case, Reich also used his role as labor secretary to do something he had not done previously or since: conduct new research. In February, Reich held a Department of Labor conference titled “Building a Reemployment System: What is Working in America,” where Clinton formally announced the bill now named the Reemployment Act of 1994. The gathering drew together the leaders of training programs, which were perceived to be successful, from at least thirteen states in the nation.<sup>45</sup> The leaders discussed how their organizations worked and what they attributed their success to. Reich and others also conducted site visits to the offices of many of these programs. In April, the Department of Labor built on the “What is Working?” gatherings and site visits to publish a report titled, “Reemployment Services: A Review of Their Effectiveness.” While the report emphasized that few publications on training programs lived up to the ideals of “random-assignment experimental studies,” labor department staff did attempt to “cover all of the empirical studies in this area.”<sup>46</sup> The report detailed several findings that became administration talking points for the rest of the year. It found that job search assistance generally worked, but that rapid response and “early intervention” were key because the longer workers were unemployed the less likely they were to find work, because of both skills loss and demoralization, the report suggested. It asserted that workers “facing difficult reemployment prospects should have the option of entering long-term training,” while also acknowledging that that the track record of such federal programs was at best mixed. Finally, the report held that the best training programs “make extensive use of the private sector,” including by aligning with the needs of local job markets, and that states should be given leeway to experiment and “innovate” in running such programs. One innovation it saw particular hope in was giving workers bonuses when finding work.

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<sup>43</sup> U.S. Department of Labor, “The Changing Labor Market and the Need for a Reemployment Response,” December 1993, 3.

<sup>44</sup> See for example, Rostow, W. W. “A Historian’s Perspective on Modern Economic Theory.” *The American Economic Review* 42, no. 2 (1952): 16–29.

<sup>45</sup> Summaries of each program that attended can be found in Folder: The Reemployment Act of 1994 Product/Materials Book [Binder] 1, Series/Staff Member: Michael Waldman, Subgroup: Speechwriting, Collection: Clinton Presidential Records, William J. Clinton Presidential Library.

<sup>46</sup> U.S. Department of Labor, “Reemployment Services: A Review of Their Effectiveness,” April 1994, 278. [https://oui.doleta.gov/dmstree/ib/ib94/ib\\_12-94.htm](https://oui.doleta.gov/dmstree/ib/ib94/ib_12-94.htm)

So, on the one hand, Reich had studies of “displaced workers,” and, on the other hand, he had research on what made training programs effective. The connective tissue that Reich used to link these two bodies of data was the myth of “the new economy.” It was at this moment that we see the exact phrase “the new economy” emerge in in the Clinton administration records. It fills documents from the administration’s Reemployment Act. Yet, the phrase had not yet taken on its capitalized, proper name form (“the New Economy”) that it would later in administration publications and gatherings. In a letter to the House Ways and Means Committee, which was approved by several executive branch agencies, Clinton urged members to enact the legislation, writing, “The Reemployment Act, as part of a lifetime learning system, tells our workers that—whatever the new economy brings—they will be ready.”<sup>47</sup> Moreover, this was the moment wherein “the new economy” became increasingly tied to changing information technologies, though not nearly as dramatically as later when the two things were taken to be one. As one memo in the Clinton White house put it, “In the information age of the increasingly global knowledge economy, it doesn’t take a genius to figure out that continuous learning is the lever to higher earnings for American firms, families, and workers.”

Reich also weighed in on these topics. In May 1994, Reich drafted an essay the administration hoped would be published in the *New York Times*, though it apparently never was. The essay, and other statements Reich made around the Reemployment Act, started from a seeming paradox: the US economy had recovered from the recession of 1991-1992, and though initially the end of that recession had led one observer to coin the term “jobless recovery,” by 1994, unemployment was at its lowest point in decades. Yet, millions of Americans said they could not find jobs, anecdotally employers said they could not find the skilled workers, and long-term unemployment was at its highest level since the government kept records on it. Reich believed the answer to this puzzle laid in the mismatch of skills, “The extra capacity in the old economy is largely walled off from the new. Too few Americans are able to scale the wall. They lack education and skills, or have the wrong skills . . .”<sup>48</sup> At the time, economists had already begun to worry that unemployment levels were getting too low and might begin to induce inflation. But Reich suggested in the essay that the skills mismatch in the economy was so deep and powerful that the so-called “natural rate of unemployment” might be decreased without inducing inflation if workers got the training they needed.<sup>49</sup> In this way, Reich argued, reemployment programs would both help workers and boost growth. As Reich concluded, “By easing the transition for all Americans from the old economy to the new, we can simultaneously combat inflation and continue aggressively to create more and better jobs for all our people.”

One thing that stands out in Reich’s public pronouncements about the Reemployment Act and “the new economy” was how little data he had to support his picture of how the economy was changing. As a communicator, Reich liked to highlight numbers that supported his case when he had them, but his tales of “the new economy” rarely featured such supporting evidence. Often,

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<sup>47</sup> From Michael Waldman to Pat Griffin and Lee Ann Inadomi, “Reemployment Letter to W&M,” Folder: [Reemployment Act] POTUS Letter to W&M [Ways and Means, Series/Staff Member: Michael Waldman, Subgroup: Speechwriting, Collection: Clinton Presidential Records, William J. Clinton Presidential Library.

<sup>48</sup> Robert B. Reich, “Fighting Inflation and Fighting for Jobs,” draft essay sent to the *New York Times* on May 16, 1994, Folder: [Reemployment Act] Reich Letter to New York Times, Series/Staff Member: Michael Waldman, Subgroup: Speechwriting, Collection: Clinton Presidential Records, William J. Clinton Presidential Library.

<sup>49</sup> For further evidence that Reich was talking at the time about human capital investment lowering the natural rate of unemployment, see Michael Kinsley, “The Job of Jobs,” *Time*, July 4, 1994.

he would turn to anecdotes, say, for example, that as Secretary of Labor he traveled the country talking to business leaders who were telling him that they were having trouble finding workers with the skills they required. His May 1994 unpublished letter to the *New York Times* stated, “Many employers are having trouble finding the workers they need—the kind of conditions that eventually kindle inflation worries,” but he provided no evidence for the claim. His apparent lack of evidence did not deter him from, for example, telling members of the Senate that a series of technical jobs were the fastest growing occupations in the United States or arguing in public that the disconnect between needed and available skills explained both the hardship businesses were experiencing and the suffering of workers. There is also clear evidence that some people were skeptical about Reich’s narrative about “the new economy.” In December 1993, the *Washington Post’s* editorial board published a piece supporting the soon to be announced Reemployment Act plans, which it said “make good sense.” But it went on, “They do so almost independently of the elaborate rationale the administration has constructed for them—the view that unemployment now is somehow different from in the past, which not everyone fully accepts.”

Politically, the Reemployment Act appears to have faced an uphill battle from the moment it was put forward. Clinton announced the bill without naming it in his 1994 State of the Union Address. Clinton announced his plan to “literally transform our outdated unemployment system” by “streamlining today’s patchwork of training programs,” which had cropped up since the 1960s, and making the programs more focused on providing “new skills for our people who lose their jobs.”<sup>50</sup> His speech and his proposed budget published a month later established the mantra the administration repeated many times over the coming year: Earlier in history, “both government and workers shared the expectation that laid off workers would return to the same jobs once the economy picked up again.”<sup>51</sup> Laid-off American workers now “faced *structural displacement*, not simply *cyclical downturns* in the economy.” For this reason, the old system no longer worked because it wasn’t focused on “helping workers build new skills and find new jobs.” As Clinton put it in the State of the Union, “Re-employment, not unemployment, must become the centerpiece of our economic renewal.”

In March, Clinton and Reich announced details of the bill, which was meant to last five years and, according to White House estimates, would cost \$13 billion.<sup>52</sup> The act would provide a

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<sup>50</sup> <https://www.govinfo.gov/content/pkg/WCPD-1994-01-31/pdf/WCPD-1994-01-31-Pg148.pdf>

<sup>51</sup> This and the following three quotations President Clinton’s Fiscal Year 1995 Budget Proposal. Hearing Before the Committee on the Budget, House of Representatives, One Hundred Third Congress, Second Session, February 24, 1994. pg. 9.

<sup>52</sup> It is interesting to see what parts of the proposed Reemployment Act do and do not fit the kinds of programs highlighted in Lilly Geismer’s *Left Behind: The Democrats’ Failed Attempt to Solve Inequality*, including attempts to rationalize and “reinvent” government, to emphasize public-private partnerships, to accentuate “customer choice” and “customer-oriented approaches,” to devolve power to the states wherever possible, and to use loans, vouchers, and other market-based tools. The act certainly included all of these features in one way or another, and the administration played them up *especially* when communicating with Republican and centrist Democratic legislators and others they thought would like that message. But these aspects of the program were always seen as the most effective means to get to an end, which at heart remained a nonliberal federal program that would cost \$13 billion, which was probably what ultimately doomed it. The bill immediately turned off even sympathetic centrist Republicans who felt it was too expensive and did not do enough to pare down government. See for example a June 14, 1994, memo laying out the state of the game and strategy for the Vice President, Folder: VPOTUS Strategy

“comprehensive program for worker adjustment,” which included reemployment insurance for displaced workers and a national grant program to fund state programs.<sup>53</sup> A central plank of the act was that it would be based around a “One-Stop Career Center System” based on the principle of the “one-stop shop,” a phrase that shot into use around 1980.<sup>54</sup>

As soon as the bill was announced, media coverage noted that it was an attenuated version of Reich’s initial vision for it. As *Los Angeles Times* reporter David Lauter wrote at the time, “Because of budget constraints, the Administration drastically scaled back Reich’s initial ideas that would, essentially, have given every American worker an entitlement to federally supported job training.”<sup>55</sup> There’s some evidence this is true. A January 1994 edition of “America’s Job Fax,” a one-page publication Reich’s DOL regularly faxed out to various parties, suggested that “all dislocated workers will be eligible for effective long-term training, regardless of their reason for dislocation.”<sup>56</sup> Such strong language quickly disappeared, however. Even the policies deeply influenced by Reich widely diverged from his aspirations. Still, the Clinton Administration explicitly made the Reemployment Act of 1994 one of its major policy initiatives for that year. In some places, it was listed as one of four major domestic policy items along with health care reform, welfare reform, and anti-crime legislation.<sup>57</sup> In other places, the administration claimed that reemployment was one of two major economic initiatives dubbed a “top priority for the President and the administration” for the year, the other being the GATT revision.<sup>58</sup>

Archival records of the Clinton Library make clear that the administration conducted a major effort of coordination and lobbying for the bill. Reich held a series of hearings and regional roundtables on it around the country, including in Fort Worth, Texas, Tampa, Florida, Portland, Oregon, and Los Angeles, California.<sup>59</sup> The administration had several cabinet level secretaries writing op-eds, taking part in media roundtables, and leaning on legislators, labor unions, business leaders, nonprofit organizations, and other pressure and special interest groups.<sup>60</sup> General Electric led efforts to win support from the business community with organizational support from the Business Roundtable. Eventually hundreds of individuals and organizations,

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Memo, Series/Staff Member: Michael Waldman, Subgroup: Speechwriting, Collection: Clinton Presidential Records, William J. Clinton Presidential Library.

<sup>53</sup> The following summary is drawn from a document titled “The Reemployment Act of 1994: Title-By-Title Summary” in Folder: The Reemployment Act of 1994 Product/Materials Book [Binder] 1, Series/Staff Member: Michael Waldman, Subgroup: Speechwriting, Collection: Clinton Presidential Records, William J. Clinton Presidential Library.

<sup>54</sup> According to Google Ngram.

<sup>55</sup> David Lauter, “Clinton Unveils \$13-Billion Job Training, Counseling Bill,” *Los Angeles Times*, March 10, 1994.

<sup>56</sup> “America’s Job Fax,” January 27, 1994,

<sup>57</sup> Lauter, “Clinton Unveils \$13-Billion Job Training, Counseling Bill.”

<sup>58</sup> From Michael Waldman to Pat Griffin, “Business Briefing on Reemployment Act,” May 26, 1994 Folder: WH Talking Points, Series/Staff Member: Michael Waldman, Subgroup: Speechwriting, Collection: Clinton Presidential Records, William J. Clinton Presidential Library.

<sup>59</sup> “America’s Job Fax,” May 24, 1994, Folder: [Reemployment Act] Department of Labor Fax, Series/Staff Member: Michael Waldman, Subgroup: Speechwriting, Collection: Clinton Presidential Records, William J. Clinton Presidential Library.

<sup>60</sup> See the documents in the folders cited above as “VPOTUS Strategy Memo” and “The Reemployment Act of 1994 Product/Materials Book [Binder]” See also the document laying out various planned lobby and pressure efforts in Folder: [Reemployment Act] Cabinet Action Plan.

including both Republican and Democratic legislators, governors, unions, business leaders, signed on to support the bill.

Perhaps most interesting, advocacy for the bill centrally involved a kind of loose partnership between Reich and Robert Rubin, who was then the director of Clinton's National Economic Council and less than a year later would become the Secretary of the Treasury. In most accounts, including Reich's own memoirs, the two men are cast as opponents, one favoring social programs; the other, fiscal discipline. But examining how they jointly worked to promote the Reemployment Act shows us how Reich's human capital visions were seen as working hand-in-hand with the administration's policies aimed at businesses, the economy, and foreign trade.

Reich's own speeches, op-eds, and public statements about the bill tended to focus on how the law would help workers and economically-depressed communities, whereas Rubin's efforts were to meant to convince the business community that the act would also contribute to meeting their needs and economic growth more generally. For example, Reich and Rubin, together, met with a group of "approximately 30 Washington representatives of major business firms and interests" to present the bill in May 1994. Paul Dimond, Clinton's Special Assistant for Economic Policy, wrote a memo to prep Rubin for the occasion. Reich would cover the basics of the act, Dimond told Rubin, "Your job is to begin the conversation with business to convince them the Reemployment Act is an integral part of the President's plan to promote U.S. productivity, growth, and competitiveness in the global economy."<sup>61</sup> The act would do this, Dimond went on, "like other components of our economic plan—by embracing rather than fighting [long-term] structural change." Just as Clinton's federal trade policies, such as NAFTA, were meant to "seize opportunities for change and growth, so too must our workforce policies." In particular, the act would "(1) put productive workers more efficiently back to work in millions of new jobs the U.S. firms are creating at home, (2) restrain inflation pressures through more efficient matching of labor supply with firm demand, and (3) retrain workers for the new jobs in the new economy." In this way, the administration framed the act as fitting neatly with its trade policies. Members of the administration discussed tying the bill to revisions of GATT that it was also working with at the time, though the idea generated internal disagreement with some thinking it was a bad idea.<sup>62</sup>

The Reemployment Act of 1994 always faced headwinds. Even just as it was announced, Los Angeles Times reporter David Lauter wrote, "The legislation's prospects in Congress are believed to be questionable this year."<sup>63</sup> By midyear, the bill was in doldrums. In June, Michael Waldman, Special Assistant to the President for Policy Coordination, wrote a memorandum to Vice President Al Gore titled "Reemployment Act—White House Strategy." He put the issue bluntly, "The greatest problem facing the REA is not intense opposition, but the lack of intense support. The Administration—rather than any constituency—is the engine driving it."<sup>64</sup> The act

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<sup>61</sup> Memorandum for Bob Rubin from Paul Dimond, "Reemployment Act Briefing with Business Leaders," May 11, 1994, Folder: [Reemployment Act] Reich/Rubin Business Leaders Briefing, Series/Staff Member: Michael Waldman, Subgroup: Speechwriting, Collection: Clinton Presidential Records, William J. Clinton Presidential Library.

<sup>62</sup> "VPOTUS Strategy Memo." In his memo to Rubin, Dimond recommended against "tying REA to passage of GATT in any way for now, while urging the importance of enacting both."

<sup>63</sup> Lauter, "Clinton Unveils \$13-Billion Job Training, Counseling Bill."

<sup>64</sup> "VPOTUS Strategy Memo."

had come from within the administration, more specifically from Reich's mind. In a political system highly-dependent on the desires and pressures of interest groups, it had no external champion. No one loved it.

It's unclear from available records exactly when the Reemployment Act died. But then again, organizations often move on from initiatives without holding a formal funeral service. A likely culprit in the bill's murder was how badly Newt Gingrich and the Republicans beat the Democratic Party in the midterm elections in November 1994, an event that upended many White House plans. After the defeat, Clinton increasingly sought advice from pollster and political strategist Dick Morris, who Clinton gave the codename "Charlie" to hide his identity from White House staff.<sup>65</sup> With Morris, Clinton conceived of and, on December 15, 1994, announced a "Middle Class Bill of Rights," which was modeled on the GI Bill of Rights and meant to be answer to Gingrich's Contract with America. George Stephanopoulos, Senior Advisor to the President, called the Bill of Rights the "Immaculate Conception," because it seemed to come out of nowhere.<sup>66</sup> But a close reading of Clinton's announcement finds, along with an education tax deduction, a child tax credit, and an expansion of individual retirement accounts (IRAs), a "G.I Bill for American Workers," which was largely made up of language and ideas from the now buried Reemployment Act.<sup>67</sup> Soon this initiative also disappeared.

According to some accounts, Reich once again became influential with Clinton after the midterm defeat, in part because Clinton suspected that the trouncing came because he'd betrayed his own principles and campaign promises. The list of 1995 administration domestic policy goals, including middle-class tax cuts, an increased minimum wage, and an executive order banning striker replacements, certainly sounded Reichian.<sup>68</sup> But nonliberal human capital policies largely slipped from view. Beginning in late 1994, Reich began giving a series of speeches on what he called "The Revolt of the(?) Anxious Class."<sup>69</sup> He argued that American society was increasingly divided into three classes: a semi-permanent underclass of jobless people without hope, an upper class of the well-to-do, and the people in the middle, an anxious class, being threatened by a twin force: global competition and "technology, largely computerized, computer-based technology, which has either eradicated or devalued every routine job in America which can be done by a software program and, simultaneously, enriched every job utilizing the problem-solving skills of the human brain."<sup>70</sup> It was in the context of a speech on the anxious class that Reich infamously said, "Since we are committed to moving the disadvantaged from welfare to work, why not target corporate welfare as well, and use the savings to help all Americans get better work?"<sup>71</sup> The idea of taking on "corporate welfare" was warmly received in some quarters, but some senior administration figures, including Rubin and Commerce Secretary Ron Brown, bridled, and Reich agreed to start talking about "corporate responsibility" instead. What was the solution to

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<sup>65</sup> Tevi Troy, *Fight House*, 196.

<sup>66</sup> Robert Schlesinger, *White House Ghosts*, 424.

<sup>67</sup> [https://clintonwhitehouse1.archives.gov/White\\_House/Publications/html/briefs/ii-4.html#:~:text=On%20December%2015%2C%201994%2C%20President,now%20and%20in%20the%20future.](https://clintonwhitehouse1.archives.gov/White_House/Publications/html/briefs/ii-4.html#:~:text=On%20December%2015%2C%201994%2C%20President,now%20and%20in%20the%20future.)

<sup>68</sup> Frank Swoboda, "Robert Reich: The Return of a Policymaker," *Washington Post*, May 7, 1995.

<sup>69</sup> For one version of the talk given before the Commonwealth Club of California, see <https://digitalcollections.hoover.org/objects/2360/the-revolt-of-the-anxious-class>

<sup>70</sup> Robert Reich, "A New Middle Class," a speech given in 1994 before the Democratic Leadership Council. <https://www.c-span.org/video/?c4727096/user-clip-robert-reich-1994-democratic-leadership-council>

<sup>71</sup> Quoted in Geismer, *Left Behind*, 268.

the struggles of the anxious class? In speech after speech, the first one Reich would mention was training. “The only enduring solution, *the only enduring solution*, is to equip every American to succeed under the new rules” of the new economy.<sup>72</sup> This idea would never again become as central to the Clinton administration’s efforts as it had been in in the Reemployment Act of 1994.

## **Conclusion**

*The BRIEF conclusion will do a few kinds of work: 1. It will begin with the Clinton Administration’s early 2000 conference on the New Economy, which was ironically held a month after the dot com bust began. Within a year, the term “the New Economy” would itself die and become quickly unfashionable. Still, Reich’s visions of human capital and skill became the party line for the Clinton Administration, including in its publications on “the Digital Divide,” which included visions of solving gender and racial inequalities by getting marginalized people IT skills. 2. It will point forward historically from where this paper cuts off and allude to the fact that this emphasis on skills has continued in Democratic circles by pointing to a speech on education and “21<sup>st</sup> century skills” that Barack Obama made in, IIRC, 2006. 3. It will gesture towards Reich’s career after leaving the Clinton Administration in a kind of “where are they now way” but mostly – and most importantly – as a way of talking about a) the kind of thinker Reich is and the role of such figures in party politics and b) the place of mythic thinking in popular politics. (For example – though one I may not use in the final paper – for several years Reich, like many other people in the American left and center-left, has been very focused on the role of monopoly power in American social and economic problems, but his reflections on this topic often appear to be as poorly supported as his work so often has been. “Explanations” can be fads too.)*

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<sup>72</sup> Reich, “A New Middle Class.”