

AFTER THE BALL WAS OVER.
BOOK REVIEW OF DOUG HENWOOD. 2003. *AFTER THE NEW ECONOMY*. NEW
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The conventional wisdom of the late 1990s was that the New Economy was an unprecedented miracle about to transform us forever. The conventional wisdom after the party ended and the recession and scandals began was that it had all been “a mix of collective folly and outright criminality.” Henwood insists it was neither. From the first page he argues that the New Economy circus emerged “from the innards of the American economic machinery,” as something that capitalism brought forth from within itself, and not for the first time. Though he doesn’t say it directly, he also wants to get across Marx’s idea that capital is a social relation of production. Exotic financial instruments and global capital flows notwithstanding, the world of money is rooted in concrete social relationships. A capitalist market economy is not a neutral system governed by immutable laws of nature. Rather, even the powerful forces of supply and demand work within institutional contexts and cultural conventions.

The best way to bring out this point is to take a comparative approach. The first three chapters take the tenets of ‘90s rhetoric and confront them with evidence, first from official data about the U.S. and then from studies of other countries. The trends in real wages, poverty rates and the occupational structure go a long way towards deflating the grandiose claims of unprecedented economic transformation that were thrown around in the late ‘90s. The biggest changes have all been in the direction of greatly increasing inequality in the distribution of income and wealth, to a degree not seen since the late 1920s. These chapters are largely descriptive, but worth reading as they incorporate a lot of material that doesn’t get widely discussed in the U.S context. Henwood also presents data from the Luxembourg Incomes Study showing that the U.S. has the smallest middle class and largest proportion of poor people of any of the advanced capitalist democracies.

A second line of argument focuses on the rapid increase in measured productivity since the late 1990s, which has widely been supposed to be the (much-delayed) payoff from improvements in information technology. Henwood argues that this increase is largely explained by changes within high-tech sector that are not reflected in other industries. He is also skeptical of the productivity numbers themselves: quantifying the contribution to productivity of a new Dell with Microsoft Office installed is a tricky business.

The question of skills and information technology can also be approached in terms of change in the occupational structure. Occupational shifts are easier to measure than productivity. Henwood shows that very few of the fastest-growing occupations during the 1990s were the

kind of exciting, autonomous, “frictionless” info-tech jobs that were supposed to be in everyone’s future. He criticizes a typical example from the 1990s, Robert Reich’s (1991) claim that knowledge-intensive occupations staffed by “symbolic analysts” were the hot new trend. Henwood has little trouble showing that the fastest growing categories do not fit the New Economy image. They include food preparation and food service workers, computer support specialists, office clerks, truck drivers, nurses and nursing aides. Some of these jobs do involve intensive use of computers, but usually not in the ways suggested by the phrase “symbolic analyst.”

Henwood follows up his survey of these trends with a discussion of the debate on globalization. This chapter is quite different from the others in the book, as it is less a summary of what we know about the global economy and more a rearguard action against various wings of the anti-capitalist movement that Henwood disagrees with. Like all good Marxists, Henwood has a clear-eyed appreciation of the real and potential benefits of capitalist markets, and no wish to revert to what Marx called “the idiocy of rural life,” with all the back-breaking drudgery that it entails. So he has no time for “de-linking” from the world economy or self-imposed cultural isolation. Henwood derides “the nationalist fantasies of antiglobalizers,” for example, though he favors a strong role for the state in governing the market. One of the main tasks of the book is to remind American readers that a polarizing, unfettered market and authoritarian isolationism are not the only choices.

At times, Henwood writes like a straightforward social democrat, arguing for strong welfare provisions and a stable bargain over wages and profits. Elsewhere, he’s happy to use the language of class warfare when describing the increasingly important role of the Federal Reserve from Paul Volcker’s tenure onward. But by and large he confines his aspirations for a better world to a few lines here and there and devotes his energy to attacking New Economy talk in general, particularly in the business press and from ideologues like George Gilder. The book is an exercise in pouring cold water on utopias, but it’s also an effort to reclaim utopian language for the left. Why, he asks, “did The System’s publicists need the utopian story? If all challenges to capitalism were dead, why did we hear so much about democratization and the overturning of hierarchy?”

The reason Henwood hates New Economy talk so much is that market populism is ersatz anarcho-socialism. The democratization of ownership through shareholding, the proliferation of fulfilling, creative work directed by autonomous workers, the elimination of corporate hierarchies, and above all the transcendence of the material world of production through the power of technology --- this is Marx’s vision of utopia percolated through the pages of *Business Week* magazine. This connection, ironically, might help readers who are otherwise allergic to the language of class conflict to see why Henwood’s exposure of the New Economy’s empty rhetoric is on target.

References

Reich, Robert. 1991. *The Work of Nations: Preparing Ourselves for 21st-century Capitalism*. New York: A.A. Knopf.