Chapter One

The Postindustrial Context

This is a strange period in the history of the United States because people lack a shared understanding of the kind of society in which they live. For generations, the United States was understood as an industrial society, but that definition of reality is no longer compelling. Yet no convincing alternative has emerged in its absence.

This confusion and uncertainty is reflected in both common-sense views and social theory. Contemporary social theorists tell us remarkably little about the kind of historical era in which we live.\(^1\) Social theorists have become preoccupied with questions of meta-theory; much theoretical debate centers on defining the proper scope and ambition of social theory and on determining the kind of theory that should be created. Recent years have seen relatively few efforts to define the nature of contemporary societies and to delineate their major dynamics. It is almost as though such an effort

\(^1\) More accurately, they tell us little directly; their silence on the classical issue of defining the nature of the society is itself deeply revealing. There are exceptions to this prevailing silence, but an examination of the essays in a recent volume designed to reflect the state of the debate in social theory (Anthony Giddens and Jonathan Turner, eds., *Social Theory Today* [Stanford: Stanford University Press, 1987]) provides strong support for this conclusion. Important partial exceptions include the recent multivolume work by Roberto Mangabeira Unger, *Politics: A Work in Constructive Social Theory* (Cambridge: Cambridge University Press, 1987), and Anthony Giddens's own multivolume study, *A Contemporary Critique of Historical Materialism* (Berkeley: University of California Press, 1981, 1987). The second volume is entitled *The Nation-State and Violence*. 
is now seen as an old-fashioned exercise, an anachronistic return to the lofty ambitions of nineteenth-century theorists.²

This silence of contemporary theorists has real consequences, because individuals cannot do without some kind of conception of the type of society in which they live. In modern societies, social theory plays an indispensable role in providing us with a roadmap to our social environment. While there are complex mediations between high social theory and everyday "common sense," the two are connected in important ways.³

In those periods when social theory fails to define the nature of our society, other ideas tend to fill the void of popular understanding. As Keynes said of economics, those who profess not to be influenced by any theory are usually enthralled by the ideas of some long-forgotten scribbler. In our own period, it is economic ideas— and, ironically, pre-Keynesian economic ideas in particular—that have filled the vacuum left by the silences of contemporary social theory. The remarkable revival during the 1980s of classical free-market economics has served to fill people's need for some kind of social understanding to guide their day-to-day actions.⁴

The relative silence of social theory is rooted in events of the 1960s and 1970s that critically weakened the previously dominant theories of post–World War II American social science. Structural-functionalism in sociology, pluralism in political science, and liberal Keynesianism in economics shared in common an evolutionary triumphalism that saw American society as having evolved new institutional arrangements that provided solutions to such historic problems of industrialism as class conflict, economic crises, and exploitation. All three approaches proclaimed the arrival of a new

² This is, in fact, the position of many who have been influenced by post-structuralism. They see any attempt to create a unified theory of society as intellectually indefensible and as potentially coercive.
⁴ Fundamentalist religious ideas have also filled this space for many. There are, of course, affinities between free-market ideas and the Christianity of the Gospels. See Karl Polanyi, The Great Transformation (1944; reprint, Boston: Beacon Press, 1957), 249–586.
stage in history in which enlightened state action and a spirit of consensus would make possible the gradual solution of the remaining social problems. All three of these approaches were unapologetically liberal in their political and social outlook.

These optimistic visions of American society were shattered by the political and social developments of the 1960s and 1970s. Theorists working within these traditions were unable to put forward persuasive accounts of these new developments, and the result was that their views were delegitimated both in the academy and in the broader society. The fact that liberalism has now become a term of derision in American politics is the most dramatic testimony to the crisis of the ideas that dominated social science discourse in the 1950s and 1960s.

For a brief moment in the late 1960s and early 1970s, it appeared that left-wing critics of these mainstream perspectives would be able to construct an alternative social theory that might become broadly influential in the society. However, this did not happen. For one thing, deep divisions on fundamental questions emerged among radical scholars as soon as their attacks on mainstream positions appeared victorious. For another, many on the left proved reluctant to move beyond classical Marxist formulations that had long since been overtaken by historical developments. The left was also unable to move beyond a critique of existing institutional arrangements; it failed to provide an alternative vision of how American institutions could and should be reorganized.

The crises of both mainstream and leftist social theories opened the way for the revitalization of the tradition of economic liberalism that had been largely quiescent since the Great Depression. It was almost as if people responded to the turmoil of the 1960s and 1970s by saying: “We may no longer know what kind of society this is, but we do know that it is a market economy, and the best way to make a market economy work is through a minimum of governmental interference.” Increasingly, public debate has come to hinge, not on what kind of society we are or want to be, but on what the needs of the economy are. Hence, a broad range of social policies are now debated almost entirely in terms of how they fit in with the imperatives of the market.

This broad substitution of a particular type of economic theory for
a more general understanding of society is unfortunate. It means, above all, the domination of our politics by claims of "false necessity"—arguments that market realities radically constrain our range of political and social choices.\(^5\) We have been told repeatedly, for example, that our efforts to be compassionate to the poor through welfare programs have necessarily backfired because tampering with the operation of the labor market will always produce negative economic and social consequences.\(^6\) The fact that the "free market" premises of such arguments have repeatedly been challenged over the past hundred years of intellectual history makes no difference. In fact, the utter defeat of "free market" ideas in the course of the Great Depression of the 1930s is now almost completely forgotten. This demonstrates that when social theories lose their power to make sense of people's experiences, even previously discredited theories can be resurrected and pressed into service.

Postindustrial theory has the potential to fill this gap in understanding by providing a persuasive map of contemporary societies. To date, however, this has not happened. Even among social theorists, postindustrial ideas remain at the margins of contemporary debate and their impact on broader public debates has been limited. If the reasons for this failure can be grasped and overcome, postindustrial theory could illuminate our present political and social circumstances.\(^7\)

---


7. While this book was being written, the concept of postmodernism came to broad prominence. Although originating in the analysis of art, it has been broadened to characterize all of social life, and it now competes directly with the concept of postindustrialism. What is interesting about the concept of postmodernity is that it explicitly acknowledges that we are living in a period in which the master concepts of social science, the meta-narratives of modernity, no longer make sense of people's experience. See Jean-François Lyotard, *The Postmodern Condition: A Report on Knowledge* (Minneapolis: University of Minnesota Press, 1984). Some theorists of the postmodern might question whether it is possible or desirable to fill this gap, but for others there is a clear need for a postmodern social theory. It would seem that the choice of the label postmodern or postindustrial to describe the intellectual project of constructing such a theory is arbitrary.
The Theory of Postindustrialism

Daniel Bell first formulated the concept of postindustrial society in articles published in the 1960s, and he elaborated it in *The Coming of Post-Industrial Society*, published in 1973. In the same period, a series of other scholars also explored the idea of a parallel historical discontinuity—sometimes referring to the “information society,” the “service society,” or the “technetronic society.” In 1980 Alvin Toffler’s popularized version of the postindustrial argument, *The Third Wave*, was a major bestseller. Yet instead of invigorating the discussion, Toffler’s book appears to have marked an ending. In the 1980s there have been relatively few major statements of the postindustrial position, and figures such as Bell and Alain Touraine have turned to other questions. Moreover, there are also signs in the 1980s of an explicit rejection of the postindustrial framework. A widely reviewed 1987 volume by Stephen S. Cohen and John Zysman is subtitled *The Myth of the Post-Industrial Economy*.

Even so, the term *postindustrial* has actually seen broad usage as a label, despite the fact that neither social theorists nor an educated public have taken up the idea seriously. The term is generally used as a relatively empty synonym for modernity; “postindustrial America” is a livelier way for journalists or academics to say “contemporary America.” But these uses of the term do not involve any serious effort to make sense of the specific character of contemporary societies.

There is a reason for the wide appropriation of the term even while the theory has been marginalized. The term rests on the idea

---

of three great phases in human development—agricultural society, industrial society, and postindustrial society. Yet the current phase is not positively characterized; it is simply that which comes after industrial society. Postindustrial is a kind of marker that stands in place of the more substantive label that will presumably emerge somewhat later in the historical process. Just as the phrase industrial society did not become widely used until long after the beginning of the Industrial Revolution, it may be some years before this new phase of human history can be adequately characterized.\textsuperscript{13}

There is also a deeper problem that accounts for the neglect of postindustrialism by many social theorists. The concept of postindustrial society carries much of the baggage of nineteenth-century evolutionary thought. The typology of agricultural, industrial, and postindustrial societies bears a close resemblance to many of the great nineteenth-century evolutionary schemas that delineated the stages of the development of human society to show how each stage gave rise to the next. The terms used to characterize a particular phase of human development by Comte, or Marx, or Spencer were not simply labels; on the contrary, they were designed to capture the essential features of that stage of human development. Moreover, the evolutionary impulse—the pressure to move to the next stage of development—was closely tied to the essential features of each historical stage. Hence, for Marx, it was part of the very nature of capitalism that it would produce its own gravediggers—the revolutionary proletariat.

Much of contemporary social theory is persuasively critical of these nineteenth-century traditions of thought. While it is generally recognized that these evolutionary schemas continue to shape—often unconsciously—our own modes of thinking, they have been systematically criticized for their essentialism, their optimism, and their determinism.\textsuperscript{14} These theories tend to reduce a complex social reality to a single essence, but this is a highly problematic operation. How does one determine what is essential and what is epiphenomenal? Or to put it in other terms, contemporary

\textsuperscript{13} There have been many contenders for a more substantive term—service society, information age, age of cybernetics, and so on—but none of these convey the breadth of transformation implicit in postindustrialism.

\textsuperscript{14} This critique is one of the fundamental themes elaborated in Unger, Politics.
social scientists tend to be more self-conscious about the problematic relation between intellectual concepts and the reality that they are supposed to comprehend. The idea of "industrial society," for example, is a useful abstraction that highlights commonalities among otherwise diverse societies, but one would not expect the "industrialness" of these diverse societies to provide the master clue for understanding the future development of all of the societies that fit the category. The optimism of nineteenth-century thought has long since been brutally undermined by this century's experience with genocide, total war, and brutal statist regimes. Moreover, much contemporary scholarship has been sharply critical of the determinism implicit in these evolutionary schemes. The idea that social arrangements are largely determined by economic or cultural dynamics has been challenged by a vast body of work emphasizing the variety of historical contingencies that shape social development.

The problem, in short, is that postindustrial theory appears to be in conflict with the current emphases of social theory. It has been perceived as deterministic, evolutionary, and essentialist in a period when those are seen as serious intellectual errors. Some postindustrial theorists, particularly Daniel Bell, have sought to avoid these associations; he argues explicitly that his concept of postindustrialism was not meant to capture the inner dynamics of advanced societies, but was rather intended as a "speculative construct" against which future developments could be measured. Moreover, Bell has himself contributed to the current antideterminist emphasis in social theory with his argument that culture, politics, and economy each operate according to their own independent "axial principles," rather than one determining the others. Nevertheless, Bell's work on postindustrialism has often been misread and other theorists fell directly into the trap of formulating postindustrial theory in terms of an inevitable process of social development. As a result, postindustrial theory has come to be

15. This idea is developed by Bell in The Cultural Contradictions of Capitalism (New York: Basic Books, 1977), which was actually carved from the same 1,000-page manuscript as The Coming of Post-Industrial Society.
perceived as inextricably linked to evolutionary and deterministic assumptions.

It follows from these points that a revitalization of postindustrial theory must do two things. First, the theory must be reformulated in a way that definitively separates it from deterministic and evolutionary readings. Second, the theory must have more content; it must help us to make sense of our own society and of the choices that we and the society face. On one level, these are contradictory goals. The more room a theory allows for contingency, the less well it will serve as a guide to action. Yet at another level, these seemingly contradictory goals can be resolved.

Reformulating Postindustrial Theory, 1

The first step in such a reformulation is to recognize that social science concepts are not simply analytic abstractions, but are themselves cultural tools that play an important role in creating a semblance of order out of the potential chaos of social life. This insight makes it possible to redefine postindustrialism as the consequence of the collapse of the theory of industrial society.

Master concepts such as capitalism or industrialism are important guides to action in the shaping of social institutions and practices. Hence, for example, the particular way in which educational institutions have been constructed over the past century has had much to do with implicit or explicit ideas about what kind of society this is. Those educational reformers who succeeded in linking their proposals to widely shared views of the direction in which the society was moving tended to be more successful than those who were unable to connect their reform proposals to the master concepts of social science.\textsuperscript{17}

These master concepts play a critical role in shaping perceptions of the relative degree of “fit” among the different institutions of society. There is an ongoing process of institutional selection through which people reshape and reform social institutions along particular lines; this is a political process—in the broadest sense—in which different groups with different interests struggle to in-

\textsuperscript{17} One of the most influential of these ideas has been the notion that this is a market society, and that other social institutions should contribute to market efficiency. This idea is criticized in chapter 3.
fluence the outcome. But the balance of forces among competing
groups is itself influenced by ideas of what makes sense in this kind
of society, and it is here that social theory plays a major role by
helping to shape the way people think about particular institutions.
Moreover, whatever the legacy of past struggles in a particular
society, social theory can shape perceptions about the "fit" between
different social institutions and practices. Since "objective" criteria
for evaluating the degree of functional relation among institutions
are inherently problematic, social theory has fairly wide latitude to
define the reality as one of fit or lack of fit.

Through the last decades of the nineteenth century and most of
the twentieth, the master concept of "industrial society" has played
a central role in defining social reality in the United States and
other developed societies. As Richard Badham writes, "Beyond the
limited confines of academic discourse, the classical image of indus-
trial society has played an important role in structuring contempo-
rary social identity and political programmes." The vision of a
society organized around a continuing increase in the efficiency and
scope of manufacturing has served as a kind of template for shaping
social struggles and social reforms. In the Progressive Era, for
example, the idea of industrial society served as the guiding prin-
цип in efforts to reshape American institutions. Similarly, reforms
during the New Deal and in the immediate post–World War II
period continued to rest on the assumption of the centrality of
factory labor. To be sure, there have always been important aspects
of social reality that were inconsistent with the concept of "indus-
trial society"—such as the role of African-Americans in southern
agriculture—but the idea of "industrial society" still served to give
the appearance of coherence to American institutions.

The capacity of social science concepts to define reality is not,
however, unlimited; changes in society can create "theoretical
anomalies" that become progressively more glaring and that can

18. Richard J. Badham, Theories of Industrial Society (New York: St. Martin's

19. There are strong parallels between the argument here and that of Scott
Lash and John Urry, The End of Organized Capitalism (Madison: University of
Wisconsin Press, 1987). In analyzing a number of advanced capitalist societies,
they distinguish between a more coherent period of "organized capitalism" and the
current, less coherent, period of "disorganized capitalism."
undermine the persuasiveness of long-accepted definitions of reality. Three social trends emerged in the 1960s that could not easily be explained or understood as part of industrial society. Each had long historical antecedents, but it was only in the late 1960s that they began to constitute anomalies. Moreover, these trends continued to accelerate through the 1970s and 1980s.

The first of these "postindustrial" trends is the growing importance of services in the economy, and the declining weight of goods production—manufacturing, farming, and mining—in total employment. Although the service category is highly heterogeneous and includes a multitude of different types of activity, the point remains that the factory floor has ceased to be the central locus of employment. But it is not just the statistical reality that is important; it is critical that the most dramatic social conflicts of the 1960s tended to occur in service institutions—universities, welfare offices, and hospitals.

The second trend is the arrival of computer-based automation. This emerged haltingly in the 1960s and has expanded since then. As Larry Hirschhorn and others have argued, computer-based automation tends to change both the organization and the experience of work in both blue-collar and white-collar settings. In particular, the characteristic "industrial" pattern of work organization, in which workers are given narrowly defined repetitious tasks that can be done with relatively little attention, is fundamentally disrupted. Debate still rages over the precise impact of computerization on workers' skill levels, but there is considerable evidence that the new forms of work require higher levels of attention and concentration by employees (this issue will be addressed at greater length in chapter 4).

The third trend is the decline of patriarchy and the breakdown of the linear life course. Earlier patterns of female subordination, based on the restriction of most women to the domestic sphere, have given way to the massive entrance of women into the paid labor force. This movement has been accompanied by a full-scale critique of social inequalities based on gender. Although many of these inequalities remain, it is difficult to exaggerate the cultural significance of the recent changes in women's roles.

Moreover, the decline of patriarchal arrangements is linked to other changes in the adult life course. For some time, men’s lives had been organized around the “one-career, one-marriage imperative”; men were supposed to remain married to the same person for life and remain in the same occupation. Progress through the life course tended to be linear; men were supposed to proceed from education to work to retirement without interruptions or reversals. This pattern came apart—both marriages and occupational careers became more fluid as divorce rates increased and midlife career changes became more common. Now both men and women are more likely to move in and out of the labor force at various times in the course of their lives, the role of education and training has increased dramatically for people over twenty-five, and even the meaning of retirement has begun to change. Together, the changes in women’s roles and the decline of the linear life course have fundamentally changed the individual’s experience of adulthood.

Each trend reverses patterns long identified as fundamental to industrialism, and postindustrial theory was initially developed by Daniel Bell and others in an attempt to explain these discontinuities in social development. “Postindustrial society” is the historical period that begins when the concept of industrial society ceases to provide an adequate account of actual social developments. This definition is meant to locate the key change as occurring at the level of ideas and understanding—that is, our loss of a persuasive master concept for making sense of our own society.

There are two special virtues to this way of defining the postindustrial era. First, such a definition does not assume a particular theory of how society is constituted or of which social dynamics are most fundamental. It is possible to recognize that the society has entered a postindustrial era even in the absence of a theory that

22. These changes in gender roles and the adult life course have been accompanied by the spread of a sensibility that holds that individuals should be free to develop their capacities in response to their own needs. The negative consequences of this sensibility have been a central theme for Daniel Bell, The Cultural Contradictions of Capitalism; Christopher Lasch, The Culture of Narcissism (New York: Norton, 1978); Robert N. Bellah, Richard Madsen, William M. Sullivan, Ann Swidler, and Steven M. Tipton, Habits of the Heart: Individualism and Commitment in American Life (Berkeley: University of California Press, 1985).
explains why those “postindustrial” trends have occurred. In short, postindustrial theory need not be wedded to one position or the other in the debate between materialist and idealist theories of historical change.

Second, this definition highlights the fact that postindustrialism is a period of transition in which efforts to define what kind of society this is and should be take on a special urgency and intensity. It is a period in which basic questions about the organization of society are “up for grabs” and the society can experience rapid shifts in political ideology. The rapidity with which liberalism has fallen from popular favor is an example of such a shift. In this kind of transition, those who are able to shape the definition of what kind of society comes after industrialism will have extra leverage in the struggle to shape social institutions.

Reformulating Postindustrial Theory, 2

This way of formulating the postindustrial problematic solves one problem, but it does not address the other. If postindustrial theory is to contribute to people’s understanding of their society, it must provide more than the claim that there are important discontinuities in social development that undermine previous ways of thinking. It must begin to map out the patterns and characteristic conflicts of the emergent postindustrial society, so that individuals are able to recognize their situations and reshape their behavior and expectations accordingly. Yet this is the recurring paradox. Is such mapping possible without a return to deterministic formulations that assume that the future shape of things already exists in embryonic forms? Moreover, even the development of such a map can be seen as an effort to close off historical possibilities that might still be open.

Constructing social theories is, however, always a political act; there are implicit value positions embedded in any analysis of how social institutions operate and how individuals make choices in particular situations. Hence, there cannot be a purely objective effort to map out the patterns of an emergent social order. This does not mean that any proposed mapping is as good as another; different mappings can do more or less to make sense of the experiences of
different groups of people who will struggle over the proper definition of social reality.

There is a methodology, however, that can minimize both the problem of subjectivism and the problem of prematurely closing off historical possibilities. This method has three steps. It begins with the close examination of actual trends and patterns observable in social life, while avoiding any effort to intuit abstractly the basic organizing principles of an imagined postindustrial future. The idea is simply to map emergent changes in social life. This procedure has pitfalls, because short-lived phenomena can always be seized upon as harbingers of new social arrangements. Moreover, social change occurs unevenly, and in some realms of social life, it might be impossible to detect new patterns of social organization. Nevertheless, the effort to build a theory of postindustrial society out of analyses rooted in the empirical world seems the only approach that can possibly be fruitful.

The second step is to demonstrate, where appropriate, how these observable patterns conflict with the system of categories that has organized social life in the industrial period. Analyses of the decline of the linear life course, for example, show how few individuals are able or willing to organize their adulthood along established lines. Studies of automated workplaces demonstrate that the historic distinction between work and learning as separate activities that take place in separate institutional arenas has increasingly broken down as work and learning become more closely intertwined. The goal of such analyses is to demonstrate both the inadequacies of the older categories and the positive and negative consequences of their decay. As social action spills over the es-

---

23. Categories work imperfectly; there are always exceptions and anomalies and individuals or pieces of data that must be treated with some violence to fit where they are thought to belong. However, the argument here is that there are variations across time in the level and obviousness of these imperfections in systems of categories.


25. Hirschhorn, Beyond Mechanization.
established categories, it simultaneously opens up possibilities for human creativity and development and produces distress and dislocation.\textsuperscript{26}

The third step is the one in which normative concerns become central; the task is to conceive of new categories and new patterns of organizing institutional life that can minimize the negative consequences and maximize the positive consequences of this transition. Hence, the idea of a developmental life course was theorized as a way of moving beyond the breakdown of the linear life course and the study of automated work settings has led to a discussion of institutional arrangements that could effectively combine work and learning.

A body of work built up along these lines would probably not cohere into the kind of unified theory of society developed by nineteenth-century thinkers. However, it could add up to a powerful social map that made sense of the society for individuals and groups and allowed them to understand their personal troubles in relation to historical processes.\textsuperscript{27} The body of work would also chart a range of possibilities for a politics of restructuring social institutions.

The present study is intended to develop such a postindustrial analysis of economic life through the use of this method. The choice of economic life does not rest on a conviction that the economy determines the rest of social life. In fact, much of the argument takes issue with the tendency of both neoclassical economics and Marxism to treat the economy as an analytically separate and determining realm of society. Nor is my argument that the emergence of a postindustrial society depends most critically on economic changes. I am not taking a position on the relative role of cultural, political, social, and economic forces in creating a postindustrial society. All are important and, if anything, it is politics that is most critical, because people's political understanding of what kind of

\textsuperscript{26} For a powerful example of this method at work in describing the psychological consequences of traditional bureaucracy in the postindustrial era, see Hirschhorn, \textit{Workplace Within}.

\textsuperscript{27} This is the now classic definition of the sociological project elaborated by C. Wright Mills, \textit{The Sociological Imagination} (New York: Oxford University Press, 1959).
society they live in influences the way they mobilize or fail to mobilize to achieve certain goals.

The analysis of changes in the economy is developed through a critique of the central categories of neoclassical economics. Neoclassical economics developed in an effort to make sense of a specifically industrial economy, but recent trends have created serious anomalies both for neoclassical theory and for people trying to use that theory in their day-to-day lives.

There is historical precedent for the inability of an established economic tradition to cope with historical changes. Little remained of the tradition of physiocratic economics after the Industrial Revolution, and the classical economists built their system on quite different foundations. The argument of this book is that a similarly radical transformation in economic thought will be necessary to make sense of the economy in a period of postindustrial transition.

Since it has already been noted that a certain type of economic theory has come to play a dominant role in the society’s understanding of itself, a critique of some central concepts of modern economics has important political implications. To be sure, economists are not a homogeneous group; they take a range of different positions on central questions of economic and social policy, such as how important is it to balance the federal budget, how much emphasis should be placed on “deregulating” markets, and so on. However, there are areas of broad consensus within the discipline of economics in the United States—such as the preference for market allocation, the emphasis on investment in tangible capital as a means for expanding output, and the tacit commitment to the idea that employees must accept the authority of their employers.\(^{28}\)

However, if these kinds of consensual economic views are built on industrial foundations that are no longer sound, then there is a justification for a fundamental rethinking of how economic institutions should be organized in this society. Reforms previously dismissed as inconsistent with economic rationality would have to be reconsidered, as would many of the specific assumptions that shape policy-making in a broad range of different fields. The way would be

\(^{28}\) There are, of course, dissenters within economics who question each of these elements of consensus, but their influence is relatively limited.
open for radically new approaches to the organization of economic life.

This book indeed argues that the core positions of neoclassical economics have been weakened by postindustrial trends, and that there is a pressing need to develop a new framework for economic thought. Four key concepts in the neoclassical tradition—the market, labor, capital, and Gross National Product will be critically examined. On the basis of these critiques, the outlines of an alternative framework for thinking about questions of economic policy will be suggested.

**Postindustrialism in International Perspective**

At the outset, however, it is essential to say something about the relation between national societies and the international economy. Much of the argument elaborated in the rest of this book focuses almost entirely on the U.S. domestic economy. This is a glaring omission in a period in which many analysts have stressed the growing internationalization of the world economy. It hardly needs reiterating that many of the world’s major corporations manage subsidiaries operating in a wide range of different countries and that trends in a particular country’s balance of international trade and payments will have a significant impact on both its domestic economy and politics.

Part of the motivation for ignoring these trends and focusing the analysis in this study on the domestic economy is simply the need to make an already ambitious project more manageable. Yet there are also sound intellectual justifications for this narrower focus.

One justification is theoretical; it rests on a way of conceptualizing the international economy that differs from the conventional view. In the conventional view, the existence of an international economy is analytically prior to the domestic economy; each national economy is subject to varying degrees of pressure and constraints that flow from the dynamics of international transactions in goods and services, capital, and, to a lesser degree, labor. This view tends to naturalize the world economy—that is, to see it as having a life of its own independent of politics. Proponents of this view recognize that nations will interfere with the dynamics of that world