



# Book The Weightless World

## Strategies for Managing the Digital Economy

Diane Coyle  
MIT Press, 1999

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### Recommendation

U.S. Federal Reserve Board Chairman Alan Greenspan originated using "weightless" to describe computer-powered information technology. Diane Coyle employs his metaphor to explain that the European world is afflicted with unemployment and insecurity because of the evolution from industrial output to weightlessness. Her view of the new technology's international economic impact is distinctly European/British. She paints her strategy for managing the digital economy with a colorful but broad brush: better education, international ethical standards, governmental flexibility, liberalism. Her writing features quirky phrases, challenging sentence structure, and a few British spellings. Coyle includes surprising anecdotes and sparkling quotes from diverse sources - a valuable lexicon for further reading. *BooksInShort.com* recommends this book to those with an eclectic, liberal, literate, European view of the difference between the U.S. economic experience and that of the rest of the world. Such a reader will be delighted here.

### Take-Aways

- The world is evolving from industrial production to information production, in the form of "weightless" computer-powered data.
- Today, a musical greeting card contains more computing power than existed globally in 1945.
- Money is already an electronic abstraction.
- Weightlessness has wide implications, making us feel this is the age of insecurity.
- Changes in technology underlie European unemployment and economic inequality.
- In weightless economies, the link between production and place, between the economy and the state, is breaking down.
- Governments must develop human resources, and make laws and taxes flexible to match the increased flexibility weightlessness demands of citizens.
- Where employment law and business regulations hamper an economy's adjustment to weightlessness, joblessness will increase, particularly in dying industries; few new jobs will be created.
- To restore their sense of progress, people must learn to manage risk and to take responsibility for their own prosperity.
- Unequal access to high quality education is our root unfairness. More and better education is critical because the weightless world's fundamental natural resource is human creativity and intelligence.

# Summary

## Economics Lite

Fifteen years ago, the value of imports was measured by their weight: hundred-weights of wheat, barrels of oil, tons of computers. Today the idea of weighing a shipment of computers is absurd on its face. Imagine weighing software or a web site or a designer label. They are the new products of the weightless economy.

“One of the characteristics of dematerialized output is that its use by one person does not preclude its use by another.”

Alan Greenspan suggests that only once or twice a century does the world experience radical transformations in what it produces and how. Profound technological change always involves economic upheaval. The world is experiencing one of those radical transformations and a predictable cascade of events is under way. Weightlessness symbolizes the economic effects and implications of this cluster of advances in information and communication technology. Like any technical development, it interacts with other fundamental changes, such as demographic and social trends, and the sweep of political history.

“The Anglo-Saxon economies are seeing a growing division between those who have money but no time and those with all the time in the world but little money.”

At the same time, the industrial world’s population is aging. The number of workers available to pay for the welfare state is declining. In the nations where the population is aging, but is not being replaced by the children of the native populations, the citizens have erected migration barriers to prevent entry and protect local jobs. Ironically, those jobs will soon go unfilled as the population diminishes. Already the borders which are being protected are coming down.

“The new communications technologies might well end up making formal exchange rates increasingly irrelevant.”

The combination of computer technology and cheap telecommunications is leading to a virtual immigration in the industrial world. Rather than import cheap labor, industrial nations are exporting the work. The economic effects would be exactly the same if the companies brought thousands of Mexicans or Pakistanis into the U.S., except that the country would also have the benefits of migrant taxpayers to support the welfare state. Instead, the industrial countries are investing their savings or borrowing money to invest in youthful and productive developing countries. Therefore, they are missing the opportunity to increase their personal income tax base. The companies are prospering while the welfare system slides.

“If none of us can expect a job for life, and know that we will have to hop from job to job, be unemployed, be self-employed, or even emigrate, the tax authorities must not penalize us for this.”

Overlaid upon this demographic dilemma is the emergence of weightlessness, the dematerialization of value. Goods are good but dematerialized services are more valuable. England’s principal contribution to the world economy, its foreign exchange market, for example, is not actually in Britain. The market has dematerialized, becoming weightless, and now exists in cyberspace.

“Local politicians will know more about what is happening in the economy than national leaders can gain from the official statistics and surveys.”

Financial services, especially the international financial markets, have made it possible for irresponsible governments to borrow to finance their tax shortfalls. This has created a new force for control over domestic policy beyond the influence of a nation’s citizens. Thus, for example, when Mexico’s economic policies failed, the International Monetary Fund loaned Mexico billions and, as part of the deal, took over management of the Mexican economy. The IMF compelled the devaluation of currency and created rampant inflation. The least prepared segment of the Mexican population was forced to endure additional hardships. Civil disobedience increased. Even when the currency was stabilized and the debt repaid, civil disobedience persisted.

## The Pain of Unemployment

Where improved technology and poor financial management conspire to reduce job creation, the burden is unfairly distributed. Insecurity becomes a way of life for both the unemployed and employed.

“Money is already an electronic abstraction.”

Everywhere, businesses increase productivity by increasing automation. They save money by reducing the work force and replacing it with automatic devices. The net impact of labor-saving technical change on the job market will always depend on the size of the effects of the new technology combined with the speed with which the new technology spreads. It will also be linked to the rate at which different companies absorb the new technology, and to how easy it is for new firms to start up and for workers to switch jobs. Finally, technology's impact on employment will depend on the general economic policy framework and its ability to respond to new technology in a timely way.

“As well as developing human resources, governments must introduce flexibility in the law and the tax system to match the increased flexibility that is demanded of citizens.”

More than a tenth of the working-age population of continental Europe is unemployed. Most of the rest of the world has less joblessness but much greater inequality and dissatisfaction with work. The results include poverty, stress, social tension, and political discord. For the first time since World War II, individuals rather than corporate bodies - companies or governments - bear the economic risks of everyday life. The result is that we are living in an age of anxiety and insecurity rather than the culture of contentment some thinkers have diagnosed. Most workers worry about their future security because no job is permanent and no boundary seems secure.

“Two-thirds of all the people who have reached the age of 65 throughout all of human history are alive today. One in ten of all the people ever born are still living.”

James Fallows, writing in *The Atlantic Monthly* in 1985, was among the first to describe the U.S. manifestation of the weightless global insecurity: "To the steelworkers of South Chicago everything about the new economy is bad. They see the movement of jobs to the American southwest or to Taiwan as just another way to undercut the workingman's wage. Few of them see a way to adapt to the new order."

“The moral of Oscar Wilde's *Dorian Grey* is as fresh as ever: if you want the world to acclaim or even notice you, stay young in public and keep the wrinkles private.”

This was true in 1985, but MIT economist Paul Krugman sees it differently today: "The destruction of good jobs by American corporations is just not an important part of what is happening to the American worker. The people who are doing really badly are those who do not have good jobs and never did."

“Industrial societies should not break the implicit contracts that they have made to pay pensions out of tax revenues. This is the basis upon which they raised the taxes in the first place.”

The elimination of poverty does not seem too much to demand of a welfare state in a rich economy. Most people would rather be poor in a rich country than poor in a poor country. Because the level of income is always higher, the underclass does better. But the newly industrialized countries, including Southern Asia, have caught up with the industrialized world in infant mortality, life expectancy, and literacy rates. More importantly, the old industrial nations made their gains in such lifestyle measures prior to 1960. This suggests that the welfare state in the old industrial countries is inefficient and burdened with excess baggage.

“Economists generally rely on the life cycle hypothesis which supposes that people borrow as young adults, save in middle age, and run down their savings when retired. Or perhaps as Benjamin Disraeli put it, 'Youth is a blunder, manhood a struggle, old age a regret.'”

Since 1960, government spending - that is, mainly social security spending - has increased in the industrial economies. In the past two decades only, the pace of the increase in spending has become unsustainable. The difficulty is that the citizens' willingness to pay taxes has not increased by quite as much as the need for tax revenue to support the welfare state. Recent research suggests that deprivation is becoming ever more concentrated within the inner cities - and that the losers may become dislocated from mainstream social norms and values.

“Cities have always been the only places where significant economic activity occurs. Efforts to find an alternative, rural path to prosperity have ended in either the mass starvation of the nation or the mass murder of its unwilling peasants by tyrants.”

To counter unemployment in England, the Conservative government introduced "flexibility" to the work place by removing employment protection, reducing non-wage social charges including pension and sick pay, and encouraging part-time work. Unemployment fell in the UK while unemployment continues at double digit levels in the rest of Europe. But the opposition Labour Party capitalized on the insecurities of the two-tiered labor market and won a landslide in 1997. The tension between jobs or equality, unemployment or insecurity is one of the key political dilemmas of the weightless world.

## **What Governments Should Do**

To restore a sense of progress, people need to be equipped to manage risk and to be responsible for their own prosperity. This must start with better education, more education, and better access to education. Unequal access to high quality education is the root unfairness in our economies.

“Why should they even think of moving? Everyone has a story about the friend or nephew who drove to Houston or Denver, found himself stacking bottles at the Seven-Eleven or competing with illegal Mexican immigrants for construction jobs, and drove back home.” - James Fallows

Governments must develop human resources and introduce flexibility in their legal and tax systems to match the increased flexibility that is demanded of citizens. Our pension and social security systems must be as mobile as we are. Governments should eventually give more power to cities, the natural dynamos of an industrial or post-industrial economy. Neither trade restrictions nor increases in government spending for jobs will solve Europe's unemployment problems. Technology, although it causes joblessness, is also the best long-term hope for generating new jobs.

Government should adjust policies to exploit change especially in the "third sector," defined as volunteer organizations and government agencies. Government should abandon the welfare state as a method of protecting citizens from post-war risks that have long vanished and focus on the new risks of the weightless world. Since governments are not doing this, the crisis in the welfare state is about legitimacy as much as it is about funding.

Trans-national economic policy can keep the power of global capital markets in check. Helpful policies might include: policing financial derivatives, agreeing upon product requirements, and setting ethical standards in biotechnology. Weightless activities need to be tethered to an appropriate international legal and social framework.

## **New Global Order**

Globalization is neither bad nor dangerous. Opposition to global forces links the extreme right wing American militias, environmental groups, prominent businessmen of extraordinary wealth, some aid organizations, and many people on the left. These groups believe that if globalization isn't restrained, the results will be social dislocation, riots, urban breakdown, or class warfare. Talk of the impending apocalypse is politically unsophisticated and dangerous nonsense. But the opposite point of view - that globalization has unlimited benefits, if only everybody would stop grumbling - is equally nonsensical. Both opinions are "globaloney."

We live in a weightless world, not a global village. Viewing the world through the lens of weightlessness suggests a radically political reaction to the genuine economic dislocations that are taking place. The fortunate minority of mobile professionals, which has so far reaped the fruits of technological change, cannot get away with presenting world economic transformation as a merely technical question, as hard facts not difficult choices. A new politics of weightlessness is needed so that the economic benefits can be captured and shared. The technocrats must be made accountable for economic success or failure.

## **The Radical Center**

What is needed is a new social, political and economic movement to be called the radical center. "It takes a brave political leader to be unashamedly internationalist these days. The brighter path requires it, however. Those who think of themselves as political liberals

have a duty to say so, loud enough to drown the voices of the fearful majority. Liberalism in one country is a contradiction in terms. We will only realize the full potential of the weightless world if we accept the logic of technology's removal of borders. And that goes for people, as much as money and bits."

## About the Author

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