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**The New Economy Business Model and High-Tech Employment in the United States**  
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The proposed paper will summarize the findings from my soon-to-be released book, *Sustainable Prosperity in the New Economy?: Business Organization and High-tech Employment in the United States* (Upjohn Institute for Employment Research, 2009), and draw out the implications for public policy and further research. The book focuses on the characteristic features of the “New Economy Business Model” (NEBM) in the information and communications technology (ICT) industries. I contrast NEBM, with its vertical specialization and globalization of the value chain, venture capital and entrepreneurial startups, and the interfirm mobility of labor, with the “Old Economy Business Model” (OEBM), with its vertically integrated organizational structures, the growth of established companies, and career employment with one company.

NEBM has definitively replaced OEBM as the dominant mode of business organization in the ICT industries of the United States. NEBM has been an important engine of innovation in the US economy. Yet over the past decade or so, NEBM has contributed to instability and inequity. The increased dominance of NEBM in the organization of the ICT industries has meant increasingly insecure employment and incomes for most workers in this sector, and it has become an important factor in the trend toward greater employment instability and income inequality in the US economy as a whole.

Following the Internet boom and bust, what is particularly novel about the employment situation of the 2000s thus far has been the extent to which this insecurity has afflicted highly educated and experienced members of the US ICT labor force as their former employers prefer to hire younger high-tech workers in the United States. At the same time, companies are also offshoring to lower wage locations the types of high-skill jobs that Americans had thought could never be done abroad. In terms of their education and qualifications, the US high-tech workers who suffer employment insecurity under NEBM are the types of people who in another era would have been the prototypical “organization men”.

I show that the fundamental problem facing the US high-tech labor force in the 2000s is not, however, the globalization of high-tech employment but rather the fact that the US-based ICT companies that reap the profits of globalization have been using those profits to repurchase their own stock (often in addition to paying dividends) in attempts to boost their stock prices rather than increasing investments in R&D and creating higher value-added jobs for their experienced US employees. I critique both the practice of stock buybacks and the ideology of maximizing shareholding value that legitimizes it (see my *Financial Times* comment of September 25, 2008 at [http://www.ft.com/cms/s/0/e75440f6-8b0e-11dd-b634-0000779fd18c,dwp\\_uuid=11f94e6e-7e94-11dd-b1af-000077b07658.html?nclick\\_check=1](http://www.ft.com/cms/s/0/e75440f6-8b0e-11dd-b634-0000779fd18c,dwp_uuid=11f94e6e-7e94-11dd-b1af-000077b07658.html?nclick_check=1)). The critical area for strategic policy intervention—yet one that has been virtually absent from the U.S. policy debate in the 2000s—is corporate governance, by which I mean the institutions and mechanisms that determine and

regulate the ways in which business corporations allocate resources. More specifically, for the sake of stable and equitable economic growth, government policy must focus on the role of the stock market in the corporate allocation of resources. I argue that stock-price movements can be driven by innovation, speculation, and manipulation (including stock buybacks). The general objective of government policy in the area of stock-market regulation should be to eliminate the forces of speculation and manipulation in the determination of stock-price movements so that the stock market can function to support, and stock-price movements reflect, innovation.

A prelude to such policy intervention is a rejection of the overwhelmingly dominant, but, as I show, fundamentally erroneous, ideology that maximizing shareholder value results in superior economic performance. With the transformation of employment relations, the globalization of the high-tech labor force, and the corporate commitment to maximizing shareholder value, well-educated and highly experienced members of the US high-tech labor force face economic insecurity, even when US ICT corporations that could provide them with stable and remunerative employment opportunities are highly profitable. In terms of their accumulated capabilities, these ICT personnel should be among the best positioned in the U.S. labor force to find stable and remunerative employment.

OEBM was hardly perfect, but it did provide employment security, health coverage, and retirement benefits to tens of millions of people whose work was at the heart of the economy. Under NEBM, the corporate economy no longer assumes these collective functions. In an era of open standards, rapid technological change, convergence of technologies, and intense global competition, business enterprises do need to be flexible in the deployment of capital and labor. One way of attaining this flexibility is by giving the organized labor force a major role in enterprise governance, as for example the Japanese, Germans, and Swedes have done, each in their own particular ways. In such a system, there is the possibility of an interaction between business and government to provide widespread economic security in employment and retirement while permitting business enterprises to remain innovative and competitive on a global scale.

The other way is in the era of NEBM works under the pretense that the collective provision of economic security is not required. Just get enough education to be “employable” in a well-paid job, and individual initiative will provide one with the lifetime of security that one needs. From the NEBM perspective, the only legitimate function of the government is to invest in the knowledge base, and even then with no notion that, through taxation, a substantial proportion of the gains from innovative enterprise that this knowledge base makes possible should be returned to the government to support the ongoing development of innovative capabilities in the economy as a whole. My proposed paper for the Atlanta Conference on Science and Innovation Policy will critique this perspective, offer policy recommendations concerning the regulation of the financial sector and corporate financial behavior, and outline an agenda for further research on generating stable and remunerative high-tech employment opportunities in the United States.