

Middle Class Job Creation in the Digital Era

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There is a real crisis brewing in America in the aftermath of outsourcing a major portion the manufacturing workload for our industrial and consumer products to offshore enterprises. A great chunk of our middle class is not only currently out of work but lacking prospects for future employment as well. Without an economically healthy middle class no democracy can thrive for the long term. So where will the next generation of jobs come from? And what can we do in the meantime?

To frame policy effectively, we first need to get grounded in the macro-economic forces that matter. Once that context is established, we can then address where the next generation of opportunities will come from, and what skills and experiences will be needed to capitalize upon them. From that vantage we can look into what social investments we can make today to generate a middle class workforce capable of capitalizing on these opportunities as well as consider what short-term social policies make sense to ease the pain of transition.

Macro-Economic Forces That Matter

First of all, we need to reframe our understanding of and attitude toward three economic forces that are commonly accused of being “the problem.” They are:

- outsourcing,
- offshoring, and
- low-cost wages in foreign countries.

All three of these are and will continue to be persistent elements in the economic landscape, and we need to make our peace with each.

Outsourcing is not the problem. Indeed, it represents the essential fabric of the modern economy. In a prior era, corporations bulked up employment to address end to end the value chain of tasks that led from raw supply to customers’ benefits. Thus, for example, computer companies made their own semiconductors and built their own computers, their own storage, their own systems software, their own applications, all of which were installed and supported by their own consulting forces. Today, for the most part, all these jobs are done by independent specialist companies, for each of which the work in hand is core, and the remainder of the value chain is context. By focusing on core, each firm gets a higher return on invested capital, both financial and human, because it can differentiate for competitive advantage in its area of specialization. By contrast, capital invested elsewhere is just doing its best to keep up and cannot earn a premium for investors. America does outsourcing better than most other countries, and it is no accident that we have thrived in the modern era, even though we have taken hits along the way.

More controversially, I will also argue that *offshoring* and *low-cost wages in foreign countries* are not the problem, although it is not likely any politician could get elected running on this platform. The

fact of the matter, however, is that commodity work will always flow to its source of lowest cost fulfillment, where *cost* is taken in the largest sense of the term (including cost of quality, cost of cycle time delays, exposure to risk, and the like). In a developed economy, there is a minimum living wage (which is typically considerably higher than the “minimum wage” legally specified) which can only be earned by providing a value commensurate with that expense. When the value of the work at hand does not merit such expense, it must go elsewhere. That destination will most likely be a developing economy with a lower cost of living and a great deal to gain by taking on workloads that more developed economies cannot process cost-effectively. But even these economies are not safe, for the ultimate destination for low-cost work is automation where human labor is designed out altogether.

The macro-economic force behind all this relentless attack on labor cost, the one that really does matter and will continue to do so, is *commoditization*. Commoditization is a two-edged sword. It is a boon to the buyer, be that a consumer or a business, because it frees up money and talent to be invested elsewhere. Even for the seller, if the market is price-elastic, it can return a benefit by bringing into the marketplace whole new classes of customers who were excluded by the higher price point. But that all said, for these same sellers, it is an ever present threat to the profit margins they need to sustain themselves, a threat which, if not kept at bay, will eventually take down the strongest franchise.

Enter Innovation

What keeps commoditization at bay? Innovation, of course. That is why it is the focus of this conference and a perennial top concern in any free-market economy. Innovation addresses the force of commoditization in three dimensions:

- It can *differentiate*, and thereby earn a premium return over commoditized competition, restoring the margin differential needed to maintain a developed economy standard of living.
- It can *neutralize*, primarily by catching up to innovations initiated elsewhere, thereby subtracting from the equation a negative force that was bringing down margins.
- And it can *optimize*, extracting more and better output from the same or less input, again improving margins by so doing.

Innovative companies, and indeed innovative countries, must commit to doing all three in parallel. When they succeed in so doing, the returns are both sustainable and attractive. That said, innovation must have a work product to act on. And with the outsourcing of manufacturing to offshore entities, there is a current lack of suitable targets to focus on. That is the challenge we must turn to next.

Economic Opportunities in a Post-Manufacturing Economy

First, let me note that the U.S. may not in fact be a post-manufacturing economy. Pendulums swing in both directions, and one can imagine the manufacturing pendulum swinging back onshore. But there is no guarantee this will happen, and even if it does, it may not happen in a time frame soon enough to solve for the core of our middle class concerns. So for the purposes of this paper,

let us assume that we cannot rely on manufacturing for the foreseeable future and work out what course of action to take in that case.

The core of a post-manufacturing economy evolves from migrating to a digital or information economy. In the latter, information about an entity is often more valuable than the entity itself. That is because it signals a change in the environment that, if acted on in a timely manner, can result in a superior performance. This is true in financial services, in health care, in retail sales, in public safety, in fashion, in media and entertainment, in digital advertising, in publishing, and the like. Digitization, in effect, is reshaping human culture in virtually every aspect, and that creates an enormous workload for the planet to process. This bodes well for job creation if people can put themselves in the way of this work.

To survey the landscape of work from a 50,000 foot perspective, consider the following diagram:

Impact of Digital Economy on Job Opportunities

	Product		Service	
	Complex (B2B)	Volume (B2C)	Complex (B2B)	Volume (B2C)
Market	↑	↑	↑	↑
Sell	↑↓	↓	↑↓	↓
Support	↑	↑	↑	↑
Design	↑	↑	↑	↑
Build	↓	↓	↑	↑
Deliver	↑↓	↑	↑↓	↑↓
Plan	↔	↔	↔	↔
Manage	↑↓	↑↓	↑↓	↑↓
Finance	↔	↔	↔	↑↓

↑ More Jobs
↓ Fewer Jobs
↔ Unchanged
↑↓ Disrupted
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The table reads as follows. Column 1 represents nine basic areas of employment inside any enterprise—small firms combine many into one role, large ones disaggregate each into a suite of more specialized ones. Columns 2 and 3 represent companies that make money primarily via the products model, Columns 4 and 5 companies that do so primarily via the services model. Each is subdivided in two, to discriminate between firms specializing in complex offerings, typically sold to enterprises and governments, typically for hundreds of thousands of dollars or more each, and firms specializing in volume offerings, typically sold to consumers or bought in bulk by enterprises, typically for tens to hundreds of dollars each. It turns out the processes for complex and volume businesses are the same nine, but the skill sets they call for are so radically different, they represent genuinely different employment opportunities.

Given this rationale, there are 36 zones of employment in business enterprises that, due to the impact of migrating from a manufacturing to a digital economy, have been or could be impacted. To get the conversation started, I have represented my hypothesis about each zone by one of four states:

- More jobs in the new economy (15 of 36)
- Fewer jobs in the new economy (4 of 36)

- Unchanged in the new economy (7 of 36)
- Disrupted by the new economy (10 of 36)

Let me emphasize, this is a hypothesis. That is, it is unencumbered by any formal research. As such, it is perhaps a good place to start but a bad place to finish. But to get started properly, let us at least get clarity on what it purports to claim.

At a macro level, this model focuses on the private sector in general, and on businesses more than professions. The idea here is not to identify “good jobs” or “dead-end jobs” so much as to locate engines of employment or reemployment. In other words, we are looking at the forces that will shape the landscape of employment rather than specific job training targets. In my view this creates a much more sustainable platform for policy and public sector investment.

Net Gains

In that context, the first thing to notice about our hypothesis is that three of the nine mega-functions that make up an enterprise are all going to generate more jobs in a digital economy than in a manufacturing economy. Those functions are:

- Marketing
- Customer Service and Support
- Engineering and Design

Let’s look at each in turn.

Marketing is being completely disrupted by the transition from traditional media to digital engagement. This alone is causing enormous churn in the profession. But more importantly, in a digital economy, the transaction costs of marketing plummet to near zero, which means the return on marketing has escalated dramatically. As a result, more enterprises want to put more dollars to work in this area. Net net, business not only needs *new* talent, it needs *more* talent, and is willing to pay for lots of it—provided that it is truly talented.

Customer Service and Support is also being amplified by the dramatic reduction in transaction costs enabled by digital infrastructure. At the same time, as more and more digital capabilities become embedded in what were formerly non-digital products, customers and consumers have become increasingly challenged to make things work the way they are supposed to (or we as users *think* they are supposed to). Add to all this the global shift toward a disaggregated supply and delivery chain, where value chains have to connect seamlessly across multiple independent enterprises in order to fulfill even the simplest transactional request (think how many companies play a role every time you buy a present on Amazon and ship it to the recipient), and it should not surprise that the sheer demand for customer service and support is escalating dramatically.

Engineering and Design to date have been the elite professions that lead the digital economy, and no doubt will continue to be for some time to come. But however much that traditional workload continues to grow, it may not make many jobs for a middle class—there are only so many rock stars in any given population. However, there is a second layer of engineering and design work that can be done by mere mortals in earth time, and arguably it is growing even faster than the first. Specifically I am talking about the design and engineering of *digital workflows*, be they within the corporation or beyond. Every business process—and I really do mean every business process—is

being redesigned, or will be shortly, to integrate with digital information systems. This represents a near infinite workload, not only because it is so pervasive, but also because, given the rapidly changing nature of the digital landscape, it is never really done.

That's the low hanging fruit for major job creation. In addition, there are three other unequivocally positive zones for new job creation in this model as well. Let's take a look at each:

Build services within a complex business model. This is part of a global shift away from the product model and toward the service model as a way of delivering value, particularly in a developed economy with built-out digital infrastructure. Enterprise Information Technology is an early indicator of this sea change where all the growth is shifting to cloud computing, a model that delivers infrastructure, enabling software, and end-user applications all in a services model. As this infrastructure proliferates, the next generation of offers will accelerate the delivery of business process outsourcing as a service since someone is going to have to build software to execute all those digital workflows that are being redesigned. This software is likely to be built more through assembly of pre-existing Lego-like modules than de novo creation of new code, which means these jobs will not just be for a programming elite but can instead become livelihoods for a software-literate middle class.

Build services within a volume business model. The same arguments hold here as with the prior point. The difference is that most of this work will get done by truly small businesses—often just one person—creating an offer that they deliver over the Web. Power sellers on eBay represent one class of this new wave of employment, but the opportunities are legion. This is the ultimate expression of the impact of a digital economy on driving down transaction costs—anybody can get into business on the Web.

Deliver products in a volume business model. In the digital economy, more and more retail commerce is being transacted on line instead of in store, which means consumers are no longer self-delivering goods to their homes or places of business. This is creating massive growth in transportation and logistics workloads. Historically, this has been a relatively low value-adding occupation, hence not suitable for sustaining a middle class lifestyle, but with drivers now armed with digital accessories, these physical points of contact can be leveraged to create monetizable transactions around a variety of commercial and social services. Knowing how and when to, manage, select, and deliver from a portfolio of these transactions will be sufficiently value adding in my view to clear our targeted wage hurdle.

Net Losses

Offsetting the gains described above, again following our table of 36 zones, there are four areas where the tide of job creation is going out, not coming in. All things being equal, public policy must swim with the tide rather than against it if it is to create the greatest good for the greatest number. So we need to assess these zones as potential “non-candidates” for public investment.

Needless to say, there will always be local interests that will argue for investment regardless, either by way of compensation for hardship or in hope of future gains. Acquiescing to these calls for support, however, leads to a “peanut-buttering” of investment across a wide range of entitlements, resulting in considerable deployment of resources, achieving little to no gain in economic power. In other words, it represents a failure in public policy. The key principle here is one that executives

and managers in every field must learn, and often the hard way: No policy can succeed without the courage to say no.

The areas in question are as follows:

- Selling products in a volume business model
- Selling services in a volume business model
- Building products in a complex business model
- Building products in a volume business model

Again, let's look at each in terms of warranting public policy support for the purpose of generating sustainable middle class employment.

Selling products within a volume business model essentially equates to retail sales associate positions, primarily in stores. The rise of e-commerce directly reduces the need for a large number of these positions. Ideally this would at least result in a higher standard of professionalism among the remaining positions staffed, thereby warranting an increase in wages toward middle class status, but in actual fact it appears to be having the opposite effect, commoditizing the role to a lowest common denominator entry-level position that is far below our target range in wage.

Selling services within a volume business model is undergoing a similar dynamic, taking place primarily in call centers. Here automated sales and marketing tools are leveraging digital infrastructure to extend the reach of these associates, and one can expect the number of jobs to grow in this sector. But commoditization is, at least for the time being, winning the battle against value add, resulting again in a failure to generate a wage scale consistent with middle class aspirations.

Building products within either a complex business model or a volume business model represent the remaining two segments. Both require sustained capital investment to keep competitive. That in turn attracts an ecosystem of skilled labor to run these systems, hence the desirability to host manufacturing as a means of sustaining a middle class. But this is an increasing returns phenomenon, meaning that the bigger you get, the more competitive you are. By contrast, seeking to play this game on a part-time basis, as a second tier player, is a non-starter. The only way you can make it work is through protectionism, which can work over the short term to mitigate social disruption, but which cannot work in the long term. The net of this is, China has become the manufacturing gorilla, and there is no turning back from that outcome.

Rather than anguish about this turn of affairs, it is better for us to turn to a third area for policy attention, namely job sectors that are being disrupted by digital infrastructure. This is by far the largest category in terms of total number of jobs affected, and depending on how we respond to changes here we can make major gains or losses in middle class outcomes. (In the interests of time, I will simply not comment on jobs that appear to me to be unchanged.)

Occupations in Flux

There are two classes of change here. The first is focused on the customer engagement portions of the complex business model, specifically *selling* and *delivering*. In both cases there is an irreducibly complex interaction that requires direct personal engagement to achieve a successful outcome. What has changed is that digital infrastructure allows a significant portion of that

interaction to be done remotely, via chat, email, web conferencing, or video conferencing. The proliferation of broadband networks and smart devices has dramatically escalated both the availability and the quality of these media, with the result that “virtual” experts can serve multiple client situations in highly dispersed geographies without ever leaving their home base. At the same time, these media also allow customer issues to be passed up or down the line to the resource best equipped to cope with them.

The impact of these infrastructure changes extends beyond any specific cell in our job matrix to what some are calling the *virtualization* of work. As more and more work can be delivered digitally, the need to collocate is diminishing, and this is leading to the single most dramatic disruption of all—a reengineering of the role of *manager*, as well as the function of management itself, across the board.

In an era of collocation, first level management was essentially a supervisory function, beginning with time and attendance, moving on to task assignments and work-in-process inspection. In a virtual world, by contrast, there is no time and attendance, and the only inspection that matters is the finished work product. How it is done, where it is done, and when it is done is up to the agent assigned the work. This gives rise to a whole new set of management challenges, focused largely on orchestrating the end result of the work so that all the task silos come together to create the committed outcome.

Under the pressure of these new demands, management is evolving from a command and control to a collaboration paradigm, where the first-line manager is responsible for engaging and enlisting the work force and then holding it accountable to key metrics of quality, quantity, and timeliness. These metrics are embedded, either formally or informally, in service level agreements, and performance against them in turn drives compensation and promotion. And finally the metrics themselves are simply proxies for gauging the quality of the delivered end user experience that is the ultimate justification for the entire value chain, whether that is paid for by end users themselves, as it is in a B2C model, or by the enterprises employing them, as it is in a B2B model.

The net of all of the above is that, to stay relevant and competitive, the current generation of middle managers must adjust to a dramatic change in management paradigm, and many are struggling to make the cut, as are the organizations that employ them. There is a mistaken tendency to attribute the resulting tension to the entrance of a new generation of “millennials” into the work force, but the reality is that it is the work itself that is morphing to incorporate digital resources, and the millennials are simply the ones that are most at home with these changes. The problem is that many of them are simply too young and too inexperienced to play the middle management role at this point in their careers. The net is that there is a growing unmet demand for next-generation management, and this represents a major source of middle class employment if we can get current managers over the hump.

The United States, in particular, has a lot at stake here. Middle management is one of our greatest differentiating strengths. Neither China nor India, the two fastest growing large economies, have anything like the capability needed in this area. As a result, both will languish for an extended period in the command and control paradigm, putting them at a disadvantage when it comes to leveraging the dynamics of a digital economy. By contrast, countries and companies that can implement and scale a digitally enabled collaborative model will be able to capture superior returns from a globalized marketplace. That, in my view, should be a key focus for public policy in the

current decade.

Innovation that Matters

In *Dealing with Darwin*, I took the opportunity to survey the landscape of innovation broadly and ended up building three clusters of innovation types around the disciplines of *product leadership*, *customer intimacy*, and *operational excellence*. Most of the dialog in the high tech sector has focused primarily on product leadership, and specifically on the impact of disruptive innovation as both a creative and destructive force, with Silicon Valley being the poster child for wealth and job creation. In this model, the focus is on resourcing an elite few who are able to drive exceptional outcomes, accruing extraordinary wealth which then creates a broader swath of job opportunities—as many as 5 jobs outside of tech for everyone created inside it according the UC Berkeley economist. Enrico Moretti. There is a lot of public policy focused on supporting this paradigm, but it is not the subject of this paper.

Instead I have chosen to take a different focus, one based on reengineering existing categories to adapt to and capitalize upon the already accomplished dramatic expansion in digital infrastructure. Here innovation that matters falls more in the areas of customer intimacy, specifically design innovation, and of operational excellence, specifically business model innovation. Both of these areas are getting attention today, but I believe they warrant even more in the future.

Design innovation has taken center stage at Stanford University by virtue of the D-School, a privately funded enterprise that awards no degrees but instead simply offers classes related to *design thinking* as a problem solving discipline. The key tactic embodied in design thinking is to initiate innovations not by focusing first on inventing technology solutions but rather on accurately characterizing user problems. The user experience in this model becomes both the alpha and the omega of the innovation journey—it determines where the energy gets invested at the outset and what the criteria are success at the endpoint.

In a landscape reshaped by digital infrastructure, where value chains have been disaggregated and work has been virtualized, there is a growing need to knit things back together to ensure end-to-end delivery of value to the end user. That is precisely what design innovation is so good at addressing. Because it starts and ends with the user experience, it makes end-to-end delivery fundamental to every deliverable at every stage of the innovation process. This is key to success in the digital universe because it ensures that creative activity remains attached to value delivery to the end customer who must pay for everything if the system is to continue to operate.

Ensuring end-to-end delivery of a quality end user experience is a job for middle management. Any part of it may be done by entry level staff, but they do not have the reach or perspective to handle the complexity of end to end. And it cannot be done by more senior executives because it requires too much attention to too local a level of detail. Finally, and most concerning, it cannot be done by a traditional middle manager who wants to organize work around a command and control paradigm. That approach focuses on managing a collocated work force with only a peripheral view of the end customer. That simply won't do in the digital world where the end customer increasing power and influence. Instead, middle management has to orchestrate a customer-centric process flow within a collaborative paradigm. Fortunately, that is precisely what design thinking encourages.

The second form of innovation that will be privileged in this new era is *business model innovation*. In

a manufacturing-centric economy, the dominant business model is simply the product model. Services are an adjunct, typically a cost center. In a post-manufacturing economy, the roles reverse. Services are the dominant source of revenues, and products are an adjunct. This changes the playing field dramatically.

Business model innovation has radically reshaped the tech sector in the past decade. Google in Search, Facebook in social networking, Amazon in e-commerce, Apple in digital content, Salesforce.com in software as a service—each has carved out a vibrant franchise in the midst of deeply entrenched competition. But this form of innovation has applications far beyond the tech sector. Health care, education, financial services, state and local government, hospitality, transportation—all can be and are being reengineered around new business models that will upend the status quo.

All this reengineering results in new classes of jobs emerging to overtake the traditional ones, and the key to middle class success is for members of the workforce to embrace these new roles and evolve their skills to excel at them. Such risk taking does not sit well with a traditional concept of work and the work force. Labor unions, in particular, appear inherently wedded to a command and control paradigm that digital infrastructure is increasingly marginalizing. Instead of management versus labor, the role of customer versus contractor is the winning game to play. Whether one literally contracts to a single client (e.g. one's employer of record) or takes on multiple clients as a free agent, one is always in this model a contractor of one sort or another, always acting in some sense as a company of one, and always putting oneself in service to some paying customer.

This leads us to one last form of innovation that must become a core competence for this new workforce: *marketing*—specifically, marketing oneself. In the command and control paradigm, once you got the job, it was supposedly your boss's job to market you. You just showed up and did the work. That is no longer the case (and indeed probably never was). Now for certain you have to market you (and, yes, you still have to show up and do the work, although you can often show up digitally and save yourself a commute). The good news is that there is plenty of work to be done under this model. The challenge is to market yourself to gain access to that stream of work.

In Closing: Some Implications for Policy

Innovations needed to increase middle class job creation

To sum up the foregoing argument, the innovations needed to increase middle class job creation during a transition to a digital economy include the following:

- *Broader and deeper “digital literacy,”* including some ability to engage with software systems directly. Think of this as comparable to the transition to textual literacy during the Renaissance: Western Europe went from a society of scribes, where reading and writing were specialized skills, to one of in which they were broad-based qualifications for citizenship. Our citizenry needs to do the same with software now.
- *A familiarity with design thinking.* This too needs to move from a specialized skill to a general capability, a norm of tackling problems from the point of solution back instead of from the point of supply forward.
- *A facility with collaborative management.* This is a mode of management in which authority

is located in accountability for the completed task, not in a position in a reporting hierarchy. Getting things done by orchestrating task streams and holding agents accountable within them is the new norm.

- *An entrepreneurial approach to self-employment.* This is a move from an employee model to a free agent model, where individuals make markets for themselves and capture increased returns for so doing. The focus must shift, in words, from entitlement to opportunity.

These are the innovations needed to transition from a command-and-control paradigm to the new economy. The great irony of invoking public policy at this point is that there is no greater command-and-control institution in our economy than government itself. Thus, much as it may mean well, it is simply not equipped to lead this transition.

So, in the spirit of “Lead, Follow, or Get Out of the Way,” here are some proposed policies for government to consider:

When to Lead

There are at least three places where the government can and should lead during this transition. They are:

- *Maintain the rule of law*, and continue to prosecute corruption. There is nothing more discouraging to entrepreneurial behavior than to have the fruits of one’s efforts appropriated illegally.
- *Secure the digital infrastructure.* The Internet is indeed the information highway, but also the work-transport highway as well. It needs to be continually modernized to support heavier traffic and higher speeds.
- *Ensure an open marketplace.* Free-market economics need to be supervised to ensure that predators are prevented from creating monopolistic cartels. This is a slippery slope, to be sure, but we have seen too many instances of self-regulation going astray to forego governmental regulation altogether.

When to Follow

Government itself can and will benefit from applying the same innovations to itself that we are advocating for the middle class work force. In particular, it can embrace:

- *Design innovation.* How much more efficient and effective would social services be if they were reengineered back from the citizen end user experience instead of being engineered forward from the convenience and predilections of a command-and-control bureaucracy?
- *Business model innovation.* There are many, many untapped sources of revenue the government could access if it redesigned its services to compete more effectively with the private sector.
- *Marketing innovation.* All programs need to engage and enlist participants in order to succeed. The days when governments could simply announce and citizens would follow are long gone. Failed marketing accounts for at least as much waste as failed execution.

When to Get Out of The Way

The fundamental channels for adapting our economy to digital infrastructure are best navigated by the private sector operating freely. These include several areas where the government has traditionally participated in a big way. Here are three where we need to redirect these efforts away from the field of play:

- *Education.* Education at every level labors under a command-and-control paradigm of entitlements and regulations that is deeply counter-productive to the kind of adaptive behavior needed at this time. Fortunately, the inefficiencies of this system are coming home to roost, and this is creating opportunities for economic returns that can and will attract private capital. The main thing is not to make these adaptations illegal.
- *Innovation.* Periodically governments try to get in the venture capital business as a way of seeding innovation in particular sectors or communities. It's a waste of money. Venture investing is a merciless exercise in Darwinian outcomes; governments bring too much compassion and too little discipline to the party and thus fail the course. Just stop.
- *Job creation.* A command-and-control paradigm will create command-and-control job opportunities. This is not what we need at this time. It may help mitigate some of the worst dislocations, and in that spirit I would temporarily endorse it, but it is not a recipe for the future.

The Current Middle Class

In closing, however, we have to deal with one last problem, the elephant in the room, which is what can public policy really do to address the dislocations of the current middle class? These are people in the 40's, 50's, and 60's who were raised under the old paradigm and have social contracts with that paradigm which are now being renegotiated or even abrogated altogether. From an entitlement perspective, they are getting screwed. The problem is, the entitlement paradigm itself has broken down and is no longer able to sustain its commitments. Now what?

There are no happy answers to this question. At the margin, government can and should maintain as good a social safety net as it can afford, particularly in health care, and here I think we will see unanticipated benefit from health care reform. One of the great challenges of entrepreneurial business model has been the lack of access to benefit packages at a reasonable cost, and health care reform can go a long way to alleviating this.

Tax incentives can also help prop up traditional command-and-control paradigm businesses to ease the transition to a digital economy. The degree to which we can efficiently and effectively counter the offshore flow of manufacturing work, the better for all, so here in particular tax policy can lend a hand. The key here is to keep such incentives local so that they do not create loopholes for enterprises for whom they are not intended.

But the deep and abiding need is for patience and prudence. Compassion is a beautiful thing, but sentimentality is a destructive force. When an institution is fundamentally in the wrong position to help directly, it must refrain from spending its resources unproductively. Instead it must focus on the work it can do, and do it well, and for as little tax on the economy as possible, and then trust in our markets and our culture to find their own way. We have always been a culture that values

individualism. We just did not anticipate how much pressure we were going to put on the individual in today's world.